



# Annual Report 2023

Circular Head Community  
Financial Services Ltd

Community Bank  
Smithton & Districts

ABN 21 626 751 157

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# Chairman's report

For year ending 30 June 2023

Community Bank Smithton & Districts has been operational now for four years, employing two staff to assist with all banking services.

## **Board of Directors and staff**

The Board has been busy supporting Naomi O'Leary our Business Development Manager and providing direction and encouragement through our monthly meetings with her.

Naomi with her support staff of Sarah and Ashlee and now Tara have worked very hard to increase the business that is now self-supporting. The company is now turning a profit each month. We set a budget and forecast at the commencement of the business and that assessment approved by Bendigo and Adelaide Bank has been reached and now we are improving each month.

The closing of other bank services in Smithton is unfortunate for our community and it only strengthens the Board's resolve to ensure the Community Bank remains as a service to Circular Head.

We have welcomed three new Directors who compliment the other six Directors who meet each month. The Directors directly support bank activities and functions. Without this team our business would not be as successful as it is.

During the year we held a number of functions such as hosting a Rural Alive and Well (RAW) line dancing dinner which appeared in the ABC Back Roads program as well as a Golf Day at Stanley Golf Club.

On behalf of the Board, I thank and acknowledge with appreciation our shareholders for their continued support and trust in Community Bank Smithton & Districts and extend an invitation to the shareholders to visit the branch and speak with Naomi or Tara about any services the bank can offer. Each of the Directors is always available to speak to a shareholder about the Company's activities.

## **Sponsorship**

The Community Bank model is centred on community support and sponsorship, and we have continued to financially support groups in Circular Head. We have contributed more than \$40,000 to date to our community such as Circular Head Agriculture Show, Circular Head Cricket, RAW Hoedown, Rotary Club of Smithton, NW Amputee Group, Smithton Hockey and Smithton Primary School Picasso Cow project and this will continue and grow in the years to come.

Our branch transactional services are provided by an agency model with Kathy Monson and her staff. Thank you to them for their support and dedication.

## **Bendigo and Adelaide Bank partnership**

Our business model is a franchise with Bendigo and Adelaide Bank Limited. We are very well supported by the bank and by the Regional Manager, Martyn Neville who is readily available with his time and presence at board meetings and Dean Lalor and James Cameron of Rural Bank for their continued support and assistance.

I look forward to working with our Board, staff, agency and Bendigo and Adelaide Bank Limited representatives into our fourth year of providing banking services and community support for the growth of a local business serving local people.



**Tom Glynn**  
Chairman

# Manager's report

For year ending 30 June 2023

2023 has been a year of change and growth. I have been in the role for two and half years now and have been heartened by the support of the local Community, Directors, shareholders, and the wider Community Bank team as a whole. Thank you.

Our point of difference is that we are here, we are local and we do our job so that we can give back to those who support us, our community.

Community Bank Smithton & Districts has now been open for four years. The business has continued to grow with 947 customers, this is an increase of 81.7% on the previous year. Our deposits totalled \$36,796,275 and our lending portfolio is \$14,401,110 with further growth in the pipeline. With the continued support of the Community we look forward to distributing more money back into the local Community.

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.

Thanks also to the Board of Directors for their support and guidance over the past two and half years that I have been part of the Community Bank Smithton & Districts, they are a passionate group of individuals who volunteer their time often afterhours 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.

Ashlee Woods started with the Community Bank in April 2023 and had her last day in August as she takes time out to be a mum, we hope to see Ashlee back in a few months, I want to take this opportunity to thank her for her support and I wish her all the best in the next chapter of her life.

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 Ashlee 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**  
**Community Bank Smithton & Districts**

# Bendigo and Adelaide Bank report

For year ending 30 June 2023

Community and customer will always be at the heart of what we do at Bendigo and Adelaide Bank.

Together, we're setting up Community Banking for the future – growing our impact as a leading social impact movement to transform communities across Australia.

As we continue to evolve to meet the needs of our customers, we should feel proud that more Australians are choosing to do their banking with us and trust us with their financial goals. Our position as Australia's most trusted bank (Roy Morgan) reflects the esteem we are held in by our customers, and communities.

This year has been particularly significant for us. After five years apart, we had the opportunity to come together in person and connect through our State Connect program and in Bendigo at our National Conference in September. It has also been a record-breaking year for Community Bank with more than \$32 million invested into local communities nationwide. This is our highest year on record and underscores our ongoing commitment to our customers and communities.

Reflecting on the 25 years since we opened our first Community Bank, I'm so grateful to the hard work of many passionate Directors (past and present). Everything we have done and continue to do is focused on our purpose to feed into the prosperity of our customers and communities, not off it.

On behalf of the Bank, thank you for continuing to play an essential role in supporting your community. I look forward to seeing us grow together and make a positive impact for generations to come.



**Justine Minne**  
**Bendigo and Adelaide Bank**

# Directors' report

**30 June 2023**

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2023.

## 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:	Thomas Patrick Glynn
Title:	Non-executive director
Experience and expertise:	Solicitor. 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 is a member of Rotary, Stanley Chamber of Commerce, Stanlet Golf Club and Tarkine Progress Group. Tom was also 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:	Chair
Name:	Jan Elizabeth Bishop
Title:	Non-executive director
Experience and expertise:	Semi-retired. 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:	Vice Chair
Name:	Hendrik Korpershoek
Title:	Non-executive director
Experience and expertise:	Farmer. 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
Name:	Julian John Jacobs
Title:	Non-executive director
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
Name:	Jennifer Rosalie Wallis
Title:	Non-executive director
Experience and expertise:	Retiree. 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
Name:	Rebecca Lee Korpershoek
Title:	Non-executive director
Experience and expertise:	Agronomist. 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

## Directors' report (continued)

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Name: Angela Bruce  
Title: Non-executive director (appointed 14 December 2022)  
Experience and expertise: Partner in family beef farming business, Farm Secretary (ADFSS)  
Special responsibilities: Nil.

Name: Jordan Antony Jacobs  
Title: Non-executive director (appointed 5 April 2023)  
Experience and expertise: Jordan holds a Bachelor of Business (Finance) and a Bachelor of Science (Applied Maths, Data and Statistics)  
Special responsibilities: Treasurer

Name: Brett Allen Dawes  
Title: Non-executive director (appointed 10 May 2023)  
Experience and expertise: Brett has experience in Farming and Retail business.  
Special responsibilities: Nil

Name: Laura Diane House  
Title: Non-executive director (appointed 10 August 2022, resigned 7 June 2023)

Name: Matthew John Gunningham  
Title: Non-executive director (resigned 2 November 2022)  
Experience and expertise: Dairy Farmer. Matthew has been a dairy 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

Name: Gerard Frederick Blizzard  
Title: Non-executive director (resigned 2 November 2022)  
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

Name: Nicholas Thomas Gatenby  
Title: Non-executive director (resigned 2 November 2022)  
Experience and expertise: Nicholas is a previous bank manager and currently an associate advisor in financial planning. He holds a Masters in Agribusiness and Bachelor of Business (Financial Planning). Nicholas is also on the committee for Wynyard & Districts Cricket Club.  
Special responsibilities: Nil

### Company secretary

The company secretary is Jennifer Rosalie Wallis. Jennifer was appointed to the position of company secretary on 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 this activity during the financial year.

### Review of operations

The profit for the company after providing for income tax amounted to \$153,953 (30 June 2022: loss of \$36,279).

The company has seen a significant increase in its revenue during the financial year. This is a result of the Reserve Bank of Australia (RBA) increasing the cash rate by 3.25% during the financial year moving from 0.85% to 4.10% as at 30 June 2023. The increased cash rate has had a direct impact on the revenue received by the company, increasing the net interest margin income received under the revenue share arrangement the company has with Bendigo Bank.



## Directors' report (continued)

### Significant changes in the state of affairs

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

### 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 (including meetings of committees of director) attended by each of the directors' of the company during the financial year were:

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

	Eligible	Board Attended
Thomas Patrick Glynn	12	11
Jan Elizabeth Bishop	12	8
Hendrik Korpershoek	12	8
Julian John Jacobs	12	10
Jennifer Rosalie Wallis	12	11
Rebecca Lee Korpershoek	12	9
Angela Bruce	7	5
Jordan Antony Jacobs	3	3
Brett Allen Dawes	2	2
Laura Diane House	11	5
Matthew John Gunningham	4	-
Gerard Frederick Blizzard	4	3
Nicholas Thomas Gatenby	4	3

### Directors' benefits

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

### Directors' 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
Thomas Patrick Glynn	501	-	501
Jan Elizabeth Bishop	26,001	-	26,001
Hendrik Korpershoek	7,001	-	7,001
Julian John Jacobs	20,000	-	20,000
Jennifer Rosalie Wallis	1,000	-	1,000
Rebecca Lee Korpershoek	500	-	500
Angela Bruce	-	-	-
Jordan Antony Jacobs	-	-	-
Brett Allen Dawes	-	-	-
Laura Diane House	-	-	-
Matthew John Gunningham	11,000	-	11,000
Gerard Frederick Blizzard	1,001	-	1,001
Nicholas Thomas Gatenby	5,000	-	5,000



## Directors' report (continued)

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### 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.

### 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 24 to the accounts.

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

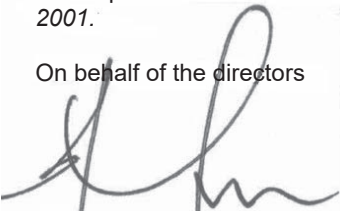
- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional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

### Auditor's independence declaration

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

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

On behalf of the directors



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Thomas Patrick Glynn  
Chair

6 September 2023

# Auditor's independence declaration



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

## Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of 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 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 6 September 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

**Joshua Griffin**  
Lead Auditor



# Financial statements

## Circular Head Community Financial Services Ltd Statement of profit or loss and other comprehensive income For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue from contracts with customers	6	514,854	247,496
Other revenue	7	52,213	42,795
Total revenue		<u>567,067</u>	<u>290,291</u>
Employee benefits expense	8	(169,885)	(171,749)
Advertising and marketing costs		(11,336)	(12,039)
Occupancy and associated costs		(601)	(150)
System costs		(14,358)	(14,749)
Depreciation and amortisation expense	8	(77,161)	(78,076)
Finance costs	8	(7,356)	(9,225)
General administration expenses		(65,754)	(43,247)
Total expenses before community contributions and income tax		<u>(346,451)</u>	<u>(329,235)</u>
<b>Profit/(loss) before community contributions and income tax (expense)/benefit</b>		220,616	(38,944)
Charitable donations, sponsorships and grants expense		<u>(7,823)</u>	<u>(1,884)</u>
<b>Profit/(loss) before income tax (expense)/benefit</b>		212,793	(40,828)
Income tax (expense)/benefit	9	<u>(58,840)</u>	4,549
<b>Profit/(loss) after income tax (expense)/benefit for the year</b>	18	153,953	(36,279)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>153,953</u></u>	<u><u>(36,279)</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	26	25.36	(5.98)
Diluted earnings per share	26	25.36	(5.98)

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

## Financial statements (continued)

### Circular Head Community Financial Services Ltd Statement of financial position As at 30 June 2023

	Note	2023 \$	2022 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	402,662	205,826
Trade and other receivables	11	56,631	23,571
Total current assets		<u>459,293</u>	<u>229,397</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	59,394	43,510
Right-of-use assets	13	112,180	154,248
Intangible assets	14	12,597	34,597
Deferred tax assets	9	16,252	75,092
Total non-current assets		<u>200,423</u>	<u>307,447</u>
<b>Total assets</b>		<u>659,716</u>	<u>536,844</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	31,556	20,461
Lease liabilities	16	45,123	42,894
Employee benefits		7,494	7,494
Total current liabilities		<u>84,173</u>	<u>70,849</u>
<b>Non-current liabilities</b>			
Lease liabilities	16	79,941	124,936
Employee benefits		773	305
Lease make good provision		2,640	2,518
Total non-current liabilities		<u>83,354</u>	<u>127,759</u>
<b>Total liabilities</b>		<u>167,527</u>	<u>198,608</u>
<b>Net assets</b>		<u>492,189</u>	<u>338,236</u>
<b>Equity</b>			
Issued capital	17	573,771	573,771
Accumulated losses	18	(81,582)	(235,535)
<b>Total equity</b>		<u>492,189</u>	<u>338,236</u>

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

## Financial statements (continued)

### Circular Head Community Financial Services Ltd Statement of changes in equity For the year ended 30 June 2023

	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2021</b>	573,771	(199,256)	374,515
Loss after income tax expense	-	(36,279)	(36,279)
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	(36,279)	(36,279)
<b>Balance at 30 June 2022</b>	<u>573,771</u>	<u>(235,535)</u>	<u>338,236</u>
<b>Balance at 1 July 2022</b>	573,771	(235,535)	338,236
Profit after income tax expense	-	153,953	153,953
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	153,953	153,953
<b>Balance at 30 June 2023</b>	<u>573,771</u>	<u>(81,582)</u>	<u>492,189</u>

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

## Financial statements (continued)

### Circular Head Community Financial Services Ltd Statement of cash flows For the year ended 30 June 2023

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		563,450	318,770
Payments to suppliers and employees (inclusive of GST)		<u>(304,834)</u>	<u>(252,529)</u>
Net cash provided by operating activities	25	<u>258,616</u>	<u>66,241</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	12	(36,325)	-
Proceeds from disposal of property, plant and equipment		<u>24,545</u>	<u>-</u>
Net cash used in investing activities		<u>(11,780)</u>	<u>-</u>
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities	16	<u>(50,000)</u>	<u>(50,000)</u>
Net cash used in financing activities		<u>(50,000)</u>	<u>(50,000)</u>
Net increase in cash and cash equivalents		196,836	16,241
Cash and cash equivalents at the beginning of the financial year		<u>205,826</u>	<u>189,585</u>
Cash and cash equivalents at the end of the financial year	10	<u><u>402,662</u></u>	<u><u>205,826</u></u>

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

# Notes to the financial statements

30 June 2023

## Note 1. Reporting entity

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

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 29 Smith Street, Smithton TAS 7330

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

## Note 2. Basis of preparation and statement of compliance

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 6 September 2023. The directors have the power to amend and reissue the financial statements.

## 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 2022, 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.



## Notes to the financial statements (continued)

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### Note 3. Significant accounting policies (continued)

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 2023.

#### *Non-financial assets*

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

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

#### **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 that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Estimation of useful lives of assets*

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

#### *Impairment of non-financial assets*

The company assesses impairment of non-financial 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 as the higher of its fair value less costs of disposal or value-in-use, each of 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.

## Notes to the financial statements (continued)

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

#### *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.

#### *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.

#### *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 in January 2024.

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 Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

## Notes to the financial statements (continued)

### Note 5. Economic dependency (continued)

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

	2023 \$	2022 \$
Margin income	343,909	108,411
Fee income	14,570	10,066
Commission income	156,375	129,019
	<u>514,854</u>	<u>247,496</u>

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:

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

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

#### *Revenue calculation*

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

## Notes to the financial statements (continued)

### Note 6. Revenue from contracts with customers (continued)

#### Margin income

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

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

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

#### Commission income

Commission income is 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 including fees for loan applications and account transactions.

#### Core banking products

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

#### Ability to change financial return

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

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

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

### Note 7. Other revenue

	2023 \$	2022 \$
Net gain on disposal of property, plant and equipment	17,197	-
Market development fund	32,917	39,583
Other income	2,099	3,212
	<u>52,213</u>	<u>42,795</u>

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.

## Notes to the financial statements (continued)

### Note 7. Other revenue (continued)

<u>Revenue stream</u>	<u>Revenue recognition policy</u>
Net gain on sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
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.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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.

### Note 8. Expenses

#### Employee benefits expense

	2023 \$	2022 \$
Wages and salaries	148,274	153,078
Superannuation contributions	15,988	14,847
Expenses related to long service leave	468	305
Other expenses	5,155	3,519
	<u>169,885</u>	<u>171,749</u>

#### Depreciation and amortisation expense

	2023 \$	2022 \$
<i>Depreciation of non-current assets</i>		
Leasehold improvements	5,320	6,169
Plant and equipment	1,128	1,440
Motor vehicles	6,645	6,399
	<u>13,093</u>	<u>14,008</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	42,068	42,068
<i>Amortisation of intangible assets</i>		
Franchise fee	2,000	2,000
Franchise establishment fee	20,000	20,000
	<u>22,000</u>	<u>22,000</u>
	<u>77,161</u>	<u>78,076</u>

## Notes to the financial statements (continued)

### Note 8. Expenses (continued)

#### Leases recognition exemption

	2023 \$	2022 \$
Expenses relating to low-value leases	<u>3,904</u>	<u>4,849</u>

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 Leases*. Expenses relating to low-value exempt leases are included in system costs expenses.

### Note 9. Income tax

	2023 \$	2022 \$
<i>Income tax expense/(benefit)</i>		
Movement in deferred tax	6,506	(2,571)
Future income tax benefit attributable to losses	-	(1,978)
Recoupment of prior year tax losses	<u>52,334</u>	<u>-</u>
Aggregate income tax expense/(benefit)	<u>58,840</u>	<u>(4,549)</u>
<i>Prima facie income tax reconciliation</i>		
Profit/(loss) before income tax (expense)/benefit	<u>212,793</u>	<u>(40,828)</u>
Tax at the statutory tax rate of 25%	53,198	(10,207)
Tax effect of:		
Non-deductible expenses	<u>5,642</u>	<u>5,658</u>
Income tax expense/(benefit)	<u>58,840</u>	<u>(4,549)</u>
	2023 \$	2022 \$
<i>Deferred tax assets/(liabilities)</i>		
Tax losses	18,741	71,075
Employee benefits	2,067	1,950
Lease liabilities	31,266	41,958
Provision for lease make good	660	630
Accrued expenses	475	475
Right-of-use assets	(28,045)	(38,562)
Equity raising costs	-	2,340
Property, plant and equipment	<u>(8,912)</u>	<u>(4,774)</u>
Deferred tax asset	<u>16,252</u>	<u>75,092</u>

#### *Accounting policy for income tax*

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

#### *Accounting policy for current tax*

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

## Notes to the financial statements (continued)

### Note 9. Income tax (continued)

#### *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

	2023 \$	2022 \$
Cash at bank and on hand	202,662	205,826
Term deposits	200,000	-
	<u>402,662</u>	<u>205,826</u>

#### *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

	2023 \$	2022 \$
Trade receivables	53,343	20,283
Prepayments	3,288	3,288
	<u>56,631</u>	<u>23,571</u>

#### *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.



## Notes to the financial statements (continued)

### Note 12. Property, plant and equipment

	2023 \$	2022 \$
Leasehold improvements - at cost	50,764	50,764
Less: Accumulated depreciation	<u>(26,167)</u>	<u>(20,847)</u>
	<u>24,597</u>	<u>29,917</u>
Plant and equipment - at cost	8,874	8,874
Less: Accumulated depreciation	<u>(8,491)</u>	<u>(7,363)</u>
	<u>383</u>	<u>1,511</u>
Motor vehicles - at cost	36,325	31,995
Less: Accumulated depreciation	<u>(1,911)</u>	<u>(19,913)</u>
	<u>34,414</u>	<u>12,082</u>
	<u><u>59,394</u></u>	<u><u>43,510</u></u>

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

	Leasehold improvements \$	Plant and equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2021	36,086	2,951	18,481	57,518
Depreciation	<u>(6,169)</u>	<u>(1,440)</u>	<u>(6,399)</u>	<u>(14,008)</u>
Balance at 30 June 2022	29,917	1,511	12,082	43,510
Additions	-	-	36,325	36,325
Disposals	-	-	(7,348)	(7,348)
Depreciation	<u>(5,320)</u>	<u>(1,128)</u>	<u>(6,645)</u>	<u>(13,093)</u>
Balance at 30 June 2023	<u><u>24,597</u></u>	<u><u>383</u></u>	<u><u>34,414</u></u>	<u><u>59,394</u></u>

#### *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.

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 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	4 to 15 years
Plant and equipment	1 to 4 years
Motor vehicles	5 years

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

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

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

## Notes to the financial statements (continued)

### Note 12. Property, plant and equipment (continued)

#### *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 13. Right-of-use assets

	2023 \$	2022 \$
Land and buildings - right-of-use	284,888	284,888
Less: Accumulated depreciation	<u>(172,708)</u>	<u>(130,640)</u>
	<u>112,180</u>	<u>154,248</u>

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 \$
Balance at 1 July 2021	196,316
Depreciation expense	<u>(42,068)</u>
Balance at 30 June 2022	154,248
Depreciation expense	<u>(42,068)</u>
Balance at 30 June 2023	<u>112,180</u>

#### *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 16 for more information on lease arrangements.

### Note 14. Intangible assets

	2023 \$	2022 \$
Franchise fee	10,000	10,000
Less: Accumulated amortisation	<u>(8,855)</u>	<u>(6,855)</u>
	1,145	3,145
Establishment fee	100,000	100,000
Less: Accumulated amortisation	<u>(88,548)</u>	<u>(68,548)</u>
	11,452	31,452
	<u>12,597</u>	<u>34,597</u>

## Notes to the financial statements (continued)

### Note 14. Intangible assets (continued)

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

	Franchise fee \$	Establishment fee \$	Total \$
Balance at 1 July 2021	5,145	51,452	56,597
Amortisation expense	<u>(2,000)</u>	<u>(20,000)</u>	<u>(22,000)</u>
Balance at 30 June 2022	3,145	31,452	34,597
Amortisation expense	<u>(2,000)</u>	<u>(20,000)</u>	<u>(22,000)</u>
Balance at 30 June 2023	<u>1,145</u>	<u>11,452</u>	<u>12,597</u>

#### Accounting policy for intangible assets

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

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>	<u>Expiry/renewal date</u>
Franchise establishment fee	Straight-line	Over the franchise term (5 years)	January 2024
Franchise fee	Straight-line	Over the franchise term (5 years)	January 2024

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

#### 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

	2023 \$	2022 \$
<i>Current liabilities</i>		
Trade payables	-	609
Other payables and accruals	<u>31,556</u>	<u>19,852</u>
	<u>31,556</u>	<u>20,461</u>

#### 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.

## Notes to the financial statements (continued)

### Note 16. Lease liabilities

	2023 \$	2022 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	50,000	50,000
Unexpired interest	(4,877)	(7,106)
	<u>45,123</u>	<u>42,894</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	83,333	133,333
Unexpired interest	(3,392)	(8,397)
	<u>79,941</u>	<u>124,936</u>
<i>Reconciliation of lease liabilities</i>		
	2023 \$	2022 \$
Opening balance	167,830	208,723
Lease interest expense	7,234	9,107
Lease payments - total cash outflow	(50,000)	(50,000)
	<u>125,064</u>	<u>167,830</u>
<i>Maturity analysis</i>		
	2023 \$	2022 \$
Not later than 12 months	50,000	50,000
Between 12 months and 5 years	83,333	133,333
	<u>133,333</u>	<u>183,333</u>

#### *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 lease payments 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.

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 leased premises.

## Notes to the financial statements (continued)

### Note 16. Lease liabilities (continued)

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:

Lease	Discount rate	Non-cancellable term	Renewal options	Reasonably certain to exercise options	Lease term end date used in calculations
Smithton Branch	4.79%	4 years and 10 months	1 x 2 years	Yes	February 2026

### Note 17. Issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	607,008	607,008	607,008	607,008
Less: Equity raising costs	-	-	(33,237)	(33,237)
	<u>607,008</u>	<u>607,008</u>	<u>573,771</u>	<u>573,771</u>

#### Accounting policy for issued capital

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

#### Rights attached to issued capital

##### Ordinary shares

##### Voting rights

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

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

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

##### Dividends

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

##### Transfer

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

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

## Notes to the financial statements (continued)

### Note 17. Issued capital (continued)

#### *Prohibited shareholding interest*

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 106. As at the date of this report, the company had 126 shareholders (2022: 126 shareholders).

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

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

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

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

### Note 18. Accumulated losses

	2023 \$	2022 \$
Accumulated losses at the beginning of the financial year	(235,535)	(199,256)
Profit/(loss) after income tax (expense)/benefit for the year	<u>153,953</u>	<u>(36,279)</u>
Accumulated losses at the end of the financial year	<u><u>(81,582)</u></u>	<u><u>(235,535)</u></u>

### Note 19. 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%.

## Notes to the financial statements (continued)

### Note 19. 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 20. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

### Note 21. Financial instruments

	2023 \$	2022 \$
<b>Financial assets</b>		
Trade and other receivables	53,343	20,283
Cash and cash equivalents	402,662	205,826
	<u>456,005</u>	<u>226,109</u>
<b>Financial liabilities</b>		
Trade and other payables	31,556	20,461
Lease liabilities	125,064	167,830
	<u>156,620</u>	<u>188,291</u>

#### *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 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.

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.



## Notes to the financial statements (continued)

### Note 21. Financial instruments (continued)

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of \$402,662 at 30 June 2023 (2022: \$205,826).

#### 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.

#### 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 rating, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

#### 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.

#### 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.

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>2023</b>				
Trade and other payables	31,556	-	-	31,556
Lease liabilities	50,000	83,333	-	133,333
Total non-derivatives	81,556	83,333	-	164,889
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>2022</b>				
Trade and other payables	20,461	-	-	20,461
Lease liabilities	50,000	133,333	-	183,333
Total non-derivatives	70,461	133,333	-	203,794

## Notes to the financial statements (continued)

### Note 22. Key management personnel disclosures

The following persons were directors of Circular Head Community Financial Services Ltd during the financial year and/or up to the date of signing of these Financial Statements.

Thomas Patrick Glynn	Jordan Antony Jacobs
Jan Elizabeth Bishop	Brett Allen Dawes
Hendrik Korpershoek	Laura Diane House
Julian John Jacobs	Matthew John Gunningham
Jennifer Rosalie Wallis	Gerard Frederick Blizzard
Rebecca Lee Korpershoek	Nicholas Thomas Gatenby
Angela Bruce	

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

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

### Note 23. Related party transactions

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

### Note 24. 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:

	2023 \$	2022 \$
<i>Audit services</i>		
Audit or review of the financial statements	5,400	5,200
<i>Other services</i>		
Taxation advice and tax compliance services	2,773	1,610
General advisory services	3,840	1,715
Share registry services	2,746	2,370
	9,359	5,695
	<u>14,759</u>	<u>10,895</u>

## Notes to the financial statements (continued)

### Note 25. Reconciliation of profit/(loss) after income tax to net cash provided by operating activities

	2023 \$	2022 \$
Profit/(loss) after income tax (expense)/benefit for the year	153,953	(36,279)
Adjustments for:		
Depreciation and amortisation	77,161	78,076
Net gain on disposal of non-current assets	(17,197)	-
Lease liabilities interest	7,232	9,107
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(33,060)	7,444
Decrease/(increase) in deferred tax assets	58,840	(4,549)
Increase in trade and other payables	11,097	7,316
Increase in employee benefits	468	5,008
Increase in other provisions	122	118
Net cash provided by operating activities	<u>258,616</u>	<u>66,241</u>

### Note 26. Earnings per share

	2023 \$	2022 \$
Profit/(loss) after income tax	<u>153,953</u>	<u>(36,279)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>607,008</u>	<u>607,008</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>607,008</u>	<u>607,008</u>
	Cents	Cents
Basic earnings per share	25.36	(5.98)
Diluted earnings per share	25.36	(5.98)

#### *Accounting policy for earnings per share*

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Circular Head Community Financial Services Ltd, by the weighted average number of ordinary shares outstanding during the financial year.

### Note 27. Commitments

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

### Note 28. Contingencies

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

### Note 29. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

# Directors' declaration

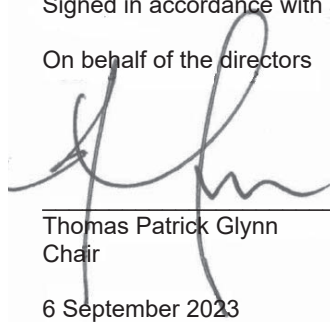
**30 June 2023**

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 2023 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



Thomas Patrick Glynn  
Chair  
6 September 2023

# Independent audit report



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

## Independent auditor's report to the Directors of 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 (the company), which comprises:

- Statement of financial position as at 30 June 2023
- 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 2023 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  
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## Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. The annual report may also include "other information" on the company'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. We have nothing to report in this regard.

## 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.

The directors are responsible for overseeing the company's financial reporting process.

## 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.

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Liability limited by a scheme approved under Professional Standards Legislation.



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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.

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.

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

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 6 September 2023

A handwritten signature in black ink, appearing to read 'Joshua Griffin'.

**Joshua Griffin**  
Lead Auditor

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Franchisee: Circular Head Community Financial Services Ltd  
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