Annual Report 2022

Murrumbeena Community Financial Services Ltd

Community Bank
Murrumbeena

ABN 47 104 667 361

Contents

Chairman's report

For year ending 30 June 2022

"Better Banking, Better Service, Better Community"

The Directors and staff are justifiably very proud of our hard-earned reputation for commitment to great customer service and our contribution to the prosperity of our communities. Community Bank Murrumbeena is a busy branch and has maintained maximum service to the community through a difficult year of staff shortages and COVID-19 lockdowns.

The well-publicised tough banking conditions prevailed in financial year 2021-22. Community Bank Murrumbeena is at the forefront of lending however loan discharges continued to be a challenge whilst consumers took advantage of low interest rates to downsize and pay down their mortgages. The introduction of the State Government's Victorian Homebuyers Fund allocated to Bendigo Bank, stretched our lending capabilities whilst the younger demographic looked to buy into the homeowner's market through much welcomed assistance through a minimum deposit.

We recognise that shareholders have been and continue to be the backbone of our success and with that in mind we have proudly declared an 11 cent fully franked dividend for the 2021-22 year. Given that interest rates were at their lowest ever, margins were squeezed and profitability low was it is a good result for investors. Through good governance and tailored expenses, we have been able to allocate over $107.000 back into community investment. In our 18 years we have given almost $3,400,000 back to the community in the form of sponsorships, donations, grants and dividends. 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.

Another important achievement was the retention of the Community Bank Ormond McKinnon business purchased in 2020. Customers who transitioned to Community Bank Murrumbeena are all now well settled with us and further business is being developed from this portfolio. There has been very little attrition in the Community Bank Ormond McKinnon book even though we anticipated that it could have been much higher. We have maintained, and even enhanced, the partnerships with sporting clubs and charitable groups previously supported by Community Bank Ormond McKinnon and been able to provide grants and sponsorships to many new new ones along the way.

Sadly, 30 June saw our Branch Manager Cheryl Gaston leave us to take on a new challenge within Bendigo Bank. We wish her well and success for the future. We can't thank Sue Foley and her staff enough for the challenges they have endured and worked through during the year.

I cannot thank our Directors on the Board enough for all of the work they have put in to support me as CEO, the staff and branch through this year. They have always been on the front foot driving positive outcomes and good governance for our Company and considerations for the community. It is truly my privilege to work with such a skilled and knowledgeable group of people. In March we lost Suzanne Paynter from our Board so that more time could be dedicated to her family and rigorous CEO work life position. Suzanne is a talented and dedicated Director and is sadly missed.

We thank our partner, Bendigo Bank for their ongoing support and assistance and providing a banking model, guidance and support.

All of us at Community Bank Murrumbeena continue to tell our unique story. We take pride in what we do and set ourselves apart in demonstrating every day how banking can and should be done, but we need your help. Please consider Community Bank Murrumbeena for your banking needs, tell your family and friends wherever they reside so that we can continue to grow this business and continue to make a positive change in our community.

Dennis Tarrant
Chair & CEO

Manager's report

For year ending 30 June 2022

For many in our community the past few years have been a blur. The feeling of being swept along in a world of constant change can be very overwhelming and every industry, organisation and household has felt the impact of COVID-19 and its aftermath.

Community Bank Murrumbeena is no different. The rate of change in the banking sector is unprecedented. The move to provide customers with greater access to online options as well as meeting all the compliance entailed with the ever-changing landscape of products and services has provided many challenges for the Bank and its staff.

It is pleasing to note that Community Bank Murrumbeena, whilst embracing many of the opportunities to move forward in the digital age, also remains committed to our local footprint with the branch continuing to provide traditional, in branch service, which is critical for many in the community for whom the digital space is not feasible. It is important that we are here, ready to assist people in person when the need arises and increasingly this point of difference is becoming rare in our industry.

As of last December, the last bank exited from the Koornang Road Carnegie shopping strip which has left many local business and customers seeking an alternate banking option. With Community Bank Murrumbeena being in close proximity we have had a unique opportunity to engage with this community and provide them with the Bendigo Bank option.

Community Bank Murrumbeena is also working closely with various community stakeholders such as the local charities, community groups and council to help provide support in areas of mental health, educational scholarships, sporting clubs and many other worthy areas of focus.

Through sharing the profit earned from our banking operations numerous organisations have been able to improve the facilities for their members. These organisations are the heartbeat of our community and creating an environment for them to thrive is critical to the health of our whole region.

Our branch continues to perform well against our budgeted targets and at the end of June 2022 our total business holdings grew by $15.941 million with our lending book increasing by $6.285 million against a target of $4 million and our deposit book growing $9.818 million against a target of $8 million. Overall, an excellent achievement given the many impacts of COVID-19 and market trends.

Our branch team has also undergone some change this year and we welcomed Alexandria McDowell who had previously worked at Community Bank Beaumaris. Our lending team now consists of Nicholas Shardey, Kerryn Thompson, Tom Rennick and our frontline branch officers are Kerrie Wyer, Helen Bolton and Zhuo Shen. I thank each and every one of our staff members for their dedication to their roles during difficult times and for the care and attention they give to our customers every day. Cheryl Gaston, our Branch Manager of the last four years, received an opportunity to manage the Bendigo Bank branch in Brighton and departed at the end of June. We thank Cheryl for her huge contribution to our business during that time and wish her every success in her new role. I look back on the year gone with a great deal of satisfaction but now it is the year to come which inspires us to continue to be 'more than a bank' in our local community.

Sue Foley

Sue Foley
Senior Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2022

Community continues to be core to who we are at Bendigo and Adelaide Bank.

With your support, we are enabling community infrastructure to be built, strengthening the arts and culturally diverse communities, improving educational outcomes, and growing healthy places for Australians to live and work. On behalf of the Bank, thank you for continuing to play a vital role in supporting your community.

As we emerge from the pandemic and navigate a shifting economic landscape, the investments our Community Banks make in the future of the communities in which they operate has never been more important.

We are proud that more Australians are choosing to do their banking with Bendigo and Adelaide Bank – and importantly trust us with their financial needs. We are Australia's most trusted bank (Roy Morgan, May 2022), an outcome that you have all contributed to and should feel proud of.

Our purpose has never been more important; we remain committed to continuing to feed into the prosperity of our customers and communities, and not off them.

Your ongoing support as a shareholder is essential to the success of your local community. Together, we will continue to grow sustainably and make a positive impact for generations to come.

Warmest regards,

Justine Minne
Bendigo and Adelaide Bank

Community Bank National Council report

For year ending 30 June 2022

As a shareholder in your local Community Bank, you are part of this incredible social network that is playing an increasingly important role in the Australian economy.

The Community Bank network was a first mover in Australia with its unique social enterprise model. The first Community Bank opened its doors in 1998, and since then, the network has grown to 307 Community Bank branches.

The network represents a diverse cross-section of Australia with 240 social enterprises, 70,000+ shareholders, 1600+ volunteer Directors, 1600+ staff and 905,000 customers located in metro, regional, rural and remote locations across the country. It's not uncommon to visit a country town and see the Community Bank logo affixed to public amenities; at the front of schools, and on the perimeter of sporting clubs – such is the breadth and depth of our investments over the years.

The Community Bank network invests via grants, donations and sponsorships that connect with and care for generations of Australians. Funding programs range from sport, scholarships and school programs, through to community groups, cultural organisations and local councils. The Community Bank influence further extends to facilitating and attracting other partners to help subsidise much needed community projects.

The relationship with the Bank, which has been fashioned out of shared effort, risk and reward, is clearly a philosophy that works. Also supporting the network, is the Community Bank National Council (CBNC), which advocates and influences on behalf of the 240 community enterprises with its partners.

The three strategic pillars of the 2022-23 CBNC strategy are to:

- Develop a community network strategy to ensure the ongoing sustainability of our community enterprises
- Advocate for and champion the uniqueness and value of our social enterprises
- Unite the network to leverage our community presence and amplify our community impact

All Directors and shareholders should feel proud of the network which has collectively delivered enormous impact in our local communities.

We are community builders and investors with a national presence, whilst still retaining grass roots community connections. It's through this unique point of difference, and the commitment of our Directors and shareholders, that we are well positioned to embrace the change that is upon us.

Next year our Community Bank network celebrates 25 years, but in many respects, it's only the beginning for our collective of social enterprises.

Warm regards

Sarah Franklyn
CBNC Chair

Directors' report

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2022.

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

Name:	Dennis Keith Tarrant
Title:	Chair
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
Name:	Anthony Gerard Lee
Title:	Non-executive director
Experience and expertise:	Licensed Local Real Estate Agent.
Special responsibilities:	Deputy Chair, Property Committee, Share Liaison
Name:	Russell James Harper
Title:	Non-executive director
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. Bachelor of Business (Business Administration) RMIT.
Special responsibilities:	Company Secretary.
Name:	John Charles Coulson
Title:	Non-executive director
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.
Name:	Mili Thurgood
Title:	Non-executive director
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.
Name:	Andrew Crommelin *(appointed 1 July 2022)*
Title:	Non-executive director
Experience and expertise:	Andrew is qualified with Bachelors of Arts and Laws and a Graduate Certificate in Management. He also has certifications in Project Management and Situational Leadership. Andrew has many years of experience in Human Resources Consulting and operational business management and is actively involved in the local community.
Special responsibilities:	Human Resources committee
Name:	Suzanne Paynter *(resigned 9 March 2022)*
Title:	Non-executive director
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).

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 Company 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 this activity during the financial year.

Review of operations
The profit for the company after providing for income tax amounted to $128,713 (30 June 2021: $249,639).

Operations have continued to perform in line with expectations.

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

	2022 $
Fully franked dividend of 11 cents per share (2021: 11 cents)	65,434

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments
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 under Australian Commonwealth or State law.

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

	Board	
	Eligible	Attended
Dennis Keith Tarrant	12	12
Anthony Gerard Lee	12	12
Russell James Harper	12	8
Mili Thurgood	12	11
John Charles Coulson	12	12
Suzanne Paynter	8	7

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 25 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.

Directors' interests
The interest in company shareholdings for each director are:

	Balance at the start of the year $	Changes $	Balance at the end of the year $
Dennis Keith Tarrant	501	-	501
Anthony Gerard Lee	1,001	-	1,001
Russell James Harper	-	-	-
Suzanne Paynter	-	-	-
John Charles Coulson	-	-	-
Mili Thurgood	-	-	-

Indemnity 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.

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

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

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

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

Non-audit services
The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 27 to the accounts.

The Board 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
- 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 immediately after this directors' report.

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

On behalf of the directors

Dennis Keith Tarrant
Chair

29 August 2022

Auditor's independence declaration

Andrew Frewin Stewart
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 2022, 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 2022

Adrian Downing
Lead Auditor

Financial statements

Murrumbeena Community Financial Services Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from contracts with customers	6	1,425,298	1,311,166
Other revenue	7	-	75,000
Finance revenue		-	1,024
Employee benefits expense	8	(902,513)	(699,606)
Advertising and marketing costs		(1,101)	(5,170)
Occupancy and associated costs		(24,097)	(19,687)
System costs		(29,761)	(30,751)
Depreciation and amortisation expense	8	(63,242)	(61,970)
Finance costs	8	(30,779)	(28,945)
General administration expenses		(94,226)	(99,015)
Profit before community contributions and income tax expense		279,579	442,046
Charitable donations and sponsorships expense		(107,473)	(116,783)
Profit before income tax expense		172,106	325,263
Income tax expense	9	(43,393)	(75,624)
Profit after income tax expense for the year	21	128,713	249,639
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		128,713	249,639
		Cents	**Cents**
Basic earnings per share	29	21.64	41.97
Diluted earnings per share	29	21.64	41.97

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

Murrumbeena Community Financial Services Ltd
Statement of financial position
As at 30 June 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	10	62,334	32,526
Trade and other receivables	11	150,146	132,341
Total current assets		212,480	164,867
Non-current assets			
Property, plant and equipment	12	63,054	66,367
Right-of-use assets	13	478,289	367,277
Intangibles	14	945,297	959,038
Deferred tax assets	9	22,109	20,144
Total non-current assets		1,508,749	1,412,826
Total assets		1,721,229	1,577,693
Liabilities			
Current liabilities			
Trade and other payables	15	114,900	86,343
Borrowings	16	126,105	126,141
Lease liabilities	17	38,181	38,811
Current tax liabilities	9	15,359	71,205
Employee benefits	18	59,064	65,410
Total current liabilities		353,609	387,910
Non-current liabilities			
Trade and other payables	15	-	14,805
Borrowings	16	224,017	217,950
Lease liabilities	17	465,715	345,960
Employee benefits	18	9,352	4,996
Provisions	19	22,500	23,315
Total non-current liabilities		721,584	607,026
Total liabilities		1,075,193	994,936
Net assets		646,036	582,757
Equity			
Issued capital	20	565,517	565,517
Retained earnings	21	80,519	17,240
Total equity		646,036	582,757

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

Murrumbeena Community Financial Services Ltd
Statement of changes in equity
For the year ended 30 June 2022

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2020		565,517	(166,965)	398,552
Profit after income tax expense		-	249,639	249,639
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	249,639	249,639
Transactions with owners in their capacity as owners:				
Dividends provided for	23	-	(65,434)	(65,434)
Balance at 30 June 2021		565,517	17,240	582,757

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2021		565,517	17,240	582,757
Profit after income tax expense		-	128,713	128,713
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	128,713	128,713
Transactions with owners in their capacity as owners:				
Dividends provided for	23	-	(65,434)	(65,434)
Balance at 30 June 2022		565,517	80,519	646,036

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

Murrumbeena Community Financial Services Ltd
Statement of cash flows
For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,548,576	1,487,369
Payments to suppliers and employees (inclusive of GST)		(1,275,031)	(1,072,638)
		273,545	414,731
Interest received		-	1,024
Interest and other finance costs paid		(5,107)	(8,641)
Income taxes paid		(101,204)	(18,992)
Net cash provided by operating activities	28	167,234	388,122
Cash flows from investing activities			
Payments for property, plant and equipment		(2,135)	-
Payments for intangibles		(13,459)	(938,459)
Net cash used in investing activities		(15,594)	(938,459)
Cash flows from financing activities			
Repayment of lease liabilities	17	(56,398)	(55,877)
Dividends paid	23	(65,434)	(65,434)
Proceeds from borrowings	16	-	344,091
Net cash provided by/(used in) financing activities		(121,832)	222,780
Net increase/(decrease) in cash and cash equivalents		29,808	(327,557)
Cash and cash equivalents at the beginning of the financial year		32,526	360,083
Cash and cash equivalents at the end of the financial year	10	62,334	32,526

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

Notes to the financial statements

For the year ended 30 June 2022

Note 1. Reporting entity

The financial statements cover Murrumbeena Community Financial Services Ltd (the company) as an individual entity. The financial statements are presented in Australian dollars, which is company's functional and presentation currency.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 436 Neerim Road, Murrumbeena VIC 3163.

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Basis of preparation and statement of compliance

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

Note 3. Significant accounting policies

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

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 2021, 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.

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

An asset is classified as current when, it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when, it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

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

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 2022.

Note 3. Significant accounting policies (continued)

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 any impairment loss.

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.

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

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

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

Employee benefits provision
The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

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.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Lease make good provision
A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 5. Economic dependency

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

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

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

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

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

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:
- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

Note 6. Revenue from contracts with customers

	2022 $	2021 $
Margin income	1,246,126	1,151,699
Fee income	85,019	77,015
Commission income	94,153	82,452
Revenue from contracts with customers	1,425,298	1,311,166

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

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

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under *AASB 15 Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

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

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

Revenue calculation
The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates. 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.

Note 6. Revenue from contracts with customers (continued)

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

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

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

Note 7. Other revenue

	2022 $	2021 $
Market development fund	-	37,500
Cash flow boost	-	37,500
Other revenue	-	75,000

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

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market development fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

All revenue is stated net of the amount of 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.

Note 8. Expenses

Depreciation and amortisation expense

	2022 $	2021 $
Depreciation of non-current assets		
Leasehold improvements	2,111	1,667
Plant and equipment	3,337	2,624
	5,448	4,291
Depreciation of right-of-use assets		
Leased land and buildings	44,053	43,936
Amortisation of intangible assets		
Franchise fee	2,290	2,291
Franchise renewal process fee	11,451	11,452
	13,741	13,743
	63,242	61,970

Finance costs

	2022 $	2021 $
Bank loan interest paid or accrued	11,138	8,641
Lease interest expense	18,683	19,216
Unwinding of make-good provision	958	1,088
	30,779	28,945

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

Employee benefits expense

	2022 $	2021 $
Wages and salaries	790,605	622,142
Superannuation contributions	78,687	58,024
Expenses related to long service leave	2,591	1,150
Other expenses	30,630	18,290
	902,513	699,606

Leases recognition exemption

	2022 $	2021 $
Expenses relating to low-value leases	13,125	13,500

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.

	2022 $	2021 $
Direct donation, sponsorship and grant payments	107,473	116,783

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, sponsorships and grants).

Note 9. Income tax

	2022 $	2021 $
Income tax expense		
Current tax	45,358	80,743
Movement in deferred tax	(1,965)	(5,925)
Reduction in company tax rate	-	806
Aggregate income tax expense	43,393	75,624
Prima facie income tax reconciliation		
Profit before income tax expense	172,106	325,263
Tax at the statutory tax rate of 25% (2021: 26%)	43,027	84,568
Tax effect of:		
Non-deductible expenses	366	-
Reduction in company tax rate	-	806
Other assessable income	-	(9,750)
Income tax expense	43,393	75,624

	2022 $	2021 $
Deferred tax assets/(liabilities)		
Employee benefits	19,605	20,176
Provision for lease make good	5,625	5,829
Accrued expenses	800	775
Lease liabilities	125,974	96,193
Right-of-use assets	(119,573)	(91,819)
Property, plant and equipment	(10,322)	(11,010)
Deferred tax asset	22,109	20,144

	2022 $	2021 $
Provision for income tax	15,359	71,205

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

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

Accounting policy for deferred tax
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.

Note 10. Cash and cash equivalents

	2022 $	2021 $
Cash at bank and on hand	62,334	32,526

Accounting policy for 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.

Note 11. Trade and other receivables

	2022 $	2021 $
Trade receivables	141,830	122,579
Accrued income	300	300
Prepayments	8,016	9,462
	8,316	9,762
	150,146	132,341

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 12. Property, plant and equipment

	2022 $	2021 $
Leasehold improvements - at cost	102,527	102,527
Less: Accumulated depreciation	(66,035)	(63,924)
	36,492	38,603
Plant and equipment - at cost	96,563	94,428
Less: Accumulated depreciation	(70,001)	(66,664)
	26,562	27,764
	63,054	66,367

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

	Leasehold improvements $	Plant and equipment $	Total $
Balance at 1 July 2020	40,270	30,388	70,658
Depreciation	(1,667)	(2,624)	(4,291)
Balance at 30 June 2021	38,603	27,764	66,367
Additions	-	2,135	2,135
Depreciation	(2,111)	(3,337)	(5,448)
Balance at 30 June 2022	36,492	26,562	63,054

Accounting policy for 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.

Note 12. Property, plant and equipment (continued)

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Leasehold improvements	5 to 21 years
Plant and equipment	2.5 to 40 years

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

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

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

Change in estimates
During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

The company's review of estimates resulted in changes in the useful life of some of Murrumbeena branch leasehold improvements. The useful life had previously been assessed as 40 years until April 2045. This is now expected to be 21 years until April 2026. The effect of these changes on actual and expected depreciation expense was as follows:

	2022 **$**	**2023** **$**	**2024** **$**	**2025** **$**	**2026+** **$**
(Decrease) increase in depreciation expense	505	468	433	401	(1,807)

Note 13. Right-of-use assets

	2022 **$**	**2021** **$**
Land and buildings - right-of-use	682,434	527,368
Less: Accumulated depreciation	(204,145)	(160,091)
	478,289	367,277

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

	Land and buildings $	Total $
Balance at 1 July 2020	405,727	405,727
Remeasurement adjustments	5,486	5,486
Depreciation expense	(43,936)	(43,936)
Balance at 30 June 2021	367,277	367,277
Remeasurement adjustments	155,065	155,065
Depreciation expense	(44,053)	(44,053)
Balance at 30 June 2022	478,289	478,289

Accounting policy for right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. 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.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to note 17 for more information on lease arrangements.

Note 14. Intangibles

	2022 $	2021 $
Domiciled customer accounts	925,000	925,000
Franchise fee	93,917	93,917
Less: Accumulated amortisation	(90,534)	(88,244)
	3,383	5,673
Franchise renewal fee	169,577	169,577
Less: Accumulated amortisation	(152,663)	(141,212)
	16,914	28,365
	945,297	959,038

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

	Domiciled Customer Accounts $	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2020	-	7,964	39,817	47,781
Additions	925,000	-	-	925,000
Amortisation expense	-	(2,291)	(11,452)	(13,743)
Balance at 30 June 2021	925,000	5,673	28,365	959,038
Amortisation expense	-	(2,290)	(11,451)	(13,741)
Balance at 30 June 2022	925,000	3,383	16,914	945,297

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

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

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present. 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	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (5 years)	March 2029
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	March 2029
Domiciled customer accounts	Assessed for impairment	Indefinite	N/A

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

Change 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 15. Trade and other payables

	2022 $	2021 $
Current liabilities		
Trade payables	50,425	48,942
Other payables and accruals	64,475	37,401
	114,900	86,343
Non-current liabilities		
Other payables and accruals	-	14,805

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

Note 16. Borrowings

	2022 $	2021 $
Current liabilities		
Bank loans	126,105	126,141
Non-current liabilities		
Bank loans	224,017	217,950

Unrestricted access was available at the reporting date to the following lines of credit:

	2022 $	2021 $
Total facilities		
Bank loans	599,480	710,778
Used at the reporting date		
Bank loans	350,122	344,091
Unused at the reporting date		
Bank loans	249,358	366,687

Bank loans
Bank loans are repayable monthly with the final instalment due in 2025. Interest is recognised at rate of 4.42% (2021: 3.58%). The loans are secured by a fixed and floating charge over the company's assets.

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 17. Lease liabilities

	2022 $	2021 $
Current liabilities		
Land and buildings lease liabilities	56,397	56,397
Unexpired interest	(18,216)	(17,586)
	38,181	38,811
Non-current liabilities		
Land and buildings lease liabilities	562,097	410,624
Unexpired interest	(96,382)	(64,664)
	465,715	345,960

Reconciliation of lease liabilities

	2022 $	2021 $
Opening balance	384,771	415,947
Additional lease liabilities recognised	-	5,485
Remeasurement adjustments	156,840	-
Lease interest expense	18,683	19,216
Lease payments - total cash outflow	(56,398)	(55,877)
	503,896	384,771

Maturity analysis

	2022 $	2021 $
Not later than 12 months	56,397	56,397
Between 12 months and 5 years	225,587	225,587
Greater than 5 years	336,510	185,037
	618,494	467,021

Accounting policy for 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.

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

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

Note 17. Lease liabilities (continued)

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 nil.

The company's lease portfolio includes:

Murrumbeena branch	The lease agreement commenced in March 2017. A 5 year renewal option was exercised in December 2019. The company has 1 x 5 renewal option available and likely fourth coming 5 year renewal option 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 December 2034. The discount rate used in calculations is 3.54%.
Branch hub	The lease agreement commenced in March 2019. The company has a 5 year renewal option 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. The discount rate used in calculations is 4.79%.

Remeasurement adjustments
The remeasurement adjustment in the period was mostly due to an expected extension of Murrumbeena Branch lease of 5 years. As such a remeasurement of the right-of-use asset, lease liability and make-good provision occurred using the revised lease term end date of December 2034.

Note 18. Employee benefits

	2022 $	2021 $
Current liabilities		
Annual leave	45,533	50,114
Long service leave	13,531	15,296
	59,064	65,410
Non-current liabilities		
Long service leave	9,352	4,996

Accounting policy for 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 salaries and wages 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.

Superannuation contributions
Contributions to superannuation plans are expensed in the period in which they are incurred.

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 18. Employee benefits (continued)

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.

Note 19. Provisions

	2022 $	2021 $
Lease make good	22,500	23,315

Lease make good
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 for the Murrumbeena Branch lease, 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 December 2034 at which time it is expected the face-value costs to restore the premises will fall due.

Accounting policy for provisions
Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 20. Issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	565,517	594,857	594,857	594,857
Less: Equity raising costs	-	-	(29,340)	(29,340)
	565,517	594,857	565,517	565,517

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

Rights attached to issued capital

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

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

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

Note 20. Issued capital (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 21. Retained earnings

	2022 $	2021 $
Retained earnings/(accumulated losses) at the beginning of the financial year	17,240	(166,965)
Profit after income tax expense for the year	128,713	249,639
Dividends paid (note 23)	(65,434)	(65,434)
Retained earnings at the end of the financial year	80,519	17,240

Note 22. Capital management

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

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

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

Note 22. 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 financial year can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 23. Dividends

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

	2022 $	2021 $
Fully franked dividend of 11 cents per share (2021: 11 cents)	65,434	65,434

Franking credits

	2022 $	2021 $
Franking account balance at the beginning of the financial year	29,212	33,210
Franking credits (debits) arising from income taxes paid (refunded)	101,204	18,992
Franking debits from the payment of franked distributions	(21,811)	(22,990)
	108,605	29,212
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	108,605	29,212
Franking credits (debits) that will arise from payment (refund) of income tax	15,359	71,205
Franking credits available for future reporting periods	123,964	100,417

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%.

Accounting policy for dividends
Dividends are recognised in the financial year they are declared.

Note 24. Financial instruments

	2022 $	2021 $
Financial assets		
Trade and other receivables	142,130	122,879
Cash and cash equivalents	62,334	32,526
	204,464	155,405
Financial liabilities		
Trade and other payables	114,900	101,148
Lease liabilities	503,896	384,771
Bank loans	350,122	344,091
	968,918	830,010

Accounting policy for 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, borrowings and lease liabilities.

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.

Note 24. Financial instruments (continued)

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.

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.

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.

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 $62,334 at 30 June 2022 (2021: $32,526). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

As at the reporting date, the company had the following variable rate borrowings outstanding:

	2022		2021	
	Nominal interest rate %	**Balance $**	**Nominal interest rate %**	**Balance $**
Bank loans	4.42%	350,122	3.58%	344,091
Net exposure to cash flow interest rate risk		350,122		344,091

An analysis by remaining contractual maturities is shown in 'liquidity risk' below.

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.

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

Financing arrangements
Unused borrowing facilities at the reporting date:

	2022 $	2021 $
Bank loans	249,358	366,687

Exposure to liquidity risk
The following are the remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

Note 24. Financial instruments (continued)

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Bank loans	126,105	224,017	-	350,122
Trade and other payables	114,900	-	-	114,900
Lease liabilities	56,397	225,587	336,510	618,494
Total non-derivatives	297,402	449,604	336,510	1,083,516

2021	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Bank loans	126,141	217,950	-	344,091
Trade and other payables	86,343	14,805	-	101,148
Lease liabilities	56,397	225,587	185,037	467,021
Total non-derivatives	268,881	458,342	185,037	912,260

Note 25. Key management personnel disclosures

The following persons were directors of Murrumbeena Community Financial Services Ltd during the financial year:

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

Compensation
Key management personnel compensation comprised the following.

	2022 $	**2021 $**
Short-term employee benefits	88,181	81,261
Post-employment benefits	8,818	7,720
	96,999	88,981

Compensation of the company's key management personnel includes salaries and contributions to a post-employment superannuation fund.

Note 26. Related party transactions

There were no transactions with related parties during the current and previous financial year.

Note 27. Remuneration of auditors

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

	2022 $	**2021 $**
Audit services		
Audit or review of the financial statements	5,200	5,000
Other services		
Taxation advice and tax compliance services	600	600
General advisory services	2,330	3,630
Share registry services	4,351	3,103
	7,281	7,333
	12,481	12,333

Note 28. Reconciliation of profit after income tax to net cash provided by operating activities

	2022 $	2021 $
Profit after income tax expense for the year	128,713	249,639
Adjustments for:		
Depreciation and amortisation	63,244	61,970
Lease liabilities interest	18,683	19,216
Change in operating assets and liabilities:		
Increase in trade and other receivables	(17,805)	(33,474)
Increase in deferred tax assets	(1,965)	(5,120)
Increase in trade and other payables	33,242	24,238
Increase/(decrease) in provision for income tax	(55,846)	61,751
Increase/(decrease) in employee benefits	(1,990)	8,814
Increase in other provisions	958	1,088
Net cash provided by operating activities	167,234	388,122

Note 29. Earnings per share

	2022 $	2021 $
Profit after income tax	128,713	249,639
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	594,857	594,857
Weighted average number of ordinary shares used in calculating diluted earnings per share	594,857	594,857
	Cents	**Cents**
Basic earnings per share	21.64	41.97
Diluted earnings per share	21.64	41.97

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Murrumbeena Community Financial Services Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Note 30. Commitments

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

Note 31. Contingencies

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

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Directors' declaration

For the financial year ended 30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Dennis Keith Tarrant
Chair

29 August 2022

Independent audit report

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

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 2022
- 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 2022 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

Other Information

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

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

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

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 29 August 2022

Adrian Downing
Lead Auditor

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Bendigo Bank

Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL/Australian Credit Licence 237879. (BNPAR22092) (10/22)