Annual Report 2021

Murrumbeena Community Financial Services Limited

Community Bank
Murrumbeena
ABN 47 104 667 361

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Chairperson’s report

For year ending 30 June 2021

“Better Banking, Better Service, Better Community”

In what could be described as the most challenging year ever, your branch has maintained banking services to the community through the ongoing COVID pandemic and the lowest margins on interest rates ever recorded. We maintained a COVID safe environment and committed to full opening hours to be able to assist our customers and community. Our staff have been stoic and despite the risk of personal health challenges have continued assisting our customers with their needs. We are eternally grateful and for this we thank them for their passion, dedication and commitment to the community.

Our board decided to maintain our commitment to the partnerships with our sports and community groups even though many activities were halted and a lot of sponsors were unable to maintain previous their previous support for these organisations. This was the year they needed our help the most and we delivered.

RBA rate cuts to a record low have affected our profitability to a great extent but we are a strong lending branch and maintaining budget through adversity. Margins continue to tighten in the banking sector as interest rates have reached record lows, effecting our community contributions. Despite the setback we take great pride in announcing a dividend of 11cents per share fully franked payable in November.

Our purchase of the Community Bank Ormond income stream has been a solid decision and we have repaid more than half of the loan of $775.000 in six months. Our focus is on customer service and retention of the book and I am pleased to report that the attrition rate has been minimal although we anticipated it could be as high as 20%. We have maintained and even enhanced the partnerships with sporting clubs and charitable groups previously supported by Ormond and gathered some new ones along the way.

I can’t thank our board enough for all of the work they have put in to support the staff, branch and community through this period. They have always been on the front foot driving positive outcomes and good governance of our company and considerations for the community. It is truly my privilege to work with such a skilled and knowledgeable group of volunteers. Sadly, we lost Andrew Watts from the board on 30 November 2020 when he and his family moved to the north of Melbourne. Andrew was the driving force behind the Ormond purchase and his knowledge, experience, skills and love for the community is truly missed.

We thank our customers for their continued support throughout the years. Your custom allows the amazing community support that we give as we feed into the prosperity of the community and not off it. In our 17 years we have been able to give back around $3.2 million through partnerships, grants and donations.

We are always grateful to our shareholders. You have been extraordinary in your show of faith to get the branch going in 2004 and have never wavered in your support. This has enabled us to build a great business and offer enormous support to the community over the last 17 years.

Dennis Tarrant
Chair & CEO

Senior Manager's report

For year ending 30 June 2021

It is hard to fathom that as we look forward to Murrumbeena's next AGM, we, as a business, are still grappling with the challenges of a Covid impacted environment 15 months since it was first diagnosed in Victoria.

Over the past financial year, the branch has seen the implementation of covid safe practices including the wearing of masks, social distancing, cleaning protocols and a myriad of other practices which once felt so foreign to us and now are daily practice in our community.

We have also seen Bendigo Bank fast-track numerous banking processes to online platforms which has presented all staff with the challenges of upskilling and increased training. Whilst some of the processes have led to improved customer service and improved turnaround due to the online framework – many other processes are taking time to bed in and as with any speedily implemented upgrades there have been problems exposed which have required reworks and updates.

In other words – welcome to the new normal – and throughout all these changes our staff have kept our customers and our community at the very centre of everything we do, and we have maintained our high level of customer service and satisfaction.

During the 20/21 year many branches across the network elected to truncate their opening hours and indeed some of the Bendigo Bank company branches have closed for a period to manage the covid environment. I am very pleased to report that Murrumbeena has maintained its historical trading hours as the board and staff believed that this was the best way to demonstrate support for our community and the many small businesses trying to survive during the year. The Branch staff were also very hands on with the assistance provided to small business whilst repayment holidays were managed on their loans as well as helping them with the information they required to apply for various government grants.

Another repercussion of these times is the movement of people with specialised needs into the internet banking environment. The Murrumbeena staff have spent countless hours helping senior customers and those with disabilities transition to internet banking and other banking options which helps to reduce their reliance on face-to-face banking. I stress that this is for the customers safety and convenience and that Murrumbeena is a branch which is committed to welcoming people to our branch when they are in need of personalised service as well as making sure our telephones are answered. It is a point of difference for our business that we are available when our customers need us unlike many of our competitors who drive their customers to online options and 1300 telephone numbers without providing additional support.

In December 2020, after many months of negotiation and work by the board, the realisation of the Ormond McKinnon income stream purchase and the customers from that branch were transitioned to the care of the Murrumbeena Branch. It is fair to say that the amount of work after that migration of accounts was not foreseen and our branch was inundated with customer service requests and a significant increase of foot traffic from the closed branch. The board had envisaged that there may be at least a 10% attrition of the Ormond McKinnon business book after amalgamation and initially this seemed to be the case but over the last 10 months since December the losses have, in the main, been balanced out by the opportunities which have emerged from the customer base.

The excellent retention and the subsequent growth from the new customer base have been due to the care and attention provided by the Board and then the branch staff in contacting as many customers as we could and then following up on any opportunities which presented, especially in the lending space.

Fast track to June 2021 and the total business holdings at Murrumbeena are $259.2m which included a contribution of lending growth of $3.7m from $33m in approvals which transitioned to $29.861m in lending settled. By any estimation this achievement in a totally impacted covid year is substantial and can only be attributed to the strong community connection the branch has developed over many years as well as the efforts of the staff and board to reach out to our networks and ensure that our branch continued to provide support and banking options to all our customers whilst encouraging new customers who were disenchanted with other banking options.

During the year the branch had significant changes in our staffing with the resignation of two senior staff, Yolande Bouten and Karen Dewberry as well as the confirmation of the retirement of Lorraine Crabb. Yolande and Karen had been an important part of our team for many years, and both had chosen to make a career change and we wished them every success however, the loss of their expertise and experience had a big impact on our front-line operations.

We were fortunate that we were able to secure the services of Angela Speranza from Ormond Branch and it was very comforting for the Ormond customers to see a friendly face when they came to our branch. Tom Rennick also joined our team as a Customer Service Officer and Tom brings with him a wealth of knowledge having worked for Bendigo bank in our Business Banking sector.

The recruitment process beyond our internal appointments was protracted due to the many lockdowns however we were able to appoint three wonderful new additions to our team who bring a range of skills from different employment backgrounds. Nicholas Shardey has joined our lending team and has a background in mortgage broking whist Zhou Chen's skill set is based on customer service within the on-call sector. Helen Bolton has a history in banking and was keen to re-join the sector with our branch. All our new appointees are currently completing their probation and working hard to complete all the training required and we are pleased to have them as part of our team.

It is evident that the 20/21 year was not 'business as usual' in any sense. In all my time since joining the bank in 1987 – with the exception of the Pyramid crash in 1990 and the more recent Global Financial Crisis – I have never experienced such a challenging year; I am very proud that by almost every business barometer our branch has succeeded. We have delivered on our superior customer service promise whilst continuing to build a resilient and successful business which provides shareholders with strong returns while investing in the prosperity of our community.

Sue Foley

Sue Foley
Senior Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance or your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each other and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.

Collin Brady
Head of Community Development

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:

Dennis Keith Tarrant
Chair
Occupation: Chief Executive Officer
Qualifications, experience and expertise: Chairman and CEO with experience in banking, finance and administration. Dennis has previously worked in hospitality management, consulting and wholesale distribution.
Special responsibilities: Chair, Property Committee, Merger Committee, Marketing Committee
Interest in shares: 501 ordinary shares

Russell James Harper
Company Secretary
Occupation: Risk & Compliance Manager
Qualifications, experience and expertise: A senior finance services and operations leader with extensive experience leading a diverse range of business operations and large-scale business units. Particular skills in stakeholder relationship management, project management and execution, risk management, strategy development, call centre operations management, business continuity and incident management. Experienced leader of high performing teams in highly regulated and fast changing environments. Excellent analytical, communication and relationship management skills with high learning agility and strong skills in leading change, decision making and problem-solving.
Special responsibilities: Company Secretary
Interest in shares: nil share interest held

John Charles Coulson
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: College Principal - Retired, Education Consultant - Retired, Lions Club - Past President, Governor of the Shrine of Remembrance.
Special responsibilities: Marketing Committee, Strategy Committee
Interest in shares: nil share interest held

Anthony Gerard Lee
Non-executive director
Occupation: Real Estate Agent
Qualifications, experience and expertise: Property Manager Gary Peer Real Estate. Licensed Real Estate Agent. Local property experience.
Special responsibilities: Deputy Chair, Property Committee, Share Liaison
Interest in shares: 1,001 ordinary shares

Suzanne Paynter
Non-executive director
Occupation: Chief Executive Officer
Qualifications, experience and expertise: Bachelor of Law (Hons), Bachelor of International Studies, Diploma in Languages, Ministerial advisor with SA State Government, Criminal defence solicitor, Major event consultant. Master of Business Administration (MBA).
Special responsibilities: Minute secretary
Interest in shares: nil share interest held

Directors' report continued

Mili Thurgood
Non-executive director
Occupation: Senior Manager, Community Central (BEN)
Qualifications, experience and expertise: Human Resource Management roles for 6 years (HR Advisor role for 6 years prior). 5 years working for non-profit organisations in Malaysia & Afghanistan. Also worked professionally in Indonesia and South Korea. MBA with LaTrobe University.
Special responsibilities: Human Resources Committee, Strategy Committee
Interest in shares: nil share interest held

Andrew Craig Watts
Non-executive director (resigned 30 November 2020)
Occupation: Retired
Qualifications, experience and expertise: A seasoned finance industry executive, with extensive experience in technology, retail/marketing, organisational change, merger and acquisitions. 23 years with Bendigo & Adelaide Bank Limited including 10 years on its Executive Committee. Former director of Bendigo Telco Ltd, Strategic Payment Services Pty Ltd, and TicToc Online Pty Ltd. Bach. Eng (Civil), Grad Dip Mgt. GAICD.
Special responsibilities: Marketing Committee, Audit Committee, Merger 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 Russell Harper. Russell was appointed to the position of secretary on 17 February 2014.

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 $
249,639	83,006

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Dennis Keith Tarrant	501	-	501
Russell James Harper	-	-	-
John Charles Coulson	-	-	-
Anthony Gerard Lee	1,001	-	1,001
Suzanne Paynter	-	-	-
Mili Thurgood	-	-	-
Andrew Craig Watts	-	-	-

Directors' report continued

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 fully franked dividend	11	65,434

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 their has been no significant changes on the companies financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

On 12 December the company acquired Ormond McKinnon Community Enterprises Limited's rights in relation to the income stream from its loans, deposits and other revenue generating business. The purchase price was for $925,000 and has been paid by the company using $150,000 cash and a loan for $775,000 with a term of five years.

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

There are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

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 29 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’ report continued

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
Dennis Keith Tarrant	12	12
Russell James Harper	12	10
John Charles Coulson	12	9
Anthony Gerard Lee	12	11
Suzanne Paynter	12	11
Mili Thurgood	12	12
Andrew Craig Watts	6	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 28 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 5.

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

Dennis Keith Tarrant, Chair

Dated this 29th day of August 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 Murrumbeena Community Financial Services Ltd

As lead auditor for the audit of Murrumbeena Community Financial Services 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: 29 August 2021

Adrian Downing
Lead Auditor

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337

Financial Statements

Statement of Profit or Loss and other Comprensive Income for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	1,311,166	1,167,897
Other revenue	9	75,000	72,500
Finance income	10	1,024	5,110
Employee benefit expenses	11d)	(699,606)	(692,937)
Charitable donations, sponsorship, advertising and promotion	11c)	(121,953)	(226,396)
Occupancy and associated costs		(19,687)	(21,736)
Systems costs		(30,751)	(30,312)
Depreciation and amortisation expense	11a)	(61,970)	(61,311)
Finance costs	11b)	(28,945)	(21,313)
General administration expenses		(99,015)	(99,522)
Profit before income tax expense		325,263	91,980
Income tax expense	12a)	(75,624)	(8,974)
Profit after income tax expense		249,639	83,006
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		249,639	83,006
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31a)	41.97	13.95

The accompanying notes form part of these financial statements

Financial Statements (continued)

Statement of Financial Position as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	32,526	360,083
Trade and other receivables	14a)	132,341	98,867
Total current assets		164,867	458,950
Non-current assets			
Property, plant and equipment	15a)	66,367	70,658
Right-of-use assets	16a)	367,277	405,727
Intangible assets	17a)	959,038	47,781
Deferred tax asset	18b)	20,144	15,023
Total non-current assets		1,412,826	539,189
Total assets		1,577,693	998,139
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	86,343	60,758
Current tax liabilities	18a)	71,205	9,454
Loans and borrowings	20a)	126,141	-
Lease liabilities	21a)	38,811	36,488
Employee benefits	23a)	65,410	48,788
Total current liabilities		387,910	155,488
Non-current liabilities			
Trade and other payables	19b)	14,805	29,609
Loans and borrowings	20b)	217,950	-
Lease liabilities	21b)	345,960	379,459
Employee benefits	23b)	4,996	12,804
Provisions	22a)	23,315	22,227
Total non-current liabilities		607,026	444,099
Total liabilities		994,936	599,587
Net assets		582,757	398,552
EQUITY			
Issued capital	24a)	565,517	565,517
Retained earnings/(accumulated losses)	25	17,240	(166,965)
Total equity		582,757	398,552

The accompanying notes form part of these financial statements

Financial Statements (continued)

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

	Notes	Issued capital $	Retained earnings / (accumulated losses) $	Total equity $
Balance at 1 July 2019		565,517	(184,537)	380,980
Total comprehensive income for the year		-	83,006	83,006
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(65,434)	(65,434)
Balance at 30 June 2020		**565,517**	**(166,965)**	**398,552**
Balance at 1 July 2020		565,517	(166,965)	398,552
Total comprehensive income for the year		-	249,639	249,639
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(65,434)	(65,434)
Balance at 30 June 2021		**565,517**	**17,240**	**582,757**

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		1,487,369	1,366,833
Payments to suppliers and employees		(1,059,138)	(1,257,519)
Interest received		1,024	5,535
Interest paid		(8,641)	-
Lease payments (interest component)	11b)	(19,216)	(20,275)
Lease payments not included in the measurement of lease liabilities	11e)	(13,500)	(4,166)
Income taxes paid		(18,992)	3,228
Net cash provided by operating activities	26	**368,906**	**93,636**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(450)
Payments for intangible assets		(938,459)	(26,918)
Net cash used in investing activities		**(938,459)**	**(27,368)**
Cash flows from financing activities			
Proceeds from loans and borrowings		775,000	-
Repayment of loans and borrowings		(430,909)	-
Lease payments (principal component)		(36,661)	(33,789)
Dividends paid	30a)	(65,434)	(65,434)
Net cash provided by/(used in) financing activities		**241,996**	**(99,223)**
Net cash decrease in cash held		**(327,557)**	**(32,955)**
Cash and cash equivalents at the beginning of the financial year		360,083	393,038
Cash and cash equivalents at the end of the financial year	13	**32,526**	**360,083**

The accompanying notes form part of these financial statements

Notes to the financial statements

For the financial year ended 30 June 2021

Note 1 Reporting entity

This is the financial report for Murrumbeena Community Financial Services Limited (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
436 Neerim Road Murrumbeena VIC 3163	436 Neerim Road Murrumbeena VIC 3163

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 29.

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 29 August 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 *(continued)*

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

a) Revenue from contracts with customers *(continued)*

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:

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Revenue	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.

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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Ability to change financial return (continued)

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	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 services are provided.

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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies *(continued)*

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.

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.

Note 4 Summary of significant accounting policies *(continued)*

d) Employee benefits *(continued)*

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.

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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies *(continued)*

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset class	Method	Useful life
Leasehold improvements	Straight-line and diminishing value	5 to 40 years
Plant and equipment	Straight-line and diminishing value	4 to 40 years

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

h) 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.

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

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Domiciled customer accounts	Assessed for impairment	Indefinite

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents and borrowings.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

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.

Note 4 Summary of significant accounting policies *(continued)*

j) Impairment

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.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2021.

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.

k) 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.

l) 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.

m) 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.

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 not 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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies *(continued)*

m) Leases *(continued)*

As a lessee (continued)

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 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to control the use of the identified asset for a period of time in exchange for consideration 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 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- 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 17 - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;

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.

The company maintains the following lines of credit with Bendigo Bank:

- $775,000 commercial loan facility secured by the company's assets. Interest is payable at a rate of 3.58% (2020: n/a)

Exposure to liquidity risk

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

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

Exposure to liquidity risk (continued)

30 June 2021

Non-derivative financial liability	Carrying amount	Contractual cash flows: Not later than 12 months	Contractual cash flows: Between 12 months and five years	Contractual cash flows: Greater than five years
Bank loans	344,091	126,141	-	-
Lease liabilities	384,771	38,811	160,923	185,037
Trade payables	63,747	48,942	14,805	-
	792,609	213,894	175,728	185,037

30 June 2020

Non-derivative financial liability	Carrying amount	Contractual cash flows: Not later than 12 months	Contractual cash flows: Between 12 months and five years	Contractual cash flows: Greater than five years
Lease liabilities	415,947	36,488	141,359	238,100
Trade payables	44,080	14,471	29,609	-
	460,027	50,959	170,968	238,100

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 at fair value. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of $32,526 at 30 June 2021 (2020: $360,083). 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%.

Note 7 Capital management *(continued)*

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	1,151,699	1,023,091
- Fee income	77,015	70,584
- Commission income	82,452	74,222
	1,311,166	1,167,897

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	37,500	10,000
- Cash flow boost	37,500	62,500
	75,000	72,500

Note 10 Finance income

	2021 $	2020 $
- Term deposits	1,024	5,110

Note 11 Expenses

a) Depreciation and amortisation expense	2021 $	2020 $
Depreciation of non-current assets:		
- Leasehold improvements	1,667	1,728
- Plant and equipment	2,624	3,251
	4,291	4,979
Depreciation of right-of-use assets		
- Leased land and buildings	43,936	42,589
	43,936	42,589
Amortisation of intangible assets:		
- Franchise fee	2,291	2,291
- Franchise renewal process fee	11,452	11,452
	13,743	13,743
Total depreciation and amortisation expense	61,970	61,311

Notes to the financial statements (continued)

Note 11 Expenses *(continued)*

b) Finance costs

	2021 $	2020 $
Finance costs:		
- Bank loan interest paid or accrued	8,641	-
- Lease interest expense	19,216	20,275
- Unwinding of make-good provision	1,088	1,038
	28,945	21,313

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

c) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

	2021 $	2020 $
- Direct sponsorship, advertising, and promotion payments	121,953	126,396
- Contribution to the Community Enterprise Foundation™ (CEF)	-	100,000
	121,953	226,396

The funds contributed are held by the CEF and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

d) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	622,142	620,590
Contributions to defined contribution plans	58,024	56,774
Expenses related to long service leave	1,150	(2,430)
Other expenses	18,290	18,003
	699,606	692,937

e) 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	2,332	4,166

Notes to the financial statements (continued)

Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 $	2020 $
Current tax expense		
- Current tax	80,743	13,454
- Movement in deferred tax	(5,925)	(11,564)
- Adjustment to deferred tax on AASB 16 retrospective application	-	6,218
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	806	866
	75,624	8,974

b) *Prima facie* income tax reconciliation

Operating profit before taxation	325,263	91,980
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	84,568	25,295
Tax effect of:		
- Temporary differences	5,925	5,347
- Other assessable income	(9,750)	(17,188)
- Movement in deferred tax	(5,925)	(11,564)
- Leases initial recognition	-	6,218
- Reduction in company tax rate	806	866
	75,624	8,974

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	32,526	110,083
- Term deposits	-	250,000
	32,526	360,083

Note 14 Trade and other receivables

a) Current assets	2021 $	2020 $
Trade receivables	122,579	88,915
Prepayments	9,462	8,157
Other receivables and accruals	300	1,795
	132,341	98,867

Note 15 Property, plant and equipment

a) Carrying amounts	2021 $	2020 $
Leasehold improvements		
At cost	102,527	102,527
Less: accumulated depreciation	(63,924)	(62,257)
	38,603	40,270

Notes to the financial statements (continued)

Note 15 Property, plant and equipment *(continued)*

a) Carrying amounts *(continued)*

	2021 $	2020 $
Plant and equipment		
At cost	94,428	94,429
Less: accumulated depreciation	(66,664)	(64,041)
	27,764	30,388
Total written down amount	66,367	70,658

b) Reconciliation of carrying amounts

Leasehold improvements		
Carrying amount at beginning	40,270	41,998
Depreciation	(1,667)	(1,728)
	38,603	40,270
Plant and equipment		
Carrying amount at beginning	30,388	33,189
Additions	-	450
Depreciation	(2,624)	(3,251)
	27,764	30,388
Total written down amount	66,367	70,658

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

a) Carrying amounts

	2021 $	2020 $
Leased land and buildings		
At cost	527,368	521,882
Less: accumulated depreciation	(160,091)	(116,155)
Total written down amount	367,277	405,727

b) Reconciliation of carrying amounts

Leased land and buildings		
Carrying amount at beginning	405,727	-
Initial recognition on transition	-	499,178
Accumulated depreciation on adoption	-	(73,567)
Remeasurement adjustments	5,486	22,705
Depreciation	(43,936)	(42,589)
Total written down amount	367,277	405,727

Notes to the financial statements (continued)

Note 17 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	93,917	93,917
Less: accumulated amortisation	(88,244)	(85,953)
	5,673	7,964
Franchise renewal process fee		
At cost	169,577	169,577
Less: accumulated amortisation	(141,212)	(129,760)
	28,365	39,817
Cash-generating unit - domiciled accounts		
At cost	925,000	-
Total written down amount	959,038	47,781

b) Reconciliation of carrying amounts

Franchise fee		
Carrying amount at beginning	7,964	10,255
Amortisation	(2,291)	(2,291)
	5,673	7,964
Franchise renewal process fee		
Carrying amount at beginning	39,817	51,269
Amortisation	(11,452)	(11,452)
	28,365	39,817
Cash-generating unit - domiciled accounts		
Carrying amount at beginning	-	-
Additions	925,000	-
Carrying amount at end	925,000	-
Total written down amount	959,038	47,781

On 12 December the company acquired Ormond McKinnon Community Enterprises Limited's rights in relation to the income stream from its loans, deposits and other revenue generating business. The purchase price was $925,000.

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

Note 18 Tax assets and liabilities

a) Current tax

	2021 $	2020 $
Income tax payable	71,205	9,454

Notes to the financial statements (continued)

Note 18 Tax assets and liabilities *(continued)*

b) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- expense accruals	775	780
- employee provisions	20,176	18,614
- make-good provision	5,829	5,779
- lease liability	96,193	108,146
Total deferred tax assets	122,973	133,319
Deferred tax liabilities		
- income accruals	-	389
- property, plant and equipment	11,010	12,418
- right-of-use assets	91,819	105,489
Total deferred tax liabilities	102,829	118,296
Net deferred tax assets (liabilities)	20,144	15,023
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(5,925)	4,478
Movement in deferred tax charged to Statement of Changes in Equity	-	6,218

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.

a) Current liabilities

	2021 $	2020 $
Trade creditors	48,942	14,471
Other creditors and accruals	37,401	46,287
	86,343	60,758

b) Non-current liabilities

	2021 $	2020 $
Trade creditors	14,805	29,609

Note 20 Loans and borrowings

a) Current liabilities

	2021 $	2020 $
Current portion of secured bank loans	126,141	-

b) Non-current liabilities

	2021 $	2020 $
Secured bank loans	217,950	-

$775,000 loan was taken out to help pay for the purchase of Ormond McKinnon Community Enterprises Limited’s rights in relation to the income stream from its loans, deposits and other revenue generating business.

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021 Face value	30 June 2021 Carrying value	30 June 2020 Face value	30 June 2020 Carrying value
Secured bank loans	3.58%	2025	344,091	344,091	-	-

Notes to the financial statements (continued)

Note 21 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 4.79%.

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

The company's lease portfolio includes:

- Murrumbeena Branch — The lease agreement commenced in March 2017. A five year renewal option was exercised in January 2020. The company has two further five 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 January 2029.
- Branch hub — The lease agreement commenced in March 2019. The company has one further five 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 March 2029.

a) Current lease liabilities

	2021 $	2020 $
Property lease liabilities	56,397	55,618
Unexpired interest	(17,586)	(19,130)
	38,811	36,488

b) Non-current lease liabilities

Property lease liabilities	410,624	460,573
Unexpired interest	(64,664)	(81,114)
	345,960	379,459

c) Reconciliation of lease liabilities

Balance at the beginning	415,947	-
Initial recognition on AASB 16 transition	-	427,032
Additional lease liabilities recognised	5,485	22,704
Lease interest expense	19,216	20,275
Lease payments - total cash outflow	(55,877)	(54,064)
	384,771	415,947

d) Maturity analysis

- Not later than 12 months	56,397	55,618
- Between 12 months and 5 years	225,587	222,473
- Greater than 5 years	185,037	238,100
Total undiscounted lease payments	467,021	516,191
Unexpired interest	(82,250)	(100,244)
Present value of lease liabilities	384,771	415,947

Notes to the financial statements (continued)

Note 22 Provisions

a) Non-current liabilities

	2021 $	2020 $
Make-good on leased premises	23,315	22,227

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be $35,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 31 January 2030 at which time it is expected the face-value costs to restore the premises will fall due.

Note 23 Employee benefits

a) Current liabilities

	2021 $	2020 $
Provision for annual leave	50,114	42,450
Provision for long service leave	15,296	6,338
	65,410	48,788

b) Non-current liabilities

	2021 $	2020 $
Provision for long service leave	4,996	12,804

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 24 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	594,857	594,857	594,857	594,857
Less: equity raising costs	-	(29,340)	-	(29,340)
	594,857	565,517	594,857	565,517

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.

Note 24 Issued capital *(continued)*

b) Rights attached to issued capital *(continued)*

Ordinary shares (continued)

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").

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 25 Retained earnings (accumulated losses)

	Note	2021 $	2020 $
Balance at beginning of reporting period		(166,965)	(168,145)
Adjustment for transition to AASB 16		-	(16,392)
Net profit after tax from ordinary activities		249,639	83,006
Dividends provided for or paid	29a)	(65,434)	(65,434)
Balance at end of reporting period		17,240	(166,965)

Notes to the financial statements (continued)

Note 26 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	249,639	83,006
Adjustments for:		
- Depreciation	48,227	47,568
- Amortisation	13,743	13,743
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(33,474)	11,778
- (Increase)/decrease in other assets	(5,120)	2,748
- Increase/(decrease) in trade and other payables	24,238	(83,336)
- Increase/(decrease) in employee benefits	8,814	7,638
- Increase/(decrease) in provisions	1,088	1,037
- Increase/(decrease) in tax liabilities	61,751	9,454
Net cash flows provided by operating activities	368,906	93,636

Note 27 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	32,526	110,083
Trade and other receivables	14	122,879	90,710
Term deposits	13	-	250,000
		155,405	450,793
Financial liabilities			
Trade and other payables	19	101,148	90,367
Secured bank loans	20	344,091	-
Lease liabilities	21	384,771	415,947
		830,010	506,314

Note 28 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		
- Taxation advice and tax compliance services	600	600
- General advisory services	3,630	2,400
- Share registry services	3,103	3,107
Total auditor's remuneration	12,333	10,907

Notes to the financial statements (continued)

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Dennis Keith Tarrant
Russell James Harper
John Charles Coulson
Anthony Gerard Lee
Suzanne Paynter
Mili Thurgood
Andrew Craig Watts

b) Key management personnel compensation

Key management personnel compensation comprised the following.	2021 $	2020 $
Short-term employee benefits	81,261	79,418
Post-employment benefits	7,720	7,545
	88,981	86,963

Compensation of the company's key management personnel includes salaries, contributions to a post-employment defined contribution plan, and long service leave entitlements.

c) Related party transactions

No director or related entity has entered into a material contract with the company.

Note 30 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	$
Fully franked dividend	11	65,434	11	65,434

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Notes to the financial statements (continued)

Note 30 Dividends provided for or paid *(continued)*

b) Franking account balance

	2021 $	2020 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	33,210	61,258
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	9,538	4,000
- franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	9,454	(7,228)
- Franking debits from the payment of franked distributions	(22,990)	(24,820)
Franking account balance at the end of the financial year	29,212	33,210
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	71,205	9,454
Franking credits available for future reporting periods	100,417	42,664

The ability to utilise franking credits is dependent upon the company's ability to declare dividends.

Note 31 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	249,639	83,006
	Number	Number
Weighted-average number of ordinary shares	594,857	594,857
	Cents	Cents
Basic and diluted earnings per share	41.97	13.95

Note 32 Commitments

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

Note 33 Contingencies

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

Note 34 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 Murrumbeena Community Financial Services Limited, 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.

Dennis Keith Tarrant, Chair

Dated this 29th day of August 2021

AFS
Partners in success
Chartered Accountants

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Independent auditor's report to the Directors of Murrumbeena Community Financial Services Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Murrumbeena Community Financial Services 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 Murrumbeena Community Financial Services 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.

Partners in success
Chartered Accountants

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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.

Independant audit report (continued)

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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.

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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.

Independant audit report (continued)

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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: 29 August 2021

Adrian Downing
Lead Auditor

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