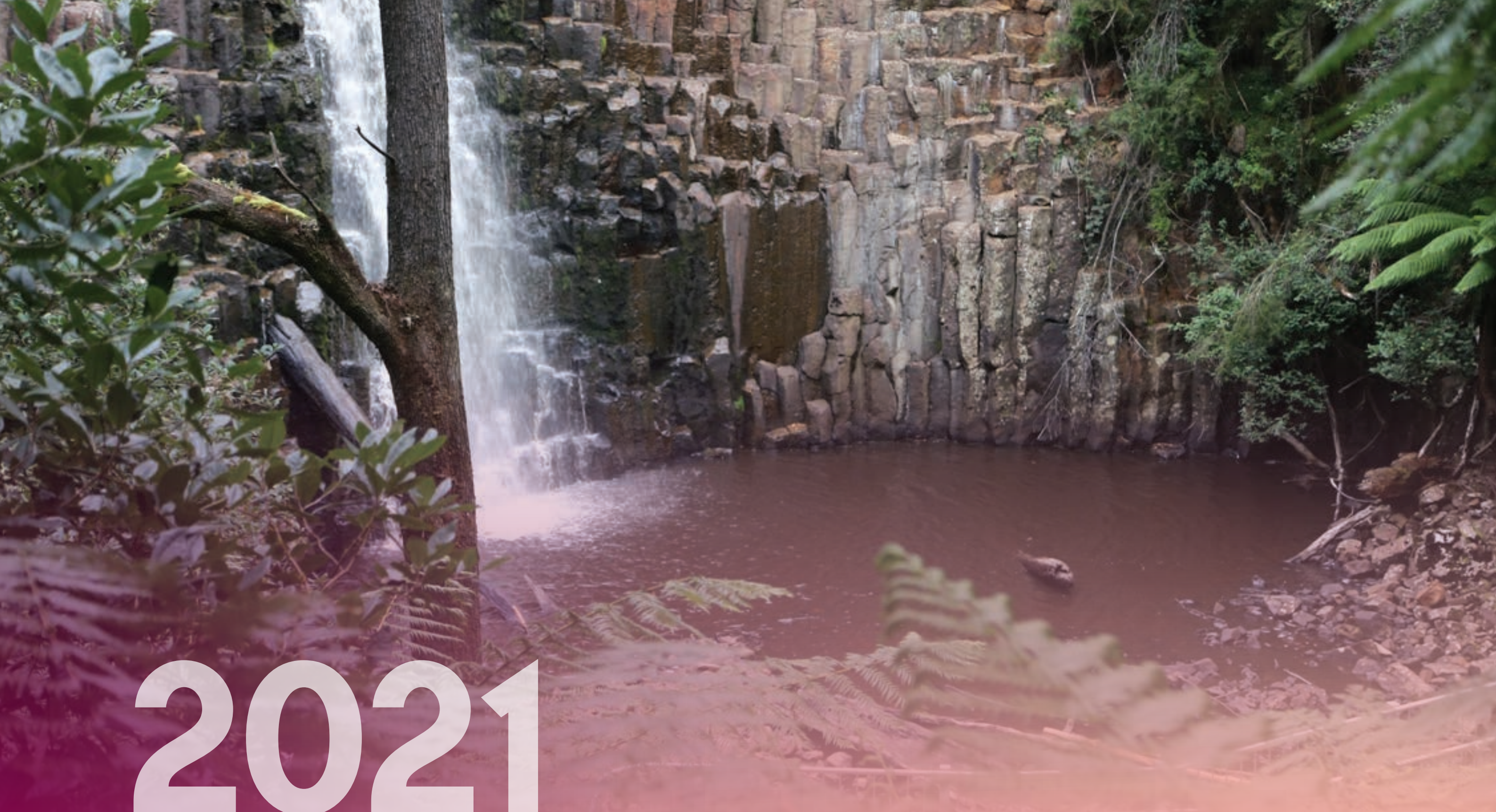

2021 Annual Report

Circular Head Community Financial Services Ltd

ABN 21 626 751 157

Community Bank · Smithton & Districts

Contents

Chairman's report

For year ending 30 June 2021

The past 12 months have been a busy and event filled period with changes in our staff, presentations to shareholders and prospective business and rural customers and monthly Directors' meetings.

We commenced the Community Bank on 19 June 2019, so we have now been a business in partnership with Bendigo and Adelaide Bank Limited for two years.

We have experienced the ups and downs of replacing our Business Development Manager and Customer Relationship Officer, building our customer base and establishing community sponsorships.

In the midst of this we have endured the COVID-19 restrictions with all the apprehension and concern that this has delivered.

We are operating with a steady increase in turnover and profit and have performed within our budget set at the time of commencing the business. This is something we should be proud of as many start-up Community Banks take longer than this to reach where we are now.

Our last AGM was on 2 December 2020 and since then we have been in constant building phase within the community.

I meet with our Manager on a weekly basis and her assistant each month.

Unfortunately, our previous Manager and assistant gave notice to leave their employment in early 2021.

Their positions were filled by Naomi O'Leary starting as Business Development Manager in January 2021 and followed shortly with Sarah Walsh in Customer Relations.

On 20 April 2021 we conducted a shareholders and customer information evening at Jenski's in Smithton with a roll up of 70. Errol Stewart, a prominent Tasmanian businessman and son of Circular Head gave an informative and encouraging presentation.

In July 2021 we hosted A Night Away from The Farm attended by 65 invited rural producers. A donation of $500 was made to Lifeline as part of our community support program taking our total funds this financial year back to the community of $12,821.

Our Community Bank supports the Smithton livestock sale twice a month with the Rural Bank trailer prominently at the entrance for COVID-19 check in.

At least once a month I have either a face-to-face or telephone meeting with Martyn Neville, Bendigo and Adelaide Bank Limited Tasmanian State Manager for feedback on Bank and Community Bank activities. He is most encouraged with Naomi and Sarah's presentation and progress with our Community Bank. We are so fortunate to have dedicated and talented staff to represent our business.

Shareholders continue to support the business with increased banking activity.

We thank the shareholders who have supported the business with increased banking activity but to help us reach greater profit and return more funds to the community I ask all shareholders to review their banking needs with our friendly staff and encourage family, friends and neighbours to do the same.

I have attended three Community Bank Chair's meetings which allows me the opportunity to report on our progress and that of Community Banks in Tasmania and Victoria. I am most pleased to report in this low interest and compromised bank earning environment our business is progressing very well.

Directors have faithfully and regularly met each month and each Director has completed online training for banking regulations and directors' duties.

I thank them for their continued support and look forward to working with them for another fruitful and enterprising year.

Thomas Glynn
Chairman

Manager's report

For year ending 30 June 2021

2021 has been a year of change and growth. I started in the role early February 2021 and have been heartened by the support of the local community, Directors, shareholders, and the wider Community Bank team as a whole. Thank you.

Community Bank Smithton & Districts has now been open for two years. The business has continued to grow with 511 accounts opened an increase of 19% from last year. The bank is close to breakeven so with the continued support of the community we look forward to distributing more money back into the local community. Our deposits totalled $16.091 million and our lending portfolio is $3.785 million with further growth in the pipeline.

I would like to take this opportunity to thank Agency Principal Kathy Monson and her staff for ensuring daily transactions occur efficiently and with a positive customer experience. I look forward to continuing to build a long-lasting relationship with the Agency and all the staff.

Thanks also to the Board of Directors for their support and guidance over the past eight months that I have been part of the Community Bank Smithton & Districts; they are a passionate group of individuals who volunteer their time often after hours and weekends for the benefit of the community. I look forward to continuing to work with you to grow and expand Community Bank Smithton & Districts together.

During my time with Community Bank Smithton & Districts our Customer Relationship Office Callie decided to leave and pursue a different opportunity. Sarah Walsh had been working at the agency and moving into the Customer Relationship Officer role was a natural step up. Sarah I look forward to continuing to work with you as we develop Community Bank Smithton & Districts to be the bank of choice in our community.

To our Regional Manager Martyn Neville, thank you so much for all your support and guidance, it is a pleasure to work with you.

Both Sarah and I wish to thank all the customers and shareholders – without you we wouldn't be here, we are more than 'just a bank' we are helping our community grow and prosper, We look forward to growing Community Bank Smithton & Districts to ensure its future success and success for the local community.

And finally if you have any friends or family looking to review their banking needs we would love to speak to them.

Naomi O'Leary
Business Development Manager.

Directors' report

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

Directors

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

Thomas Patrick Glynn
Chairman
Occupation: Solicitor
Qualifications, experience and expertise: Tom is a partner of a legal practice operating in Tasmania and New South Wales, practising as a commercial lawyer since 1980. He has held the positions of director and chairman of various organisations, including sporting and school associations. Tom was the Chair of the Community Bank Project Steering Committee and is committed to the establishment of a community bank in the Smithton area.
Special responsibilities: Nil
Interest in shares: 501 ordinary shares

Jan Elizabeth Bishop
Vice Chair
Occupation: Semi-retired
Qualifications, experience and expertise: Jan has extensive experience in business, having operated a general store, a timber harvesting and haulage business and a cattle farm. She is actively involved in local community groups, she has in the past been involved in the Circular Head Improvement Programme Committee and Women in Timber. For the past 20 years, Jan has worked on the Irishtown Community Centre Ladies & General Committees and is a past member of Soroptimists International. She has served as Deputy Mayor of the Circular Head Council from 2014 to 2018. Jan served on the Community Bank Steering Committee.
Special responsibilities: Nil
Interest in shares: 26,001 ordinary shares

Gerard Frederick Blizzard
Non-executive director
Occupation: Bookkeeper
Qualifications, experience and expertise: Bookkeeping. Worked for Roberts Ltd 31 years, 25 years as Rural Finance Manager. Rotary Club of Smithton. Councillor - Municipal Council.
Special responsibilities: Human Resources Committee
Interest in shares: 1,001 ordinary shares

Hendrik Korpershoek
Non-executive director
Occupation: Farmer
Qualifications, experience and expertise: Harry is a second generation farmer running a mixed farming enterprise including dairy and cropping. He has always been involved in local community groups and organisations and, for several years, has served on the committees of the Forest Sports Centre and the McCain growers committee. Harry was a member of the Community Bank Steering Committee.
Special responsibilities: Nil
Interest in shares: 7,001 ordinary shares

Elisabeth Margaret Ryan
Non-executive director
Occupation: Finance Administrator
Qualifications, experience and expertise: Elisabeth moved to Tasmania from Sydney 30 years ago. She initially worked for a local accounting firm and later owned the Stanley Post Office. Elisabeth now works in finance administration. She sees her experience as invaluable to her role as a Board member. Elisabeth is an active member in the community and served on the Community Bank Project Steering Committee.
Special responsibilities: Nil
Interest in shares: 2,501 ordinary shares

Directors *(continued)*

Julian John Jacobs
Non-executive director
Occupation: Self-employed
Qualifications, experience and expertise: 40 years self-employed. Hospitality Industry. Director Tasmanian Hospitality Association. Past Director Tourism Industry Council Tasmania. Past Chair Independent Tourism Operators Tasmania. Member Lions Club, member Stanley Golf Club.
Special responsibilities: Marketing Committee
Interest in shares: 20,000 ordinary shares

Matthew John Gunningham
Non-executive director
Occupation: Dairy Farmer
Qualifications, experience and expertise: Matthew has been a daily farmer for over 20 years and has experience as a director of a number of dairy farming joint ventures with overseas investors. Matthew is also a Nuffield Scholar and trustee on Mowbray Swap Drainage Trust. Matthew is also a Volunteer Firefighter.
Special responsibilities: Nil
Interest in shares: 11,000 ordinary shares

Jennifer Rosalie Wallis
Non-executive director
Occupation: Retiree
Qualifications, experience and expertise: Clerk in accountancy firm 16 years. Client Services Officer 20 years. Bookkeeper 30 plus years. Treasurer twice for Rotary Club of Smithton. Past President Rotary Club of Smithton.
Special responsibilities: Low Volume Market Champion
Interest in shares: 1,000 ordinary shares

Lex Garnock Lindsay Laing
Non-executive director
Occupation: Self-employed Farmer
Qualifications, experience and expertise: Lex is a member of the Local Heritage Committee, a past member of Circular Head Show Society and Member of Mens Shed.
Special responsibilities: Nil
Interest in shares: nil share interest held

Rebecca Lee Korpershoek
Non-executive director (appointed 20 January 2021)
Occupation: Agronomist
Qualifications, experience and expertise: Rebecca has a Certificate 3 in both Business Management and Horticulture. Rebecca also has experience in store management and treasury, secretary and presidential roles.
Special responsibilities: Nil
Interest in shares: 500 ordinary shares

Robert James Nicholson
Non-executive director (resigned 20 January 2021)
Occupation: Business owner
Qualifications, experience and expertise: Robert is an IT specialist, owning two businesses with state-wide customers, including large not-for profit organisations in the Smithton area. He is active in the local church and broader community, is a senior leader with the Stanley Boys Rally and Chair of Riverbend Youth Centre Inc.
Special responsibilities: Nil
Interest in shares: 1 ordinary shares

Directors *(continued)*

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

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

Company Secretary

The company secretary is Jennifer Rosalie Wallis. Jennifer was appointed to the position of secretary 15 May 2019.

Principal activity

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

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

Operating results

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

Year ended 30 June 2021 $	Year ended 30 June 2020 $
(40,286)	(97,855)

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Thomas Patrick Glynn	501	-	501
Jan Elizabeth Bishop	26,001	-	26,001
Gerard Frederick Blizzard	1,001	-	1,001
Hendrik Korpershoek	7,001	-	7,001
Elisabeth Margaret Ryan	2,501	-	2,501
Julian John Jacobs	20,000	-	20,000
Matthew John Gunningham	11,000	-	11,000
Jennifer Rosalie Wallis	1,000	-	1,000
Lex Garnock Lindsay Laing	-	-	-
Rebecca Lee Korpershoek	500	-	500
Robert James Nicholson	1	-	1

Dividends

No dividends were declared or paid for the previous financial year and the directors recommend that no dividend be paid in the current financial year.

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

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

E - eligible to attend *A - number attended*	Board Meetings	
	E	A
Thomas Patrick Glynn	12	12
Jan Elizabeth Bishop	12	10
Gerard Frederick Blizzard	12	11
Hendrik Korpershoek	12	7
Robert James Nicholson	5	4
Elisabeth Margaret Ryan	12	12
Julian John Jacobs	12	10
Matthew John Gunningham	12	10
Jennifer Rosalie Wallis	12	11
Lex Garnock Lindsay Laing	12	6
Rebecca Lee Korpershoek	6	5

Proceedings on behalf of the company

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

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

Non audit services

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

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Signed in accordance with a resolution of the directors at Smithton, Tasmania.

Thomas Patrick Glynn, Chairman

Dated this 24th day of September 2021

Auditor's independence declaration

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Circular Head Community Financial Services Ltd

As lead auditor for the audit of Circular Head Community Financial Services Ltd for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Joshua Griffin
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	215,393	184,097
Other revenue	9	55,349	65,583
Employee benefit expenses	10c)	(148,247)	(204,661)
Charitable donations, sponsorship, advertising and promotion		(12,821)	(16,183)
Occupancy and associated costs		(4,865)	(4,970)
Systems costs		(14,678)	(16,270)
Depreciation and amortisation expense	10a)	(78,914)	(79,368)
Finance costs	10b)	(11,129)	(12,333)
General administration expenses		(48,338)	(46,378)
Loss before income tax credit		(48,250)	(130,483)
Income tax credit	11a)	7,964	32,628
Loss after income tax credit		(40,286)	(97,855)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(40,286)	(97,855)
Earnings per share		¢	¢
- Basic and diluted loss per share:	29a)	(6.64)	(16.12)

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	12	189,585	208,463
Trade and other receivables	13a)	31,015	20,887
Total current assets		220,600	229,350
Non-current assets			
Property, plant and equipment	14a)	57,518	72,364
Right-of-use assets	15a)	196,316	238,384
Intangible assets	16a)	56,597	78,597
Deferred tax asset	17a)	70,543	62,578
Total non-current assets		380,974	451,923
Total assets		601,574	681,273
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	13,145	5,912
Lease liabilities	20a)	40,892	38,983
Employee benefits	22a)	2,791	10,317
Total current liabilities		56,828	55,212
Non-current liabilities			
Lease liabilities	20b)	167,831	208,723
Employee benefits	22b)	-	249
Provisions	21a)	2,400	2,288
Total non-current liabilities		170,231	211,260
Total liabilities		227,059	266,472
Net assets		374,515	414,801
EQUITY			
Issued capital	23a)	573,771	573,771
Accumulated losses	24	(199,256)	(158,970)
Total equity		374,515	414,801

The accompanying notes form part of these financial statements

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

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019		576,545	(61,115)	515,430
Total comprehensive income for the year		-	(97,855)	(97,855)
Transactions with owners in their capacity as owners:				
Costs of issuing shares	23	(2,774)	-	(2,774)
Balance at 30 June 2020		**573,771**	**(158,970)**	**414,801**
Balance at 1 July 2020		573,771	(158,970)	414,801
Total comprehensive income for the year		-	(40,286)	(40,286)
Balance at 30 June 2021		**573,771**	**(199,256)**	**374,515**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		277,479	246,380
Payments to suppliers and employees		(241,350)	(294,408)
Lease payments (interest component)	10b)	(11,017)	(12,226)
Lease payments not included in the measurement of lease liabilities	10d)	(5,007)	(6,280)
Net cash provided by/(used in) operating activities	25	**20,105**	**(66,534)**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(14,184)
Net cash used in investing activities		**-**	**(14,184)**
Cash flows from financing activities			
Payment for share issue costs		-	(2,774)
Lease payments (principle component)		(38,983)	(35,087)
Net cash used in financing activities		**(38,983)**	**(37,861)**
Net cash decrease in cash held		**(18,878)**	**(118,579)**
Cash and cash equivalents at the beginning of the financial year		208,463	327,042
Cash and cash equivalents at the end of the financial year	12	**189,585**	**208,463**

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

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

Registered Office	Principal Place of Business
29 Smith Street Smithton TAS 7330	29 Smith Street Smithton TAS 7330

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

Note 2 Basis of preparation and statement of compliance

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

The financial statements have been prepared on an accrual and historical cost basis.The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

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

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

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

a) 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.

b) Other revenue

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

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

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

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

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

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

c) Economic dependency - Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

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

d) Employee benefits *(continued)*

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	4 to 15 years
Plant and equipment	Straight-line	1 to 4 years
Motor vehicles	Straight-line	5 years

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

h) Intangible assets

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

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

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

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

Asset class	Method	Useful life
Franchise establishment fee	Straight-line	Over the franchise term (5 years)
Franchise fee	Straight-line	Over the franchise term (5 years)

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade and other debtors and creditors, cash and cash equivalents 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 4 Summary of significant accounting policies *(continued)*

i) 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.

j) 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 2021.

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

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

m) Leases *(continued)*

As a lessee

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

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

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

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

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

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

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

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

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

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

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

a) Judgements

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

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

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 17 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 14 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

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

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

a) Credit risk

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

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

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

Note 6 Financial risk management

b) Liquidity risk *(continued)*

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2021

Non-derivative financial liability	Carrying amount	Contractual cash flows Not later than 12 months	 Between 12 months and five years	 Greater than five years
Lease liabilities	208,723	50,000	183,333	-
Trade and other payables	13,145	13,145	-	-
	221,868	63,145	183,333	-

30 June 2020

Non-derivative financial liability		Contractual cash flows		
Lease liabilities	247,706	50,000	200,000	33,334
Trade and other payables	5,912	5,912	-	-
	253,618	55,912	200,000	33,334

c) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest. 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 $189,585 at 30 June 2021 (2020: $208,463). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

Note 7 Capital management *(continued)*

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2021 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	88,336	82,579
- Fee income	6,637	6,062
- Commission income	120,420	95,456
	215,393	184,097

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	40,000	40,000
- Cash flow boost	15,349	25,583
	55,349	65,583

Note 10 Expenses

a) Depreciation and amortisation expense	2021 $	2020 $
Depreciation of non-current assets:		
- Leasehold improvements	6,169	7,188
- Plant and equipment	2,278	3,645
- Motor vehicles	6,399	6,399
	14,846	17,232
Depreciation of right-of-use assets		
- Leased land and buildings	42,068	40,136
Amortisation of intangible assets:		
- Franchise fee	2,000	2,000
- Franchise establishment fee	20,000	20,000
	22,000	22,000
Total depreciation and amortisation expense	78,914	79,368

Note 10 Expenses *(continued)*

b) Finance costs

	2021 $	2020 $
- Lease interest expense	11,017	12,226
- Unwinding of make-good provision	112	107
	11,129	12,333

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

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	129,789	175,333
Contributions to defined contribution plans	12,350	15,527
Expenses related to long service leave	(249)	249
Other expenses	6,357	13,552
	148,247	204,661

d) Recognition exemption

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

	2021 $	2020 $
Expenses relating to low-value leases	5,007	6,280

Note 11 Income tax expense

a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax expense/(credit)		
- Future income tax benefit attributable to losses	(10,724)	(46,974)
- Movement in deferred tax	(62)	7,909
- Adjustment to deferred tax on AASB 16 retrospective application	-	1,775
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	2,822	3,610
- Net tax benefit from equity raising costs recognised through deferred tax	-	1,052
	(7,964)	(32,628)

Note 11 Income tax expense *(continued)*

b) *Prima facie* income tax reconciliation	2021 $	2020 $
Operating loss before taxation	(48,250)	(130,483)
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	(12,545)	(35,883)
Tax effect of:		
- Non-deductible expenses	5,750	6,680
- Other deductible expenses	(2,434)	(2,574)
- Temporary differences	2,496	(8,162)
- Other assessable income	(3,991)	(7,035)
- Movement in deferred tax	(62)	7,909
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	2,822	3,610
- Leases initial recognition	-	1,775
- Net tax benefit from equity raising costs recognised through deferred tax	-	1,052
	(7,964)	(32,628)

Note 12 Cash and cash equivalents

	2021 $	2020 $
Cash at bank and on hand	189,585	208,463

Note 13 Trade and other receivables

a) Current assets	2021 $	2020 $
Trade receivables	27,727	17,599
Prepayments	3,288	3,288
	31,015	20,887

Note 14 Property, plant and equipment

a) Carrying amounts	2021 $	2020 $
Leasehold improvements		
At cost	50,764	50,764
Less: accumulated depreciation	(14,678)	(8,509)
	36,086	42,255
Plant and equipment		
At cost	8,874	8,874
Less: accumulated depreciation	(5,923)	(3,645)
	2,951	5,229

Note 14 Property, plant and equipment *(continued)*

a) Carrying amounts *(continued)*	2021 $	2020 $
Motor vehicles		
At cost	31,995	31,995
Less: accumulated depreciation	(13,514)	(7,115)
	18,481	24,880
Total written down amount	57,518	72,364

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leasehold improvements		
Carrying amount at beginning	42,255	44,134
Additions	-	5,309
Depreciation	(6,169)	(7,188)
	36,086	42,255
Plant and equipment		
Carrying amount at beginning	5,229	-
Additions	-	8,874
Depreciation	(2,278)	(3,645)
	2,951	5,229
Motor vehicles		
Carrying amount at beginning	24,880	31,279
Depreciation	(6,399)	(6,399)
	18,481	24,880
Total written down amount	57,518	72,364

c) Changes in estimates

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

Note 15 Right-of-use assets

a) Carrying amounts	2021 $	2020 $
Leased land and buildings		
At cost	284,888	284,888
Less: accumulated depreciation	(88,572)	(46,504)
Total written down amount	196,316	238,384

Note 15 Right-of-use assets *(continued)*

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leased land and buildings		
Carrying amount at beginning	238,384	-
Initial recognition on transition	-	261,067
Accumulated depreciation on adoption	-	(6,367)
Remeasurement adjustments	-	23,820
Depreciation	(42,068)	(40,136)
Total written down amount	196,316	238,384

Note 16 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(4,855)	(2,855)
	5,145	7,145
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(48,548)	(28,548)
	51,452	71,452
Total written down amount	56,597	78,597

b) Reconciliation of carrying amounts

	2021 $	2020 $
Franchise fee		
Carrying amount at beginning	7,145	9,145
Amortisation	(2,000)	(2,000)
	5,145	7,145
Franchise establishment fee		
Carrying amount at beginning	71,452	91,452
Amortisation	(20,000)	(20,000)
	51,452	71,452
Total written down amount	56,597	78,597

c) Changes in estimates

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

Note 17 Tax assets and liabilities

a) Deferred tax	2021 $	2020 $
Deferred tax assets		
- expense accruals	475	494
- employee provisions	698	2,747
- equity raising costs	4,680	7,301
- make-good provision	600	595
- lease liability	52,181	64,404
- carried-forward tax losses	69,096	61,136
Total deferred tax assets	127,730	136,677
Deferred tax liabilities		
- property, plant and equipment	8,108	12,119
- right-of-use assets	49,079	61,980
Total deferred tax liabilities	57,187	74,099
Net deferred tax assets (liabilities)	70,543	62,578
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	7,965	-

Note 18 Trade creditors and other payables

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

a) Current liabilities	2021 $	2020 $
Trade creditors	1,296	2,004
Other creditors and accruals	11,849	3,908
	13,145	5,912

Note 19 Loans from related entities

a) Current liabilities	2021 $	2020 $
Directors loans	-	10,000
Loans converted to ordinary equity in the company	-	(10,000)
	-	-

Note 20 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%.

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

The company's lease portfolio includes:

- Smithton Branch	The lease agreement commenced in May 2019 for 5 years. The company has 1 x 2 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 February 2026.

a) Current lease liabilities

	2021 $	2020 $
Property lease liabilities	50,000	50,000
Unexpired interest	(9,108)	(11,017)
	40,892	38,983

b) Non-current lease liabilities

	2021 $	2020 $
Property lease liabilities	183,333	233,334
Unexpired interest	(15,502)	(24,611)
	167,831	208,723

c) Reconciliation of lease liabilities

Lease liabilities on transition

	2021 $	2020 $
Balance at the beginning (finance lease liabilities)	247,706	-
Initial recognition on AASB 16 transition	-	258,973
Remeasurement adjustments	-	23,820
Lease payments - interest	11,017	12,226
Lease payments	(50,000)	(47,313)
	208,723	247,706

d) Maturity analysis

	2021 $	2020 $
- Not later than 12 months	50,000	50,000
- Between 12 months and 5 years	183,333	200,000
- Greater than 5 years	-	33,334
Total undiscounted lease payments	233,333	283,334
Unexpired interest	(24,610)	(35,628)
Present value of lease liabilities	208,723	247,706

Note 21 Provisions

a) Non-current liabilities	2021 $	2020 $
Make-good on leased premises	2,400	2,288

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 as at $3,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 28 February 2026 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22 Employee benefits

a) Current liabilities	2021 $	2020 $
Provision for annual leave	2,791	10,317
b) Non-current liabilities		
Provision for long service leave	-	249

c) Key judgement and assumptions

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.

Note 23 Issued capital

a) Issued capital	2021 Number	2021 $	2020 Number	2020 $
Ordinary shares - fully paid	607,008	607,008	607,008	607,008
Less: equity raising costs	-	(33,237)	-	(33,237)
	607,008	573,771	607,008	573,771

b) Reconciliation of issued capital movement	2021 Number	2021 $	2020 Number	2020 $
Fully paid ordinary shares				
Balance amount at beginning	607,008	573,771	607,008	576,545
Less: equity raising costs	-	-	-	(2,774)
	607,008	573,771	607,008	573,771

Note 23 Issued capital *(continued)*

c) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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.

Note 23 Issued capital *(continued)*

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

Prohibited shareholding interest (continued)

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

Note 24 Accumulated losses

	2021 $	2020 $
Balance at beginning of reporting period	(158,970)	(56,436)
Adjustment for transition to AASB 16	-	(4,679)
Net loss after tax from ordinary activities	(40,286)	(97,855)
Balance at end of reporting period	(199,256)	(158,970)

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net loss after tax from ordinary activities	(40,286)	(97,855)
Adjustments for:		
- Depreciation	56,914	57,368
- Amortisation	22,000	22,000
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(10,127)	(13,694)
- (Increase)/decrease in other assets	(7,965)	(33,457)
- Increase/(decrease) in trade and other payables	7,232	(9,457)
- Increase/(decrease) in employee benefits	(7,775)	8,454
- Increase/(decrease) in provisions	112	107
Net cash flows provided by/(used in) operating activities	20,105	(66,534)

Note 26 Financial instruments

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

Financial assets	Note	2021 $	2020 $
Cash and cash equivalents	12	189,585	208,463
Trade and other receivables	13	27,727	17,599
		217,312	226,062
Financial liabilities			
Trade and other payables	18	1,296	2,004
Lease liabilities	20	208,723	247,706
		210,019	2,004

Note 27 Auditor's remuneration

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

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,000	4,800
Non audit services		
- Taxation advice and tax compliance services	1,530	1,400
- General advisory services	2,130	3,160
- Share registry services	2,000	2,056
Total auditor's remuneration	10,660	11,416

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Thomas Patrick Glynn
Jan Elizabeth Bishop
Gerard Frederick Blizzard
Hendrik Korpershoek
Elisabeth Margaret Ryan
Julian John Jacobs
Matthew John Gunningham
Jennifer Rosalie Wallis
Lex Garnock Lindsay Laing
Rebecca Lee Korpershoek
Robert James Nicholson

b) Key management personnel compensation

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

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

c) Related party transactions

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

	2021 $	2020 $
Transactions with related parties		
- Elisabeth Ryan has provided the MYOB Subscription at a reduced rate. The total benefit was:	300	-
- Robert Nicholson has provided a monitor, printer, office 365 subscription and two Ipads. The total benefit received was:	-	3,125
Total transactions with related parties	300	3,125

Note 29 Earnings per share

a) Basic and diluted earnings per share

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

	2021 $	2020 $
Loss attributable to ordinary shareholders	(40,286)	(97,855)
	Number	Number
Weighted-average number of ordinary shares	607,008	607,008
	Cents	Cents
Basic and diluted loss per share	(6.64)	(16.12)

Note 30 Commitments

The company has no other 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 Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Circular Head Community Financial Services Ltd, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001* , including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

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

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

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

Thomas Patrick Glynn, Chairman

Dated this 24th day of September 2021

Independent audit report

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

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Circular Head Community Financial Services Ltd's (the company), which comprises:

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

In our opinion, the accompanying financial report of Circular Head Community Financial Services Ltd, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

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.

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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

Joshua Griffin
Lead Auditor

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