Mount Martha Community Enterprises Ltd

ABN 25 142 190 949

2021 Annual Report

Community Bank · Mount Martha

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Chairman's report

For year ending 30 June 2021

Community Bank Mount Martha has now been trading for a little over 10 years and I'm pleased to be able to tell you that despite the difficulties experienced over the past 12 months as a consequence of COVID-19 that Community Bank Mount Martha is trading very well. The 2020/21 year has been a year of change and achievement.

My report this year is shorter than it has been in previous years because other than to report that 2020/21 was a good year for Community Bank Mount Martha there is very little for me to say, and I think that that is a good thing.

The financial statements for the last year are included with this report and you will see that they show a very pleasing performance. I urge you to read through them carefully as they give you an insight into the financial progress that Mount Martha Community Enterprises Ltd has made over the past 12 months. Should you have any questions the Deputy Chair of the Governance Audit and Finance Committee Geoff Kidd is happy to address them.

Community Bank Mount Martha's performance under the leadership of Manager Gary Sanford continues to be ahead of prospectus expectations and well ahead of your Board's expectations. Gary is now about to start his third year of service. There can be little doubt that without his enthusiastic guidance the past two years would have told a different financial story.

At the close of business 30 June, Community Bank Mount Martha's footings had grown from $157.5 million last year to $177.5 million which was a very very pleasing result allowing that your Board had budgeted for the footings to increase to $166.8 million

This increase in footings is particularly significant because with reduced interest rates, profit margins have significantly decreased which has meant that without a significant improvement in footings (which determines profitability) Community Bank Mount Martha would not have been able to continue to be financially successful and make worthwhile contributions to our community and at the same time pay shareholders a dividend.

During the year Community Bank Community Enterprises Ltd contributed in excess of $79,600 to community groups and organisations and paid a dividend of 3.5 cents per share.

For the 2021/22 financial year your Board has budgeted to contribute $130,000 to community groups and organisations.

I am very pleased to announce that your Board has declared a dividend of 4 cents per share this year. That dividend will be paid to shareholders next month. If any shareholder has not already provided banking details for the payment of the dividend I urge you to contact the branch as soon as you can as without shareholder banking details your dividend cannot be paid.

Last year I reported that your Board had decided to change the premises from which Communtiy Bank Mount Martha operates. That change whilst it presented some challenges for both your Board and Manager Gary and his team has proved to be a success . The new premises are clean modern and whilst compact establish a good working environment for management and staff.

The move has had the dual benefits of bringing Communtiy Bank Mount Martha into the main commercial centre of the Village whilst at the same time significantly reducing rental obligations with a positive effect on long term profitability.

One of the challenges which faces management is to keep change of staff to a minimum. Your Branch Manager Gary has been able to achieve that. I welcome Amye Tebbutt as a new member of the hard-working team.

Your Board continues its ongoing search for new Directors and is mindful how important Board renewal is to any organisation. On a sad note during the year two Directors Lisa Gould and John Forsyth found it necessary to resign due to business and personal pressure. I thank them both for the time and effort they contributed during their time as Directors.

I am particularly sad to have to tell you that long serving Deputy Chair and Secretary Geoff Kidd has decided that he will not stand for re-election at this evening’s meeting. Geoff joined your Board in June 2010 and over his 11 years as a Director he has been a source of inspiration guidance and wise counsel. His background as an Accountant enabled him to guide your Board through it’s many and oft times difficult financial decisions. He has served as Treasurer, Secretary, Member of and Deputy Chair of the Governance Audit and Finance Committee and Vice Chairman . Geoffrey thank you for your service you will be greatly missed.

During the year your Board welcomed three new Directors.

Matt (Matt) Forsyth joined your Board in March Matt is an Accountant and has followed in his father’s footsteps and accepted appointment to the very important role of Treasurer.

Christopher (Chris) Keen joined your Board in April. Chris is a Mount Martha resident and family man, he is a builder and brings to your Board a wealth of management and accounting skills.

Danielle (Dan) Force joined your Board in July. Dan is also a local Mount Martha resident and parent. She is the proprietor of Via Batisti and brings to your Board a wealth of entrepreneurial and management skills

You will be asked to ratify their appointment at the Annual General Meeting.

As I have said in previous years, good governance is essential for the success of Mount Martha Community Enterprises Ltd and good governance can only come from the leadership of a good hard-working Board. The Constitution of your Board rests solely in your hands as shareholders. I urge you to consider nominating yourself or nominating someone that you know and respect as a Director. It is essential that your Board is diverse in composition. At the moment not only is your Board depleted in number, but it not does not have an equality of gender representation. Both these issues need to be addressed.

I am confident that as shareholders we can all look forward optimistically to 2022 and beyond despite the challenges that Mount Martha Community Enterprises Ltd and the wider Australian economy almost certainly will encounter.

Nick Roberts .OAM
Chairman.

Manager's report

For year ending 30 June 2021

The 2021 financial year has certainly been one of constant change and challenge, which I am pleased to say Community Bank Mount Martha has handled well.

Lockdowns have become far too regular and just when we think we are out of them they are back in place very quickly.

The later part of 2020 the property market was subdued and who would have anticipated the property value boom we have seen in 2021. This has stimulated some additional lending activity as Vendors have cashed in on the high prices and new loans needed to secure a property

	30 June 2020	30 June 2021
Footings	$157.49 million	$177.49 million
Deposits	$81.03 million	$100.05 million
Lending	$75.40 million	$76.20 million
Other facilities	$1.06 million	$1.24 million

That's' a growth of $20.00 million (12.7%) for the year against a budget growth of $9.35 million. The bulk of this growth has been deposits at $19.02 million, however our lending growth was impacted during June 21 by $14 million approx. of Business Banking loans being paid out. Although this was disappointing, the loss was offset by a similar amount of Consumer Loans growth (Mainly Home Loans) during the year, which has been a very pleasing result.

Overall a very satisfying performance, which continues our previous year's growth of $42.54 million.

Staff

Our staffing was placed under pressure in the early months of 2021 with the resignation of Julie Nairn, who moved to Community Bank Mt Eliza. While we searched for a replacement, we were forced to close the branch on occasions at lunch times and early some days. Fortunately, we were able to secure the services of Amye Tebbutt as a full time Customer Service Officer who has adapted very quickly and is proving to be an excellent addition to our staff.

I would like to also congratulate Stacey Wakeman who was promoted to an Assistant Manager during the year and has continued her excellent contribution to our company and service to our customers.

Also, both Sarah and Narelle have performed another year with the company and continue to provide good customer service to our community.

Community

With the increase in our footings, we have been able to sustain income levels even though margins in the banking industry have dropped with reduced interest rates. It has been pleasing that our community funding's more than doubled in the 2021 financial year, up from $35,000 approx. in 2020 to $80,000 in 2021. It is very exciting that our 2022 budget has been increased to $130,000.

Summary

As we continue to promote: "Support the Bank that Supports Your Community", we look at innovative ways to support all parts of our community.

Highlights for me during the year have been some of our Community Funding initiatives, which have been on top of our ongoing sponsorship and grant funding. These include:

- $8,500 to assist Volpino's provide meals to those impacted by COVID-19 in our community

- 160 x $50 Gift vouchers ($8,000) purchased from local businesses impacted by COVID-19 who operate in the Mt Martha Shopping precinct
- 8 jointly branded Marquees provided to local sporting and community groups.

We look forward to continuing with these initiatives during the 2022 financial year too.

On 26 May 2021 we were able to host a Federal Budget Overview Breakfast at South Beach Project just before Lockdown five came into force. We had Bendigo Bank's Chief Economist David Robinson as our guest speaker. Approximately 50 local business and community people attended who all seemed to get a lot out of the morning. This is something we will look to continue doing

Overall, it has been a very successful 2021 financial year in unusual times and I look forward to what the 2022 financial year will bring.

Gary Sanford
Manager

Directors' report

For the financial year ended 30 June 2021

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2021.

Directors

The directors of the company who held office during the financial year and to the date of this report are:

Nicholas John Roberts

Non-executive director

Occupation: Legal Practitioner

Qualifications, experience and expertise: Nick was managing partner of Roberts Partners, a large legal practice on the Mornington Peninsula, responsible for the development and management of the firm's professional and business practice. A qualified accountant and tax agent, he now practices as an arbitrator and mediator, with many years of experience in those fields. Over the years Nick has had a committed involvement in local clubs and associations having served in positions with the Mt Martha Rotary Club including two terms as President.

Special responsibilities: Chairman and Human Resources Committee

Interest in shares: 20,001 ordinary shares

Colin Stanley Forsyth

Non-executive director

Occupation: Retiree

Qualifications, experience and expertise: Colin has an accounting diploma and has worked for Bluescope Steel for 30 years where he predominantly worked in management accounting roles. He was also a director and member of the audit committee for the Lysaght Credit Union during that time.

Special responsibilities: Treasurer, Chair Governance, Audit and Finance Committee

Interest in shares: 2,000 ordinary shares

Geoffrey Ian Kidd

Non-executive director

Occupation: Accountant

Qualifications, experience and expertise: Geoffrey was principal of P R Jennings & Co, Certified Practicing Accountants for over 20 years. He holds a degree in economics and has a Practicing Certificate from CPA Australia and is a Registered Company Auditor. Located in Mornington, P R Jennings & Co provide a wide range of tax accounting and audit services to a client base predominantly centred on the Mornington Peninsula.

Special responsibilities: Deputy Chair, Audit and Governance Sub Committee

Interest in shares: 2,001 ordinary shares

Wilfred John Schubert

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Operated a newsagency with Tattslotto Licence and Post Office. Banking experience with Resi State and Heine Management.

Special responsibilities: Marketing & Business Development Committee

Interest in shares: nil share interest held

Directors (continued)

Bruce Blackwood Ranken

Non-executive director (appointed 28 September 2020)

Occupation: Adecco - State Manager Victoria

Qualifications, experience and expertise: Bruce is a manager with over 21 years experience in Recruitment, Human Resources and leading large teams. Originally a chef by trade Bruce transitioned into recruitment and focused on the hospitality sector, becoming a partner in the largest hospitality recruitment business in Victoria. He then transitioned into the blue collar & trades sector of recruitment where he led large teams across the country, delivering to national clients across other sectors including agriculture, Wine and Automotive. More recently now working with a global firm and leading the Victorian Team in blue collar, white collar, trade, health and automotive. He has always looked beyond the paid employment and given back wherever possible. This includes board positions held at Recruitment Consulting Services Association. Bruce was a former Councillor for Nillumbik Shire from 2016-2020 which also included the positions of Deputy Mayor 2018-2019, Chair of Finance and Governance, Chair of Social Infrastructure and Audit and Risk committee member. Bruce's other interests include the Rotary International and Scouting Association. Bruce holds a Diploma in Human resources, Hospitality Management and Events Management whilst also being a member of the Australian Institute of Company directors and Retirement Consulting Services Association.

Special responsibilities: Chair Human Resources Committee

Interest in shares: nil share interest held

Matt Neil Forsyth

Non-executive director (appointed 25 March 2021)

Occupation: Accountant

Qualifications, experience and expertise: Matt has an Accounting Diploma and is currently undertaking his accounting degree. He has worked for BCV Financial Solutions for the past 3 years primarily in Tax Accounting.

Special responsibilities: Member of the Governance, Audit and Finance Committee.

Interest in shares: nil share interest held

Christopher James Keen

Non-executive director (appointed 29 April 2021)

Occupation: Builder

Qualifications, experience and expertise: Christopher holds a Diploma and Certificate 4 in Building and Construction and maintains another directorship position a Keen Construction Co Pty Ltd.

Special responsibilities: Governance, Audit and Finance Committee

Interest in shares: nil share interest held

Danielle Simone Force

Non-executive director (appointed 29 July 2021)

Occupation: Café Owner

Qualifications, experience and expertise: Danielle is a Wesley College Graduate in 1990, and holds a Bachelors degree in Visual Communications from RMIT. She has previously been a self-employed photographer from 1995-2001 until transitioning into event planning as a director of Better Chemistry Pty Ltd from 2000-2008. She has run and owned her own cafe from 2013 to present. Danielle also has experience as a self expression and leadership coach from 2001-2008.

Special responsibilities: Human Resources Committee

Interest in shares: nil share interest held

Directors (continued)

John Robert Forsyth

Non-executive director (resigned 4 August 2021)

Occupation: Property Consultant, Valuer & Licensed Real Estate Agent

Qualifications, experience and expertise: Business experience is as a property consultant, real estate agent and valuer, now specialising in the areas of commercial and retail property. Formal qualification is CPV - Certified Practising Valuer. Experience in governance, aspects of finance, business and property has been obtained through employment with Hill Samuel Ltd, now Macquarie Bank, as a partner in Fitzroys Pty Ltd for twenty-five years and more recently, a smaller business known as Scrivener Forsyth which has, as its major activity, involvement in several aspects of dispute resolution. Also appointed as a member of the Victorian Civil and Administrative Tribunal. Additionally, broader experience has been gained through extensive involvement as a director of private companies, a member of the boards of professional organisations, as a member of the general committee and chair of the development committee of a large yacht club and various roles for not for profit entities.

Special responsibilities: Chair of Assets and Human Resource Committee

Interest in shares: nil share interest held

Lisa Jillian Gould

Non-executive director (resigned 25 March 2021)

Occupation: Administration

Qualifications, experience and expertise: Over 19 years banking experience with one of Australia's top four banks. Currently managing the day to day running of a small/medium family owned business. Member of MMYC and Berg.

Special responsibilities: Marketing Committee

Interest in shares: nil share interest held

Directors were in office for this entire year unless otherwise stated.

No directors have material interest in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Geoffrey Ian Kidd. Geoffrey was appointed to the position of secretary on 23 April 2018.

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).

There have been no significant changes in the nature of these activities during the financial year.

Operating results

The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2021 $	Year ended 30 June 2020 $
201,764	147,550

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Nicholas John Roberts	20,001	-	20,001
Colin Stanley Forsyth	2,000	-	2,000
Geoffrey Ian Kidd	2,001	-	2,001
Wilfred John Schubert	-	-	-
Bruce Blackwood Ranken	-	-	-
Matt Neil Forsyth	-	-	-
Christopher James Keen	-	-	-
Danielle Simone Force	-	-	-
John Robert Forsyth	-	-	-
Lisa Jillian Gould	-	-	-

Dividends

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

	Cents per share	Total amount $
Final unfranked dividend	3.50	36,080

Subsequent to financial year-end, the following dividends were proposed by the directors. The dividends have not been provided for in the financial statements.

	Cents per share	Total amount $
Final unfranked dividend	4.00	41,234

Significant changes in the state of affairs

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the company's financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

In the opinion of the directors there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

Since the end of the financial year, the board of directors has proposed to pay a unfranked dividend of 4 cents per share. The financial impact of the dividend, amounting to $41,234, has not been recognised in the financial statements for the financial year ended 30 June 2021, and will be recognised in the subsequent financial statements.

Likely developments

The company will continue its policy of facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

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 except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager 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. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the financial year were:

E - eligible to attend A - number attended

	Board Meetings Attended	
	E	A
Nicholas John Roberts	11	11
Colin Stanley Forsyth	11	10
Geoffrey Ian Kidd	11	11
Wilfred John Schubert	11	11
Bruce Blackwood Ranken	9	9
Matt Neil Forsyth	4	3
Christopher James Keen	3	2
Danielle Simone Force	-	-
John Robert Forsyth	10	8
Lisa Jillian Gould	8	6

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*.

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 27 to the accounts.

The board of directors 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; and
- none of the services 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 on page 12.

Signed in accordance with a resolution of the directors at Mount Martha, Victoria.

Nicholas John Roberts
Chair

Dated this 24th day of September 2021

Auditor's independence declaration

61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Mount Martha Community Enterprises Ltd

As lead auditor for the audit of Mount Martha Community Enterprises Ltd for the year ended 30 June 2021, 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 24 September 2021

Adrian Downing
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	925,673	802,239
Other revenue	9	183,667	66,886
Finance income	10	564	260
Employee benefit expenses	11c)	(418,795)	(375,967)
Charitable donations, sponsorship, advertising and promotion		(79,608)	(29,579)
Occupancy and associated costs		(26,204)	(28,849)
Systems costs		(37,653)	(31,830)
Depreciation and amortisation expense	11a)	(126,430)	(84,149)
Finance costs	11b)	(27,472)	(30,540)
General administration expenses		(99,458)	(86,718)
Loss on disposal of asset	15b)	(17,064)	(258)
Profit before income tax expense		**277,220**	**201,495**
Income tax expense	12a)	(75,456)	(53,945)
Profit after income tax expense		**201,764**	**147,550**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**201,764**	**147,550**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	30a)	19.57	14.31

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	158,151	226,325
Trade and other receivables	14	92,711	106,799
Total current assets		**250,862**	**333,124**
Non-current assets			
Property, plant and equipment	15a)	188,480	30,895
Right-of-use assets	16a)	446,410	380,536
Intangible assets	17a)	120,563	89,480
Deferred tax asset	18a)	113,099	188,555
Total non-current assets		**868,552**	**689,466**
Total assets		**1,119,414**	**1,022,590**
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	57,571	94,315
Lease liabilities	20a)	42,947	81,868
Employee benefits	22a)	37,506	12,111
Total current liabilities		**138,024**	**188,294**
Non-current liabilities			
Trade and other payables	19a)	42,474	-
Lease liabilities	20b)	429,243	476,770
Employee benefits	22b)	11,967	10,696
Provisions	21a)	-	14,808
Total non-current liabilities		**483,684**	**502,274**
Total liabilities		**621,708**	**690,568**
Net assets		**497,706**	**332,022**
EQUITY			
Issued capital	23a)	1,002,892	1,002,892
Accumulated losses	24	(505,186)	(670,870)
Total equity		**497,706**	**332,022**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2021

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019		1,002,892	(792,649)	210,243
Total comprehensive income for the year		-	147,550	147,550
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(25,771)	(25,771)
Balance at 30 June 2020		**1,002,892**	**(670,870)**	**332,022**
Balance at 1 July 2020		1,002,892	(670,870)	332,022
Total comprehensive income for the year		-	201,764	201,764
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(36,080)	(36,080)
Balance at 30 June 2021		**1,002,892**	**(505,186)**	**497,706**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		1,046,004	922,065
Payments to suppliers and employees		(679,646)	(651,084)
Interest received		564	260
Lease payments (interest component)		(27,010)	(29,764)
Lease payments not included in the measurement of lease liabilities	11d)	(20,224)	(13,956)
Net cash provided by operating activities	**25**	**319,688**	**227,521**
Cash flows from investing activities			
Payments for right-of-use assets		-	(44,911)
Payments for intangible assets		(85,166)	(13,556)
Payments for property, plant and equipment		(194,557)	-
Net cash used in investing activities		**(279,723)**	**(58,467)**
Cash flows from financing activities			
Proceeds from leasing arrangements		-	50,000
Lease payments (principal component)		(72,059)	(70,797)
Dividends paid	29a)	(36,080)	(25,771)
Net cash used in financing activities		**(108,139)**	**(46,568)**
Net cash increase/(decrease) in cash held		**(68,174)**	**122,486**
Cash and cash equivalents at the beginning of the financial year		226,325	103,839
Cash and cash equivalents at the end of the financial year	**13**	**158,151**	**226,325**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Mount Martha Community Enterprises Ltd (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	**Principal Place of Business**
74 Dandenong Road West Frankston VIC 3199	Shop 5A 7 Bay Road Mount Martha VIC 3934

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 28.

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. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 24 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

a) 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. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Revenue stream	Includes	Performance obligation	Timing of recognition
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.

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

All revenue is stated net of the amount of Goods and Services Tax (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 – 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. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin 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 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

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities 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.

b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

Note 4 Summary of significant accounting policies (continued)

b) Other revenue (continued)

All revenue is stated net of the amount of Goods and Services Tax (GST).

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Cash flow boost

In response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

c) Economic dependency - Bendigo Bank

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.

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.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank entity 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 4 Summary of significant accounting policies (continued)

d) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

Defined superannuation contribution plans

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

e) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current income 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.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

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.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Note 4 Summary of significant accounting policies (continued)

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

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

g) 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. The company has also acquired an agency/customer list from Bendigo Bank.

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 and domiciled customer accounts acquired are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Domiciled customer accounts acquired are recognised at cost at the date of acquisition and are assessed as having indefinite useful life. They are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

h) Impairment

Non-derivative financial assets

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life 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 the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) 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.

i) Issued capital

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

j) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

k) Leases

At inception of a contract, the company assesses whether a contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset.

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Note 4 Summary of significant accounting policies (continued)

k) Leases (continued)

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to 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 demised leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The right-of-use asset is 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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note	Judgement
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including the amount, the lease term, economic environment and other relevant factors.

Note 5 Significant accounting judgements, estimates, and assumptions (continued)

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
Note 22 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

The company has exposure to credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

Risk management is carried out directly by the board of directors.

a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

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 of the bank.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. 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.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	472,190	59,162	241,616	253,694
Trade and other payables	100,045	57,571	42,474	-
	572,235	**116,733**	**284,090**	**253,694**

30 June 2020		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	558,638	109,495	470,545	68,085
Trade and other payables	94,315	94,315	-	-
	652,953	**203,810**	**470,545**	**68,085**

Note 6 Financial risk management (continued)

c) 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. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

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.

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of $158,151 at 30 June 2021 (2020: $226,325). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors 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:

(a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and

(b) 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 year ended 30 June 2021 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.

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	751,100	660,589
- Fee income	44,496	40,948
- Commission income	128,662	96,032
- ATM income	1,415	4,670
	925,673	**802,239**

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	-	21,250
- Cash flow boost	27,382	45,636
- Gain on remeasurement of right-of-use assets and lease liabilities	156,285	-
	183,667	**66,886**

Note 9 Other revenue (continued)

As at 1 July 2019, under AASB 16 Leases, the company brought to account the applicable lease liability and right of use asset under their 5a and 7 Bay Road branch property lease agreements. During the period the company moved premises to shop 6, 34-38 Lochiel Ave, resulting in the renewal options included in the original branch lease agreements not being taken up. To recognise this, the lease liability and right of use asset of the original lease agreements were reduced by the 5 year renewal option terms and the difference is recognised through the gain on remeasurement of right-of-use assets account. Please note the majority of this gain is offset by the loss recognised through retained earnings on 1 July 2019.

Note 10 Finance income

	2021 $	2020 $
- Term deposits	**564**	**260**

Finance income is recognised when earned using the effective interest rate method.

Note 11 Expenses

	2021 $	2020 $
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
- Leasehold improvements	17,425	3,194
- Plant and equipment	2,483	2,673
	19,908	**5,867**
Depreciation of right-of-use assets		
- Leased land and buildings	64,397	58,898
- Leased motor vehicles	9,770	5,828
	74,167	**64,726**
Amortisation of intangible assets:		
- Franchise fee	4,055	2,259
- Franchise renewal process fee	8,472	11,297
- Redomicile fee	19,828	-
	32,355	**13,556**
Total depreciation and amortisation expense	**126,430**	**84,149**

b) Finance costs

- Lease interest expense	25,289	28,947
- Unwinding of make-good provision	462	776
- Other	1,721	817
	27,472	**30,540**

Finance costs are recognised as expenses when incurred using the effective interest rate.

c) Employee benefit expenses

Wages and salaries	360,728	331,742
Non-cash benefits	5,716	1,516
Contributions to defined contribution plans	32,533	30,729
Expenses related to long service leave	5,993	(11,221)
Other expenses	13,825	23,201
	418,795	**375,967**

Note 11 Expenses (continued)

d) Recognition exemption

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

	2021 $	2020 $
Expenses relating to low-value leases	**20,224**	**13,956**

Note 12 Income tax expense

	2021 $	2020 $
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Recoupment of prior year tax losses	34,198	43,980
- Movement in deferred tax	36,734	(54,020)
- Adjustment to deferred tax on AASB 16 retrospective application	-	53,107
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	4,524	10,878
	75,456	**53,945**
b) Prima facie income tax reconciliation		
Operating profit before taxation	277,220	201,495
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	72,077	55,411
Tax effect of:		
- Non-deductible expenses	5,974	206
- Temporary differences	(36,734)	913
- Other assessable income	(7,119)	(12,550)
- Movement in deferred tax	36,734	(54,020)
- Leases initial recognition	-	53,107
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	4,524	10,878
	75,456	**53,945**

Note 13 Cash and cash equivalents

	2021 $	2020 $
Cash at bank and on hand	157,990	114,485
Term deposits	161	111,840
	158,151	**226,325**

Note 14 Trade and other receivables

	2021 $	2020 $
Trade receivables	76,565	76,949
Prepayments	6,146	7,447
Other receivables and accruals	10,000	22,403
	92,711	**106,799**

Note 15 Property, plant and equipment

	2021 $	2020 $
a) Carrying amounts		
Leasehold improvements		
At cost	191,643	81,206
Less: accumulated depreciation	(14,721)	(62,840)
	176,922	**18,366**
Plant and equipment		
At cost	74,659	76,208
Less: accumulated depreciation	(63,101)	(63,679)
	11,558	**12,529**
Total written down amount	**188,480**	**30,895**
b) Reconciliation of carrying amounts		
Leasehold improvements		
Carrying amount at beginning	18,366	21,560
Additions	191,643	-
Disposals	(15,662)	-
Depreciation	(17,425)	(3,194)
	176,922	**18,366**
Plant and equipment		
Carrying amount at beginning	12,529	15,460
Additions	2,914	-
Disposals	(1,402)	(258)
Depreciation	(2,483)	(2,673)
	11,558	**12,529**
Total written down amount	**188,480**	**30,895**

During the financial year the company's leasehold improvements were significantly increased as a result of the Community Bank branch being re-furnished.

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

Note 16 Right-of-use assets

	2021 $	2020 $
a) Carrying amounts		
Leased land and buildings		
At cost	450,917	882,496
Less: accumulated depreciation	(33,819)	(541,042)
	417,098	**341,454**
Leased motor vehicles		
At cost	44,911	44,911
Less: accumulated depreciation	(15,599)	(5,829)
	29,312	**39,082**
Total written down amount	**446,410**	**380,536**

Note 16 Right-of-use assets (continued)

	2021 $	2020 $
b) Reconciliation of carrying amounts		
Leased land and buildings		
Carrying amount at beginning	341,454	-
Initial recognition on transition	-	859,267
Accumulated depreciation on adoption	-	(482,144)
Additional right-of-use assets recognised	450,917	-
Remeasurement adjustments	(310,876)	23,229
Depreciation	(64,397)	(58,898)
	417,098	**341,454**
Leased motor vehicles		
Carrying amount at beginning	39,082	-
Additional right-of-use assets recognised	-	44,910
Depreciation	(9,770)	(5,828)
	29,312	**39,082**
Total written down amount	**446,410**	**380,536**

Additional right-of-use assets recognised relates to the new branch lease entered into during the period. Remeasurement adjustments relates to the termination of the old branch lease.

Note 17 Intangible assets

	2021 $	2020 $
a) Carrying amounts		
Franchise fee		
At cost	31,870	21,297
Less: accumulated amortisation	(23,657)	(19,602)
	8,213	**1,695**
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	**-**
Franchise renewal process fee		
At cost	109,349	56,484
Less: accumulated amortisation	(56,484)	(48,012)
	52,865	**8,472**
Cash-generating unit - domiciled accounts		
At cost	47,040	47,040
Less: accumulated amortisation	(47,040)	(47,040)
	-	**-**

Note 17 Intangible assets (continued)

	2021 $	2020 $
a) Carrying amounts (continued)		
Redomicile fee		
At cost	79,313	79,313
Less: accumulated amortisation	(19,828)	-
	59,485	**79,313**
Total written down amount	**120,563**	**89,480**
b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	1,695	3,954
Additions	10,573	-
Amortisation	(4,055)	(2,259)
	8,213	**1,695**
Franchise renewal process fee		
Carrying amount at beginning	8,472	19,769
Additions	52,865	-
Amortisation	(8,472)	(11,297)
	52,865	**8,472**
Redomicile fee		
Carrying amount at beginning	79,313	-
Additions	-	79,313
Amortisation	(19,828)	-
	59,485	**79,313**
Total written down amount	**120,563**	**89,480**

During the current financial year the company renewed the franchise fees during the period. Both are being amortised over the next 5 years until 2026.

During the previous financial year the company purchased business customer accounts from another Community Bank company, $79,313 was the agreed upon value of the purchase by both parties.

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

The company has re-assessed the useful life of its cash-generating unit for business domiciled from another Community Bank to the company based on new information from Bendigo Bank relating to the customer product life cycle.

The company has determined the intangible asset has a finite useful life from 1 July 2020 of 4 years.

The financial effect of the reassessment, assuming the assets are held until the end of their revised useful lives and no other impairment indicators are present, on actual and expected amortisation expense was as follows:

	2021 $	2022 $	2023 $	2024 $	2025 $
Increase in amortisation expense	19,828	19,828	19,828	19,828	-

Note 18 Tax assets and liabilities

	2021 $	2020 $
a) Deferred tax		
Deferred tax assets		
- expense accruals	539	492
- employee provisions	12,450	5,930
- make-good provision	-	3,850
- lease liability	108,694	133,344
- carried-forward tax losses	95,691	133,717
Total deferred tax assets	**217,374**	**277,333**
Deferred tax liabilities		
- right-of-use assets	104,275	88,778
Total deferred tax liabilities	**104,275**	**88,778**
Net deferred tax assets (liabilities)	**113,099**	**188,555**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(75,456)**	**(53,945)**
Movement in deferred tax charged to Statement of Changes in Equity	**-**	**53,107**

Note 19 Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

	2021 $	2020 $
a) Current liabilities		
Trade creditors	2,753	1,100
Other creditors and accruals	54,818	93,215
	57,571	**94,315**
b) Non-current liabilities		
Other creditors and accruals	**42,474**	**-**

Note 20 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 3.54%.

The company has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight where appropriate.

The company's lease portfolio includes:

- 5A Bay Road
  The lease agreement commenced in February 2011. A 5 year renewal option was exercised in February 2016. The lease had 1 further 5 year extension option available in February 2021. The company has not exercised the final five-year lease term. As such, the lease term end date used in the calculation of the lease liability is 31 January 2021.
- 7 Bay Road
  The lease agreement commenced in February 2011. A 5 year renewal option was exercised in February 2016. The lease had 1 further 5 year extension option available in February 2021. The company has not exercised the final five-year lease term. As such, the lease term end date used in the calculation of the lease liability is 31 January 2021.
- 6/34-38 Lochiel Avenue
  The lease agreement commenced in October 2020. The company has 2 x 5 year renewal options available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is September 2030.

Note 20 Lease liabilities (continued)

- Motor vehicle
  The lease agreement is a non-cancellable term of four years. The lease includes a final balloon payment on 9 January 2024 at which time the registered security over the motor vehicle is removed.

	2021 $	2020 $
a) Current lease liabilities		
Property lease liabilities	49,080	99,413
Unexpired interest	(14,844)	(25,909)
	34,236	**73,504**
Motor vehicle lease liabilities	10,082	10,082
Unexpired interest	(1,371)	(1,718)
	8,711	**8,364**
	42,947	**81,868**
b) Non-current lease liabilities		
Property lease liabilities	465,186	498,423
Unexpired interest	(64,646)	(59,064)
	400,540	**439,359**
Motor vehicle lease liabilities	30,124	40,207
Unexpired interest	(1,421)	(2,796)
	28,703	**37,411**
	429,243	**476,770**

Additional lease liabilities recognised relates to the new branch lease entered into during the period. Remeasurement adjustments relates to the termination of the old branch lease.

	2021 $	2020 $
c) Reconciliation of lease liabilities		
Balance at the beginning	558,638	-
Initial recognition on AASB 16 transition	-	556,207
Additional lease liabilities recognised	450,917	50,000
Remeasurement adjustments	(465,306)	23,228
Lease payments - interest	27,010	29,764
Lease payments - total cash outflow	(99,069)	(100,561)
	472,190	**558,638**
d) Maturity analysis		
- Not later than 12 months	59,162	109,495
- Between 12 months and 5 years	241,616	470,545
- Greater than 5 years	253,694	68,085
Total undiscounted lease payments	**554,472**	**648,125**
Unexpired interest	(82,282)	(89,487)
Present value of lease liabilities	**472,190**	**558,638**

Note 21 Provisions

	2021 $	2020 $
a) Non-current provisions		
Make-good on leased premises	**-**	**14,808**

In accordance with the branch lease agreement, the company restored the existing leased premises to the original condition before the expiry of the lease term. The company has estimated the provision for both existing leases as at $10,000 each. This was based on experience and consideration of the expected future costs to remove all fittings as well as cost to remedy any damages caused during the removal process. The lease expired on 31 January 2021 at which time costs to restore both premises amounted to $13,417. No make good provision has been accounted for under the new branch lease.

	2021 $	2020 $
b) Make-good provision reconciliation		
Provision		
Balance at the beginning	14,808	-
Face-value of make-good costs recognised	-	20,000
Present value discounting	-	(5,968)
Present value unwinding	462	776
Provision remeasurements	(1,853)	-
Settlement of provision	(13,417)	-
	-	**14,808**

Note 22 Employee benefits

	2021 $	2020 $
a) Current liabilities		
Provision for annual leave	32,784	12,111
Provision for long service leave	4,722	-
	37,506	**12,111**
b) Non-current liabilities		
Provision for long service leave	**11,967**	**10,696**

c) Key judgement and assumptions

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

Note 23 Issued capital

	2021		2020	
	Number	$	Number	$
a) Issued capital				
Ordinary shares - fully paid	1,030,855	1,030,855	1,030,855	1,030,855
Less: equity raising costs	-	(27,963)	-	(27,963)
	1,030,855	**1,002,892**	**1,030,855**	**1,002,892**

Note 23 Issued capital (continued)

b) 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*.

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").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 274. As at the date of this report, the company had 300 shareholders (2020: 300 shareholders).

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 his or her associates) have a prohibited shareholding interest, 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 24 Accumulated losses

	Note	2021 $	2020 $
Balance at beginning of reporting period		(670,870)	(652,640)
Adjustment for transition to AASB 16		-	(140,009)
Net profit after tax from ordinary activities		201,764	147,550
Dividends provided for or paid	29	(36,080)	(25,771)
Balance at end of reporting period		**(505,186)**	**(670,870)**

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	201,764	147,550
Adjustments for:		
- Depreciation	94,075	70,593
- Amortisation	32,355	13,556
- (Profit)/loss on disposal of non-current assets	17,064	258
- (Profit)/loss on disposal of right-of-use assets	(156,285)	-
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	14,086	(53,040)
- (Increase)/decrease in other assets	75,457	53,944
- Increase/(decrease) in trade and other payables	27,460	(17,345)
- Increase/(decrease) in employee benefits	26,667	11,229
- Increase/(decrease) in provisions	(12,955)	776
Net cash flows provided by operating activities	**319,688**	**227,521**

Note 26 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	157,990	114,485
Term deposits	13	161	111,840
Trade and other receivables	14	86,565	99,352
		244,716	**325,677**
Financial liabilities			
Trade and other payables	19	100,045	94,315
Lease liabilities	20	472,190	558,638
		572,235	**652,953**

Notes to the financial statements (continued)

Note 27 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,000	4,800
Non audit services		
- General advisory services	3,050	2,780
- Share registry services	3,405	4,660
- Valuation services	-	3,500
Total auditor's remuneration	**11,455**	**15,740**

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Nicholas John Roberts
Lisa Jillian Gould
Bruce Blackwood Ranken
Danielle Simone Force
Colin Stanley Forsyth
Wilfred John Schubert
Matt Neil Forsyth
Geoffrey Ian Kidd
John Robert Forsyth
Christopher James Keen

b) Key management personnel compensation

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.

c) Related party transactions

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

	2021 $	2020 $
Transactions with related parties		
- Expense allowance paid to directors	**1,400**	**-**

Note 29 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Changes in Equity and Statement of Cash Flows.

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Unfranked dividend	**3.50**	**36,080**	**2.50**	**25,771**

b) Dividends proposed not recognised at balance date

Since the end of the financial year, the board of directors has proposed to pay a unfranked dividend of 4 cents per share. The financial impact of the dividend, amounting to $41,234, has not been recognised in the financial statements for the financial year ended 30 June 2021, and will be recognised in the subsequent financial statements.

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Unfranked dividend	**4.00**	**41,234**	**-**	**-**

Note 30 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2021 $	2020 $
Profit attributable to ordinary shareholders	201,764	147,550
	Number	**Number**
Weighted-average number of ordinary shares	1,030,855	1,030,855
	Cents	**Cents**
Basic and diluted earnings per share	19.57	14.31

Note 31 Commitments

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

Note 32 Contingencies

There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

Note 33 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

Directors' declaration

In accordance with a resolution of the directors of Mount Martha Community Enterprises Ltd, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are 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 2021 and of its performance for the financial year ended on that date; and

 (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

Nicholas John Roberts
Chair

Dated this 24th day of September 2021

Independent audit report

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Independent auditor's report to the Directors of Mount Martha Community Enterprises Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mount Martha Community Enterprises Ltd's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Mount Martha Community Enterprises Ltd, 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 2021 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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 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.

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

AFS
Partners in success
Chartered Accountants

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03 5443 0344

Other Information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

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

Our responsibility is to read the other information identified above when it becomes available 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 we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

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.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 24 September 2021

Adrian Downing
Lead Auditor

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