

Annual Report 2025

Merbein District
Community Financial
Services Limited

Community Bank
Merbein & District

ABN 68 108 297 945

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Chair's report

For year ending 30 June 2025

It is with great pride that I present the Chair's Report for the 2024–25 financial year — a year that again demonstrated the strength, resilience, and community spirit that defines our Community Bank Merbein.

Despite a challenging economic environment and a tightening of interest margins across the industry, our branch delivered another profitable result. While the profit was down on last year's record performance, it remains a strong outcome that enables us to continue investing in our community and rewarding our loyal shareholders. The Board is pleased to announce that a dividend will again be paid this year, reaffirming our ongoing commitment to returning value to those who support us.

A highlight of the year has been our **largest-ever Sponsorships and Grants Program**, through which we distributed significant funding to local schools, sporting clubs, community groups, and not-for-profit organisations. With this year's contributions, **our total community investment now exceeds \$800,000** — a remarkable milestone that reflects the lasting difference local banking can make.

Our staff continue to be the heart of our success. Led by **Branch Manager Shane**, our dedicated team of **Jenny, Dana, Melissa, Michelle, and Haley** have provided outstanding service and support to our customers and community. We were sad to farewell **Michelle**, who has been a valued part of the team, but we're delighted to welcome **Haley** back to the branch. Her return adds strength and experience to an already capable and committed group.

I also extend my sincere appreciation to our **voluntary Board members** — **Jeanette Worthington OAM (Secretary), Ryan Maddox, Simon Stirrat, Sally Keens, and Mal Lennie** — who each bring valuable skills, commitment, and community insight to the governance of our company. Their dedication ensures our branch continues to serve the Merbein community with integrity and purpose.

On behalf of the Board, I thank **Regional Manager Shaun Leech** and the **Bendigo Community Bank support staff** for their guidance and ongoing assistance throughout the year. Their support helps us maintain strong performance and a clear community focus.

Finally, I thank our shareholders, customers, and the wider Merbein community for your continued trust and support. Together, we are creating a stronger, more connected, and more vibrant community — one partnership at a time.



Malcolm Bennett
Chair
Community Bank Merbein

Manager's report

For year ending 30 June 2025

Community Bank Merbein & District in conjunction with the Bendigo Bank continue to provide all facets of banking services to the local community with positive results as follows for 2024-2025 financial period, these included:

- An increase in overall deposits for the budget year.
- An increase in overall lending for the budget year.
- Record dollar levels regarding Sponsorship and Grants given out to the Community for the budget year.

Future Aims:

The Community Bank Merbein & District continues to offer our customers the option of local banking services face to face plus many other extra banking services. With modern day challenges we are proud to offer local services and solutions to both new and old customers in their banking needs. It is our aim to build up our relationship with individual, businesses and community organisations in a positive way which will be beneficial to all.

Staff & Board:

I would like to thank the contribution of all the community branch staff being Jenny Milner, Dana Giddings, Melissa Dowdy, Haley Hlasny and Michelle Dalla Santa. Like everything change occurs and Michelle has moved on to the Mildura Branch, and it was sad to see her go and we wish her well and thank her for her dedicated service. Haley returns after a three-year break and is a well-known face to our customers.

Our staff have extensive banking experience which is displayed by the caring way they attend to our valued customers. I would just like to thank them for their ongoing efforts in supporting me and our customers. I would also like to thank Cath Dunning our Social-Media/Sponsorship Co-Ordinator without Cath many things that have happened would not have happened, so thanks for all you have done.

While the staff may have changed the board has not, I would like to thank Malcolm, Jeanette, Ryan, Sally, Mal, and Simon for their continued voluntary efforts in the support of Community Bank Merbein & District. The Board while only small in numbers continue to be dedicated in assisting the bank to supply local banking to our community. I would particularly like to thank Malcolm (Chair) and Jeanette (Secretary) in their support of me and for their many dedicated hours.

Community Contributions:

Our Community Grants/Sponsorship scheme again reached a record level in dollar value for the 2024-25 budget year with the grants/sponsorships again supporting many different community organisations and sporting groups within Merbein and other surrounding districts. The more these groups support us with not only their organisations banking but also their members personal banking the more funds we can give back to the community in the future.

I would also like to thank Community Bank Merbein & District shareholders many of whom made a commitment over 20 years ago to support having a local bank, hopefully we have provided a bank that you are proud of and it should be noted that many larger towns than Merbein do not have a community bank.

Now over two years into the Branch Managers role I am still learning many things, but the main thing I fully understand is the most important people who allow us to operate are our customers and shareholders and without their contribution we would not exist. Thank you all again for your ongoing support.

Your Sincerely

Shane Carmichael
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2025

This year marks another significant chapter in our shared journey, one defined by **adaptation, collaboration, and remarkable achievements**. I'm immensely proud of our collective progress and the unwavering commitment demonstrated by our combined networks.

We began 2025 with a renewed focus on **model evolution**, a top priority that guided our decisions and initiatives throughout the year. This involved navigating the Franchising Code and broader regulatory changes to the **Franchise Agreement**. Thanks to the network's proactive engagement and cooperation, we successfully reviewed the agreement, and the necessary changes were implemented smoothly.

Beyond the operational successes, I want to highlight the **invaluable contributions** our Community Banks continue to make to their local communities. The dedication and commitment to supporting local initiatives remain a cornerstone of our combined success and a source of immense pride for Bendigo Bank.

In FY25, more than \$50 million was invested in local communities, adding to a total of \$416 million since 1998. This funding enables community infrastructure development, strengthens the arts and culturally diverse communities, improving educational outcomes, and fosters healthy places for Australians to live and work.

On behalf of Bendigo Bank, thank you for being a shareholder in your local Community Bank. Your resilience, adaptability, and unwavering belief in our vision have been instrumental in our success. You are an integral part of the Bendigo Bank Community Banking family.

Your continued support is vital, and the results we've achieved together in 2025 underscore the continuing relevance and importance of the Community Bank model.

Justine Minne

Head of Community Banking, Bendigo Bank

Community Bank National Council report

For year ending 30 June 2025



A warm welcome to our existing and new shareholders. Thank you for your support and for sharing in our purpose. We're immensely proud of our Community Bank network which was a first mover in Australia in 1998 through our unique social enterprise model.

The principles of the Community Bank model are the same as they were when the first Community Bank opened its doors. The principles are centred on:

- Relationships based on goodwill, trust and respect
- Local ownership, local decision making, local investment
- Decisions which are commercially focussed and community spirited
- Shared effort reward and risk; and
- Decisions which have broad based benefits.

Today the network has grown to 303 Community Bank branches. We represent a diverse cross-section of Australia with more than 214 community enterprises, 70,000+ shareholders, 1,500+ volunteer Directors, 1,700 staff and 998,000 customers.

Our Community Bank National Council (CBNC) plays a pivotal role in the success story. The CBNC consists of both elected and appointed members from every state and territory sharing and reflecting the voice of the network. It's the role of the CBNC to initiate, lead and respond to strategic issues and opportunities that enhance the sustainability, resilience and prospects of the Community Bank model.

We utilise a range of forums to ensure the ongoing success of the network. Our State Connect events have been one of many network engagement activities that have enabled Bendigo Bank execs, staff, the CBNC and Directors to come together to share ideas, insights and ensure we are collaborating better together.

As consumer behaviours shift, and the environment in which we operate challenges the status quo, we embrace the opportunities that come with this new reality. We've already completed the mandatory changes to the Franchise Agreement with Bendigo Bank which were required by 1 April 2025.

The mandatory changes of the Franchise Agreement were in response to the Franchise Code of Conduct Review along with requirements from other external statutory and government bodies. This process which was led by Council in partnership with the Bank, was necessary to ensure our long-term sustainability. Council also sought legal advice on behalf of the network to ensure the changes were fair.

We also recognise the time is now to consider our model and how we combine the value of local presence with new digital capabilities that expand rather than diminish our community impact. This work forms part of the Model Evolution process which will be co-designed with Bendigo Bank and implemented over the next 12 months. Building further on our enhanced digital presence, community roots and measurable impact, we've reached another major milestone. We now have 41 Community Bank companies formally certified as social enterprises through Social Traders. It's a powerful endorsement of our commitment to delivering both commercial and social outcomes.

This recognition through Social Traders opens new opportunities for our network. It's paved the way for new partnerships with other enterprises in the sector that share our values and mission to build a better, stronger Australia.

Our increased engagement with the broader social enterprise sector has not only enabled us to diversify our partnerships; we've also deepened our impact. Over \$416 million and counting – that's how much has been reinvested back into local communities.

As we look to the future, we remain committed to the founding principles of the Community Bank model. Community is at the centre of everything we do, and our purpose remains clear: to create meaningful, lasting value for the communities we serve.

Community Bank National Council

Directors' report

30 June 2025

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2025.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name:	Malcolm Raymond Bennett
Title:	Non-executive director
Experience and expertise:	Malcolm is a horticulturalist and a partner in family dried fruit property, he is secretary of Merbein branch of Dried fruits Australia, Secretary/Treasurer Mildura Red Cliffs Rifle Club, President of Sunrise Steam Preservation Society, Former Board member Lower Murray Water and he holds an Associate Diploma of Mechanical Engineering. He is a current director of Merbein Contract Harvesting.
Special responsibilities:	Chair, Marketing and Development Committee
Name:	Jeanette Ellen Worthington
Title:	Non-executive director
Experience and expertise:	Jeanette is a partner in family Electrical Contracting Business. Jeanette has been Secretary of Merbein District Community Financial Services Limited since its inception and member of the sponsorship/marketing sub-committee. Jeanette has been associated with the administration of community and sporting clubs across Sunraysia for many years.
Special responsibilities:	Secretary, Member of Marketing and Development Committee
Name:	Ryan Christian James Maddox
Title:	Non-executive director
Experience and expertise:	Solicitor practicing in Commercial Law in Mildura since 2008. Employed in Business and Corporate Banking with NAB from 2001-2008. Former President and Secretary of Northwest Law Association (NWWLA). Former Director of Sunraysia Junior football league. Bachelor of Economics and Bachelor of Laws from University of Tasmania. Graduate Diploma of Legal Practice from College of Law. Part of Northern Mallee Leadership Program Alumni.
Special responsibilities:	Member of Marketing and Development Committee
Name:	Sally Mareea Keens
Title:	Non-executive director
Experience and expertise:	Pharmacist. Sally holds a Bachelor of Pharmacy and is a member of the Rotary Club of Mildura/Merbein.
Special responsibilities:	Member of Marketing and Development Committee
Name:	Simon Crawford Stirrat
Title:	Non-executive director
Experience and expertise:	Simon has a PHD and 30 years experience in state government and university employment.
Special responsibilities:	Member of Marketing and Development Committee
Name:	Malcolm David Lennie
Title:	Non-executive director
Experience and expertise:	Supervising Telstra Technician. Horticulture Farmer. Fishing Club.
Special responsibilities:	Member of Marketing and Development Committee

Company secretary

The company secretary is Jeanette Worthington. Jeanette was appointed to the position of company secretary on 10 March 2004.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

Directors' report (continued)

There have been no significant changes in the nature of this activity during the financial year.

Review of operations

The profit for the company after providing for income tax amounted to \$106,355 (2024: \$185,535).

Operations have continued to perform in line with expectations.

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	2025 \$	2024 \$
Fully franked dividend of 8 cents per share (2024: nil cents)	43,393	-
Unfranked dividend of nil cents per share (2024: 5 cents)	-	27,121
	<u>43,393</u>	<u>27,121</u>

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

No matter, circumstance or likely development in operations has arisen during or since the end of the financial year that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Meetings of directors

The number of directors meetings (including meetings of committees of directors) attended by each of the directors of the company during the financial year were:

	Board		Marketing & Development Committee	
	Eligible	Attended	Eligible	Attended
Malcolm Raymond Bennett	11	11	1	1
Jeanette Ellen Worthington	11	11	1	1
Ryan Christian James Maddox	11	10	-	-
Sally Mareea Keens	11	6	-	-
Simon Crawford Stirrat	11	8	1	1
Malcolm David Lennie	11	9	-	-

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Directors' report (continued)

Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Malcolm Raymond Bennett	500	-	500
Jeanette Ellen Worthington	5,251	-	5,251
Ryan Christian James Maddox	1	-	1
Sally Mareea Keens	3,000	-	3,000
Simon Crawford Stirrat	-	1	1
Malcolm David Lennie	2,500	-	2,500

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2025 and up to the date of this report.

Indemnity and insurance of directors and officers

The company has indemnified all directors and management in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or management of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Directors' report (continued)

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 23 to the accounts.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Malcolm Raymond Bennett
Chair

7 October 2025

Auditor's independence declaration



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
03 5443 0344

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Merbein District Community Financial Services Limited

As lead auditor for the audit of Merbein District Community Financial Services Limited for the year ended 30 June 2025, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 7 October 2025

A handwritten signature in black ink, appearing to read 'Jessica Ritchie'.

Jessica Ritchie
Lead Auditor

Financial statements

Merbein District Community Financial Services Limited Statement of profit or loss and other comprehensive income For the year ended 30 June 2025

	Note	2025 \$	2024 \$
Revenue from contracts with customers	6	855,934	856,974
Finance revenue		8,844	-
Total revenue		<u>864,778</u>	<u>856,974</u>
Employee benefits expense	7	(434,327)	(383,579)
Advertising and marketing costs		(10,510)	(3,251)
Occupancy and associated costs		(27,195)	(29,547)
System costs		(20,532)	(19,466)
Depreciation and amortisation expense	7	(47,483)	(42,574)
Finance costs		(12,633)	(1,751)
General administration expenses		(77,718)	(67,353)
Total expenses before community contributions and income tax		<u>(630,398)</u>	<u>(547,521)</u>
Profit before community contributions and income tax expense		234,380	309,453
Charitable donations and sponsorships expense		<u>(92,818)</u>	<u>(63,423)</u>
Profit before income tax expense		141,562	246,030
Income tax expense	8	<u>(35,207)</u>	<u>(60,495)</u>
Profit after income tax expense for the year		106,355	185,535
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>106,355</u></u>	<u><u>185,535</u></u>
		Cents	Cents
Basic earnings per share	25	19.61	34.21
Diluted earnings per share	25	19.61	34.21

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Financial statements (continued)

Merbein District Community Financial Services Limited Statement of financial position As at 30 June 2025

	Note	2025 \$	2024 \$
Assets			
Current assets			
Cash and cash equivalents	9	403,008	395,750
Trade and other receivables	10	58,559	65,744
Investments	11	208,844	200,000
Current tax assets	8	5,015	-
Total current assets		<u>675,426</u>	<u>661,494</u>
Non-current assets			
Property, plant and equipment	12	54,329	51,512
Right-of-use assets	13	160,001	115,515
Intangible assets	14	56,572	-
Deferred tax assets	8	-	2,035
Total non-current assets		<u>270,902</u>	<u>169,062</u>
Total assets		<u>946,328</u>	<u>830,556</u>
Liabilities			
Current liabilities			
Trade and other payables	15	65,264	63,013
Lease liabilities	16	16,031	15,781
Current tax liabilities	8	-	29,524
Employee benefits		11,090	22,031
Total current liabilities		<u>92,385</u>	<u>130,349</u>
Non-current liabilities			
Trade and other payables	15	46,671	-
Lease liabilities	16	141,717	100,966
Deferred tax liabilities	8	2,223	-
Employee benefits		1,542	783
Provisions		7,230	6,860
Total non-current liabilities		<u>199,383</u>	<u>108,609</u>
Total liabilities		<u>291,768</u>	<u>238,958</u>
Net assets		<u>654,560</u>	<u>591,598</u>
Equity			
Issued capital	17	490,005	490,005
Retained earnings		<u>164,555</u>	<u>101,593</u>
Total equity		<u>654,560</u>	<u>591,598</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Financial statements (continued)

Merbein District Community Financial Services Limited Statement of changes in equity For the year ended 30 June 2025

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2023		490,005	(56,821)	433,184
Profit after income tax expense		-	185,535	185,535
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	185,535	185,535
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for or paid	19	-	(27,121)	(27,121)
Balance at 30 June 2024		<u>490,005</u>	<u>101,593</u>	<u>591,598</u>
 Balance at 1 July 2024		 490,005	 101,593	 591,598
Profit after income tax expense		-	106,355	106,355
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	106,355	106,355
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for or paid	19	-	(43,393)	(43,393)
Balance at 30 June 2025		<u>490,005</u>	<u>164,555</u>	<u>654,560</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Financial statements (continued)

Merbein District Community Financial Services Limited Statement of cash flows For the year ended 30 June 2025

	Note	2025 \$	2024 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		948,712	960,280
Payments to suppliers and employees (inclusive of GST)		(766,525)	(691,179)
Interest received		8,844	-
Interest and other finance costs paid		-	(2)
Income taxes paid		(65,488)	-
Net cash provided by operating activities	24	125,543	269,099
Cash flows from investing activities			
Payments for investments		(8,844)	(200,000)
Payments for property, plant and equipment	12	(18,826)	-
Payments for intangible assets		(14,143)	(13,990)
Net cash used in investing activities		(41,813)	(213,990)
Cash flows from financing activities			
Interest and other finance costs paid		(12,163)	(1,175)
Dividends paid	19	(43,393)	(27,121)
Repayment of lease liabilities		(20,916)	(19,635)
Net cash used in financing activities		(76,472)	(47,931)
Net increase in cash and cash equivalents		7,258	7,178
Cash and cash equivalents at the beginning of the financial year		395,750	388,572
Cash and cash equivalents at the end of the financial year	9	403,008	395,750

The above statement of cash flows should be read in conjunction with the accompanying notes

Notes to the financial statements

30 June 2025

Note 1. Reporting entity

The financial statements cover Merbein District Community Financial Services Limited (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 66 Commercial Street, Merbein VIC 3505.

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

Note 2. Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis and are presented in Australian dollars, which is the company's functional and presentation currency.

The directors have a reasonable expectation that the company has adequate resources to pay its debts as and when they fall due for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 7 October 2025. The directors have the power to amend and reissue the financial statements.

Note 3. Material accounting policy information

The accounting policies that are material to the company are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Adoption of new and revised accounting standards

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The company has assessed and concluded there are no material impacts.

Accounting standards issued but not yet effective

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2025. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Notes to the financial statements (continued)

Note 3. Material accounting policy information (continued)

Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The directors continually evaluate their judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

The directors base their judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Judgements

Timing of revenue recognition associated with trail commission

The company receives trailing commission from Bendigo Bank for products and services sold. Ongoing trailing commission payments are recognised on a monthly basis when earned as there is insufficient detail readily available to estimate the most likely amount of revenue without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission revenue is outside the control of the company.

Allowance for expected credit losses on trade and other receivables

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

The company has not recognised an allowance for expected credit losses in relation to trade and other receivables for the following reasons:

- The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end.
- The credit risk (i.e. the risk that a customer will not make repayments) is for Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit. The directors are not aware of any such non-compliance at balance date.
- The company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company
- The company has not experienced any instances of default in relation to receivables owed to the company from Bendigo Bank.

Impairment of non-financial assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. The directors did not identify any impairment indications during the financial year.

Notes to the financial statements (continued)

Note 4. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term.

In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

The company includes extension options applicable to the lease of branch premises in its calculations of both the right-of-use asset and lease liability except where the company is reasonably certain it will not exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the leased premises.

Estimates and assumptions

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives or assets that have been abandoned or sold will be written off or written down.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, which is generally the case for the company's lease agreements, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. This rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in July 2029.

The company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

Notes to the financial statements (continued)

Note 5. Economic dependency (continued)

The credit risk (i.e. the risk that a customer will not make repayments) is for Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

Note 6. Revenue from contracts with customers

	2025 \$	2024 \$
Margin income	704,050	704,710
Fee income	54,997	57,009
Commission income	96,887	95,255
	<u>855,934</u>	<u>856,974</u>

Accounting policy for revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement, as follows:

<u>Revenue stream</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of GST. There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates, interest rates and funds transfer pricing and other factors, such as economic and local conditions.

Notes to the financial statements (continued)

Note 6. Revenue from contracts with customers (continued)

Margin income

Margin income on core banking products is arrived at through the following calculation:

	Interest paid by customers on loans less interest paid to customers on deposits
plus:	any deposit returns i.e. interest return applied by Bendigo Bank for a deposit
minus:	any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission income

Commission income is generated from the sale of products and services. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation. Refer to note 4 for further information regarding key judgements applied by the directors in relation to the timing of revenue recognition from trail commission.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank including fees for loan applications and account transactions.

Core banking products

Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Ability to change financial return

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service.

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

Note 7. Expenses

Employee benefits expense

	2025 \$	2024 \$
Wages and salaries	369,598	328,547
Superannuation contributions	37,846	37,556
Expenses related to long service leave	(3,455)	(6,941)
Other expenses	30,338	24,417
	<u>434,327</u>	<u>383,579</u>

Accounting policy for employee benefits

The company seconded employees from Bendigo and Adelaide Bank Limited. The total cost of these employees, including an allowance for accrued annual and long service leave, is charged to the company by Bendigo and Adelaide Bank Limited by offsetting against the monthly profit share arrangement. The company recognises these costs as an expense on a monthly basis.

Notes to the financial statements (continued)

Note 7. Expenses (continued)

Depreciation and amortisation expense

	2025 \$	2024 \$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	5,626	12,313
Plant and equipment	1,765	1,273
Motor vehicles	8,618	8,619
	<u>16,009</u>	<u>22,205</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	<u>17,331</u>	<u>9,421</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	2,357	1,824
Franchise renewal fee	11,786	9,124
	<u>14,143</u>	<u>10,948</u>
	<u><u>47,483</u></u>	<u><u>42,574</u></u>

Note 8. Income tax

	2025 \$	2024 \$
<i>Income tax expense</i>		
Current tax	31,134	45,896
Movement in deferred tax	4,257	3,910
Under/over adjustment	(184)	(1,036)
Recoupment of prior year tax losses	-	11,725
	<u>35,207</u>	<u>60,495</u>
<i>Aggregate income tax expense</i>		
	<u><u>35,207</u></u>	<u><u>60,495</u></u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	<u>141,562</u>	<u>246,030</u>
Tax at the statutory tax rate of 25%	35,391	61,508
Tax effect of:		
Non-deductible expenses	-	23
	<u>35,391</u>	<u>61,531</u>
Under/over adjustment	<u>(184)</u>	<u>(1,036)</u>
Income tax expense	<u><u>35,207</u></u>	<u><u>60,495</u></u>

Notes to the financial statements (continued)

Note 8. Income tax (continued)

	2025 \$	2024 \$
<i>Deferred tax attributable to:</i>		
expense accruals	1,419	1,419
employee provisions	3,798	6,342
make-good provision	1,807	29,187
lease liabilities	39,437	1,715
property, plant and equipment	(8,684)	(7,749)
right-of-use assets	(40,000)	(28,879)
Deferred tax asset/(liability)	(2,223)	2,035
	2025 \$	2024 \$
Income tax refund due	5,015	-
	2025 \$	2024 \$
Provision for income tax	-	29,524

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Accounting policy for current tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Accounting policy for deferred tax

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Note 9. Cash and cash equivalents

	2025 \$	2024 \$
Cash at bank and on hand	403,008	395,750

Note 10. Trade and other receivables

	2025 \$	2024 \$
Trade receivables	51,953	59,138
Prepayments	6,606	6,606
	58,559	65,744

Notes to the financial statements (continued)

Note 10. Trade and other receivables (continued)

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end.

Note 11. Investments

	2025 \$	2024 \$
<i>Current assets</i>		
Term deposits	208,844	200,000

Note 12. Property, plant and equipment

	2025 \$	2024 \$
Leasehold improvements - at cost	126,257	113,829
Less: Accumulated depreciation	(103,307)	(97,681)
	22,950	16,148
Plant and equipment - at cost	60,525	54,128
Less: Accumulated depreciation	(51,625)	(49,861)
	8,900	4,267
Motor vehicles - at cost	43,093	43,093
Less: Accumulated depreciation	(20,614)	(11,996)
	22,479	31,097
	54,329	51,512

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Leasehold improvements \$	Plant and equipment \$	Motor Vehicles \$	Total \$
Balance at 1 July 2023	28,461	5,540	39,716	73,717
Depreciation	(12,313)	(1,273)	(8,619)	(22,205)
Balance at 30 June 2024	16,148	4,267	31,097	51,512
Additions	12,428	6,398	-	18,826
Depreciation	(5,626)	(1,765)	(8,618)	(16,009)
Balance at 30 June 2025	22,950	8,900	22,479	54,329

Accounting policy for property, plant and equipment

Property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to the financial statements (continued)

Note 12. Property, plant and equipment (continued)

Depreciation is calculated on a diminishing value and straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	5 to 15 years
Plant and equipment	5 to 10 years
Motor vehicles	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 13. Right-of-use assets

	2025 \$	2024 \$
Land and buildings - right-of-use	223,619	161,802
Less: Accumulated depreciation	(63,618)	(46,287)
	<u>160,001</u>	<u>115,515</u>

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings \$
Balance at 1 July 2023	9,822
Remeasurement adjustments	115,114
Depreciation expense	<u>(9,421)</u>
Balance at 30 June 2024	115,515
Remeasurement adjustments	61,817
Depreciation expense	<u>(17,331)</u>
Balance at 30 June 2025	<u>160,001</u>

Accounting policy for right-of-use assets

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease. Right-of-use assets are subject to impairment and are adjusted for any remeasurement of lease liabilities.

Refer to note 16 for more information on lease arrangements.

Notes to the financial statements (continued)

Note 14. Intangible assets

	2025 \$	2024 \$
Franchise fee	105,437	93,651
Less: Accumulated amortisation	(96,008)	(93,651)
	<u>9,429</u>	<u>-</u>
Franchise renewal fee	227,178	168,249
Less: Accumulated amortisation	(180,035)	(168,249)
	<u>47,143</u>	<u>-</u>
	<u><u>56,572</u></u>	<u><u>-</u></u>

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Franchise fee \$	Franchise renewal fee \$	Total \$
Balance at 1 July 2023	1,824	9,124	10,948
Amortisation expense	<u>(1,824)</u>	<u>(9,124)</u>	<u>(10,948)</u>
Balance at 30 June 2024	-	-	-
Additions	11,786	58,929	70,715
Amortisation expense	<u>(2,357)</u>	<u>(11,786)</u>	<u>(14,143)</u>
Balance at 30 June 2025	<u><u>9,429</u></u>	<u><u>47,143</u></u>	<u><u>56,572</u></u>

Accounting policy for intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>	<u>Expiry/renewal date</u>
Franchise fee	Straight-line	Over the franchise term (5 years)	July 2029
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	July 2029

Amortisation methods, useful life, and residual values are reviewed and adjusted, if appropriate, at each reporting date.

Notes to the financial statements (continued)

Note 15. Trade and other payables

	2025 \$	2024 \$
<i>Current liabilities</i>		
Trade payables	25,249	41,755
Other payables and accruals	40,015	21,258
	<u>65,264</u>	<u>63,013</u>
<i>Non-current liabilities</i>		
Other payables and accruals	46,671	-
	<u>46,671</u>	<u>-</u>
	2025 \$	2024 \$
<i>Financial liabilities at amortised cost classified as trade and other payables</i>		
Total trade and other payables	111,935	63,013
less GST payable to the ATO included in trade and other payables	(5,064)	(13,351)
	<u>106,871</u>	<u>49,662</u>

Note 16. Lease liabilities

	2025 \$	2024 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	16,031	15,781
	<u>16,031</u>	<u>15,781</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	141,717	100,966
	<u>141,717</u>	<u>100,966</u>
<i>Reconciliation of lease liabilities</i>		
	2025 \$	2024 \$
Opening balance	116,747	17,182
Remeasurement adjustments	61,817	119,200
Lease interest expense	12,263	1,175
Lease payments - total cash outflow	(33,079)	(20,810)
	<u>157,748</u>	<u>116,747</u>

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially measured at the present value of the lease payments to be made over the term of the lease, including renewal options if the company is reasonably certain to exercise such options, discounted using the company's incremental borrowing rate.

The company has applied the following accounting policy choices in relation to lease liabilities:

- The company has elected not to separate lease and non-lease components when calculating the lease liability for property leases.
- The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases and low-value assets, which include the company's lease of information technology equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the financial statements (continued)

Note 16. Lease liabilities (continued)

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end date used in calculations
Merbein branch	7.50%	5 years	1 x 5 years	Yes	July 2034

Remeasurement adjustments

The company has determined it is now reasonably certain to exercise the extension options available for the branch lease. As such a remeasurement of the right-of-use asset, lease liability and make-good provision occurred using the revised lease term end date of July 2034.

Note 17. Issued capital

	2025 Shares	2024 Shares	2025 \$	2024 \$
Ordinary shares - fully paid	542,411	542,411	542,411	542,411
Less: Equity raising costs	-	-	(52,406)	(52,406)
	<u>542,411</u>	<u>542,411</u>	<u>490,005</u>	<u>490,005</u>

Accounting policy for issued capital

Ordinary shares are recognised at the fair value of the consideration received by the company being \$1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Rights attached to issued capital

Ordinary shares

Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank branch have the same ability to influence the operation of the company.

Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Notes to the financial statements (continued)

Note 17. Issued capital (continued)

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and their associates) has a prohibited shareholding interest in are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 18. Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the financial year can be seen in the statement of profit or loss and other comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Notes to the financial statements (continued)

Note 19. Dividends

The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

	2025 \$	2024 \$
Fully franked dividend of 8 cents per share (2024: nil cents)	43,393	-
Unfranked dividend of nil cents per share (2024: 5 cents)	-	27,121
	<u>43,393</u>	<u>27,121</u>

Franking credits

	2025 \$	2024 \$
Franking credits (debits) arising from income taxes paid (refunded)	65,488	-
Franking debits from the payment of franked distributions	(14,464)	-
	<u>51,024</u>	<u>-</u>
<i>Franking transactions that will arise subsequent to the financial year end:</i>		
Balance at the end of the financial year	51,024	-
Franking credits (debits) that will arise from payment (refund) of income tax	(5,015)	-
Franking credits available for future reporting periods	<u>46,009</u>	<u>-</u>

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Note 20. Financial risk management

The company's financial instruments include trade receivables and payables, cash and cash equivalents, investments and lease liabilities. The company does not have any derivatives.

The directors are responsible for monitoring and managing the financial risk exposure of the company, to which end it monitors the financial risk management policies and exposures and approves financial transactions within the scope of its authority.

The directors have identified that the only significant financial risk exposures of the company are liquidity and market (price) risk. Other financial risks are not significant to the company due to the following factors:

- The company has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars.
- The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings, Bendigo Bank is rated A- on Standard & Poor's credit ratings.
- The company has no direct exposure to movements in commodity prices.
- The company's interest-bearing instruments are held at amortised cost which have fair values that approximate their carrying value since all cash and payables have maturity dates within 12 months.
- The company has no borrowings.

Further details regarding the categories of financial instruments held by the company that hold such exposure are detailed below.

Notes to the financial statements (continued)

Note 20. Financial risk management (continued)

	2025 \$	2024 \$
Financial assets at amortised cost		
Trade and other receivables excluding prepayments (note 10)	51,953	59,138
Cash and cash equivalents (note 9)	403,008	395,750
Investments (note 11)	208,844	200,000
	<u>663,805</u>	<u>654,888</u>
Financial liabilities at amortised cost		
Trade and other payables (note 15)	106,871	49,662
Lease liabilities (note 16)	157,748	116,747
	<u>264,619</u>	<u>166,409</u>

At balance date, the fair value of financial instruments approximated their carrying values.

Accounting policy for financial instruments

Financial assets

Classification

The company measures its financial assets at amortised cost.

The company's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and investments in term deposits.

Derecognition

A financial asset is derecognised when the company's contractual right to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Impairment of trade and other receivables

Impairment of trade receivables is determined using the simplified approach which uses an estimation of lifetime expected credit losses. The company has not recognised an allowance for expected credit losses in relation to trade and other receivables. Refer to note 4 for further information.

Financial liabilities

Classification

The company classifies its financial liabilities at amortised cost.

The company's financial liabilities measured at amortised cost comprise of trade and other payables and lease liabilities.

Derecognition

A financial liability is derecognised when it is extinguished, cancelled or expires.

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of \$403,008 and term deposits \$208,844 at 30 June 2025 (2024: \$395,750 and \$200,000).

Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Notes to the financial statements (continued)

Note 20. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The following are the company's remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2025				
Trade and other payables	60,200	46,671	-	106,871
Lease liabilities	25,000	100,000	101,008	226,008
Total non-derivatives	85,200	146,671	101,008	332,879
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2024				
Trade and other payables	49,662	-	-	49,662
Lease liabilities	16,363	65,453	82,476	164,292
Total non-derivatives	66,025	65,453	82,476	213,954

Note 21. Key management personnel disclosures

The following persons were directors of Merbein District Community Financial Services Limited during the financial year and/or up to the date of signing of these Financial Statements.

Malcolm Raymond Bennett	Sally Mareea Keens
Jeanette Ellen Worthington	Simon Crawford Stirrat
Ryan Christian James Maddox	Malcolm David Lennie

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 22. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 21.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Terms and conditions of transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Notes to the financial statements (continued)

Note 22. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	2025 \$	2024 \$
The company provided a sponsorship to Merbein Cemetery Trust where a director's spouse is the President. The total benefit received was:	4,000	-
The company received electrical services from Worthington Electrics where a director is the owner. The total amount paid for this service was:	610	610
The company provided a grant to Cullulleraine Music Festival in 2025, where a director is a committee member on the organising committee. The total benefit received was:	2,000	-
The company provided a grant to Sunraysia Steam Preservation Society where a director is the President. The total benefit received was:	1,000	-

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

	2025 \$	2024 \$
<i>Audit services</i>		
Audit or review of the financial statements	8,530	6,650
<i>Other services</i>		
Taxation advice and tax compliance services	1,120	800
General advisory services	4,295	3,070
Share registry services	7,131	7,015
	12,546	10,885
	21,076	17,535

Note 24. Reconciliation of profit after income tax to net cash provided by operating activities

	2025 \$	2024 \$
Profit after income tax expense for the year	106,355	185,535
Adjustments for:		
Depreciation and amortisation	47,483	42,574
Lease liabilities interest	12,263	1,175
Change in operating assets and liabilities:		
Decrease in trade and other receivables	7,185	17,609
Increase in income tax refund due	(5,015)	-
Decrease in deferred tax assets	2,035	14,599
Increase/(decrease) in trade and other payables	(7,650)	7,357
Increase/(decrease) in provision for income tax	(29,524)	29,524
Increase in deferred tax liabilities	2,223	-
Decrease in employee benefits	(10,182)	(29,215)
Increase/(decrease) in other provisions	370	(59)
Net cash provided by operating activities	125,543	269,099

Notes to the financial statements (continued)

Note 25. Earnings per share

	2025 \$	2024 \$
Profit after income tax	<u>106,355</u>	<u>185,535</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>542,411</u>	<u>542,411</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>542,411</u>	<u>542,411</u>
	Cents	Cents
Basic earnings per share	19.61	34.21
Diluted earnings per share	19.61	34.21

Note 26. Commitments

The company has no commitments contracted for which would be provided for in future reporting periods.

Note 27. Contingencies

There were no contingent liabilities or contingent assets at the date of this report.

Note 28. Events after the reporting period

No matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Directors' declaration

30 June 2025

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2025 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the company does not have any controlled entities and is not required by the Accounting Standards to prepare consolidated financial statements. Therefore, a consolidated entity disclosure statement has not been included as section 295(3A)(a) of the *Corporations Act 2001* does not apply to the entity.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Malcolm Raymond Bennett
Chair

7 October 2025

Independent audit report



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
03 5443 0344

Independent auditor's report to the Directors of Merbein District Community Financial Services Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Merbein District Community Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2025 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

We have audited the financial report of Merbein District Community Financial Services Limited (the company), which comprises the:

- Statement of financial position as at 30 June 2025
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including material accounting policies, and the
- Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2025, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Andrew Frewin Stewart
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Independence

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the financial report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 7 October 2025

A handwritten signature in black ink, appearing to read 'Jessica Ritchie'.

Jessica Ritchie
Lead Auditor

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