Annual Report 2020

Tasman Community Financial Services Limited

Community Bank
Nubeena & Tasman

ABN 46 159 606 881

Contents

Chairman's report

For year ending 30 June 2021

I am often asked the question, "How is our Community Bank going?'' My reply is always that it is "Doing well" considering the challenging social and economic times in which businesses are operating.

What has to happen for me to answer "very well" to the often-asked question?

We have a competent and dedicated staff – Tania Parkinson and Kate Kurczok are to be commended. We farewelled Karen Patterson in May and we thank her for her contribution and wish her well.

We have a competent and dedicated Board. We farewelled Casey Garrett in June and thank her for her work over the last four years. We welcome new Board members Jim Delaney and Peter Murfett.

The change in business model overseen by Jordan Lovell, Bendigo Bank Regional Manager and Tania Parkinson has seen our overall balance improve. This has enabled our Board to revisit our business model and we have strengthened our business capacity by sharing a Branch Manager, Sharon Cozens, and Business Lender, Renee O'Connell with Community Bank Sorell.

This change has been in place since early June and the Board is optimistic this business model develops opportunities for our Comunity Bank Nubeena & Tasman and community.

Our relationship with Bendigo Bank remains strong and we thank Regional Managers, Jordan Lovell and Martyn Neville for their valued and valuable support.

To move from a response of "doing well" to "very well" requires growth in both existing and new businesses – let friends, family, 'shackies' and shareholders know that we provide all the banking services you will need.

Best wishes

S.D. Bowes

Steve Bowes
Chair

Manager’s report

For year ending 30 June 2021

The 2020/21 financial year has been a year of challenge and change for some and one of reflection for others. For Tasmania, and in many instances in the South - East, we have seen many people join our community from the mainland – a lifestyle choice for some, a safe haven for others. Welcoming these new people to our community ignites a strong sense of pride in the way Tasmanians help each other and also speak up and speak loudly about things that matter to them. Being COVID-safe continues to be front of mind for most in our community. Many of our customers have had to embrace technology in support of ‘check in’ requirements and ‘vaccination-chat’ is a common conversation starter. Many customers have also adopted a digital interface with their everyday banking which is encouraging with alternative and timely access to their banking information becoming increasingly important.

Despite still seeing the challenges of the global pandemic in our daily lives we continue to see customers engaging with us for financial guidance. This is a real testament to the confidence in the Community Bank Nubeena & Tasman brand as well as a vote of confidence in our team members. For some now is the time to enter the housing market. For others it is the time to purchase that dream car and caravan and see the best the state has to offer. Whatever the need has been, building trust and making our customers feel safe and welcome in our branch is our number one priority. These interactions are the foundation of the Community Bank model and sharing your experiences with family and friends as advocates for what we do will help us sustain our local branch with a longer term objective to grow our footprint for the future.

For our business customers, especially those in our local area in the tourism and hospitality arena, we understand the challenges faced. Despite no lockdown directives being in place, many in tourism and hospitality speak of feeling ‘locked in’ with less foot traffic and less cash flow. Being able to offer assistance to these customers in our local area has been very rewarding. Helping our business customers with alternatives to help control costs such as fees, rates and merchant plans has provided confidence and relief at times when needed most. We all cannot wait to see those travellers from the mainland and beyond towing caravans and boats through our area again, enjoying all the great outdoors has to offer! The smell of locally caught fish on the barbeque being back in the air will also be cause for celebration!

For me, this year has been one of change also. The biggest change being the opportunity to join Bendigo Bank and lead the teams at both Sorell and Nubeena & Tasman. And what a great opportunity this has been! I would like to very much thank my teams, our customers and the Board for the amazing welcome and on-going support. I am very much looking forward to getting to know you all a little more and working with you to support our community!

So where to from here? Based on your feedback, having the right team in the right place at the right time is important. This presents a great opportunity for us to offer the services you both want and need in timeframes aligned to market conditions. I am very pleased to share that I am in the process of recruiting a second lender and hope to have the successful candidate on-board before Christmas. Given the on-going volume of inquiries in the lending space I see this as a great opportunity to support the growth of the business but also deepen our relationships with existing customers as well as welcome new customers. I invite you to share this news within the community and encourage people you may know or are talking with to support our local bank by ‘thinking local first’!

Sharon Cozens
Branch 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:

Stephen Dennis Bowes
Chairman
Occupation: Retired
Qualifications, experience and expertise: Qualified from the University of Tasmania (1979) with Bachelor of Education and worked with Department of Education Tasmania until 2011 as a Teacher, Assistant Principal and Principal. Completed a post graduate degree in Master of Education Studies (M.ED) in 1984. Steve has been involved in various community organisations on the Tasman Peninsula including more recently as captain and committee member of Tasman Golf Club.
Special responsibilities: Chairman of the Board, Chair Human Resources Committee, Chair Finance Committee.
Interest in shares: 2,501 ordinary shares

Roderick Edward Scurrah
Vice Chairman
Occupation: Company Director
Qualifications, experience and expertise: Roderick has forty years experience in the Financial Services Industry and was a certified Financial Planner from 1998 to 2012. Roderick is also a life member of the Association of Financial Advisors. Diploma of Financial Planning. Thirty years involvement in Catholic Education. Formerly Chair of Tasmanian Catholic Education Communities and Chair of Board at Guilford Yeung College. Currently Chair of Tas Build the trustee Company of the Portable Long Service Leave Scheme for the construction industry in Tasmania.
Special responsibilities: Investment Committee
Interest in shares: 5,000 ordinary shares

Gavin Maurice Hallam
Treasurer
Occupation: Business Owner
Qualifications, experience and expertise: Gavin has been self employed for 45 years, running medium to small businesses.
Special responsibilities: Treasurer
Interest in shares: 2,501 ordinary shares

Lynette Anne Hallam
Non-executive director
Occupation: Teacher/Business Owner
Qualifications, experience and expertise: Experience owning and running a family business. A teacher for 46 years, as a class room teacher and support teacher.
Special responsibilities: Marketing Committee
Interest in shares: 2,501 ordinary shares

Mark Graeme Etheridge
Non-executive director
Occupation: Property Development
Qualifications, experience and expertise: For the past 30 odd years Mark has owned a successful businesses within a diverse range including a Furnishing consultancy, Agricultural services, Real Estate, Sugar, Peanut and small crop farming, professional photography as well as hotel and restaurant management. Mark is currently involved with property development as well as a small hobby furniture business utilising trade skills gained as a wood machinist in his youth. Mark has recently retired as Chairman of the Tasman Business and Tourism Association and also the community advisory boards of both Port Arthur Historic Site and Tassal to take time out to travel Australia for six months however remain involved with other community organisations.
Special responsibilities: Chair of Marketing Committee
Interest in shares: 10,000 ordinary shares

Directors *(continued)*

Samantha Jane Stansbie
Non-executive director
Occupation: Customer Service Officer
Qualifications, experience and expertise: Samantha has experience in customer service being a food and beverage attendant. Samantha has a Cert 3 in Business as well as her Responsible Serving of Alcohol (RSA). Samantha was a Youth Ambassador (2015) and named Young Citizen of the year (2016)
Special responsibilities: Nil
Interest in shares: nil share interest held

Casey Elvie-Ann Garrett
Secretary (resigned 30 June 2021)
Occupation: Bookkeeper
Qualifications, experience and expertise: Casey is an Administration Manager for a local civil construction company and is an owner of a small cartage and contracting business. Additionally, she is a contract bookkeeper for several other small local businesses. She has a Bachelor in Economics and Marketing from Swinburne University and qualifications in Frontline Management. Casey was elected as a councillor to Tasman Council in November 2018 and is an active member of several community organisations, as well as a 26Ten Volunteer Adult Literacy Tutor.
Special responsibilities: Corporate Secretary
Interest in shares: nil share interest held

Paul Sutton
Non-executive director (resigned 9 January 2021)
Occupation: Principal Consultant - Safety & Risk Management
Qualifications, experience and expertise: Dr Paul Sutton has over 30 years' experience in safety and risk engineering, risk assessment and project management, conducting and managing safety and risk studies across many industries, including: offshore and onshore oil, gas and LNG projects, gas transmission pipelines, gas distribution, power generation, petrochemicals, minerals and chemicals industries. Paul has Worked on projects from concept development, through FEED, detailed design and brownfield. He has regulatory approvals experience, safety case development and safety management system experience. Lead HSE Engineer for many significant oil and gas projects, Corporate General Manager of the Global Safety and Risk Group for Worley Parsons, General Manager for Stratex (Safety Management Consulting Group) for Worley Parsons and Technical Safety & Risk Consultancy. Paul provides extensive risk management experience for the Bendigo board. Paul has a Bachelor of Science and a PhD in Physics.
Special responsibilities: Risk management
Interest in shares: 1,000 ordinary shares

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

There have been two company secretaries holding the position during the financial year:

- Stephen Bowes was appointed acting company secretary on 30 June 2021.
- Casey Elvie-Ann Garrett was appointed company secretary on 28 november 2019 and resigned on 30 June 2021.

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.

Directors' report (continued)

Operating results

The profit/(loss) of the company for the financial year after provision for income tax was:

	Year ended 30 June 2021 $	Year ended 30 June 2020 $
Profit/(loss) before tax:	54,503	(57,156)
Income tax credit:	130,484	-
Profit/(loss) after income tax:	184,987	(57,156)

During the financial year the company recognsied their deferred tax asset as it is now probable that future taxable profit will be available against which the company can use the benefits therefrom.

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Stephen Dennis Bowes	2,501	-	2,501
Roderick Edward Scurrah	5,000	-	5,000
Gavin Maurice Hallam	2,501	-	2,501
Lynette Anne Hallam	2,501	-	2,501
Mark Graeme Etheridge	10,000	-	10,000
Samantha Jane Stansbie	-	-	-
Casey Elvie-Ann Garrett	-	-	-
Paul Sutton	1,000	-	1,000

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 other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 27 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:

	Board Meetings Attended	
	Eligible	*Attended*
Stephen Dennis Bowes	12	12
Roderick Edward Scurrah	12	11
Gavin Maurice Hallam	12	12
Lynette Anne Hallam	12	6
Mark Graeme Etheridge	12	12
Samantha Jane Stansbie	12	11
Casey Elvie-Ann Garrett	12	6
Paul Sutton	7	-

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 26 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 Nubeena, Tasmania.

Stephen Dennis Bowes, Chair

Dated this 30th 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 Tasman Community Financial Services Limited

As lead auditor for the audit of Tasman Community Financial Services Limited 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: 30th September 2021

Joshua Griffin
Lead Auditor

afsbendigo.com.au

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

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	242,931	260,116
Other revenue	9	40,000	41,508
Finance income	10	-	454
Employee benefit expenses	11c)	(116,840)	(219,125)
Charitable donations, sponsorship, advertising and promotion		(3,610)	(8,207)
Occupancy and associated costs		(9,183)	(7,967)
Systems costs		(15,512)	(16,403)
Depreciation and amortisation expense	11a)	(35,256)	(41,682)
Finance costs	11b)	(6,927)	(8,085)
General administration expenses		(41,100)	(57,765)
Profit/(loss) before income tax credit		54,503	(57,156)
Income tax credit	12a)	130,484	-
Profit/(loss) after income tax credit		184,987	(57,156)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		184,987	(57,156)
Earnings per share		¢	¢
- Basic and diluted earnings/(loss) per share:	28a)	22.75	(7.03)

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13	125,610	63,212
Trade and other receivables	14a)	17,037	17,595
Total current assets		142,647	80,807
Non-current assets			
Property, plant and equipment	15a)	76,176	86,545
Right-of-use assets	16a)	95,372	107,171
Intangible assets	17a)	44,628	57,716
Deferred tax asset	18a)	130,484	-
Total non-current assets		346,660	251,432
Total assets		489,307	332,239
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	25,950	24,537
Lease liabilities	20a)	12,028	11,409
Total current liabilities		37,978	35,946
Non-current liabilities			
Trade and other payables	19b)	29,879	48,138
Lease liabilities	20b)	106,108	118,136
Provisions	21a)	6,522	6,186
Total non-current liabilities		142,509	172,460
Total liabilities		180,487	208,406
Net assets		308,820	123,833
EQUITY			
Issued capital	22a)	776,123	776,123
Accumulated losses	23	(467,303)	(652,290)
Total equity		308,820	123,833

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2021

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019	776,123	(595,134)	180,989
Total comprehensive income for the year	-	(57,156)	(57,156)
Balance at 30 June 2020	776,123	(652,290)	123,833
Balance at 1 July 2020	776,123	(652,290)	123,833
Total comprehensive income for the year	-	184,987	184,987
Balance at 30 June 2021	776,123	(467,303)	308,820

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		306,836	326,841
Payments to suppliers and employees		(200,324)	(336,556)
Interest received		-	632
Interest paid		-	(588)
Lease payments (interest component)	11b)	(6,591)	(7,178)
Lease payments not included in the measurement of lease liabilities	11d)	(4,987)	(5,198)
Net cash provided by/(used in) operating activities	24	94,934	(22,047)
Cash flows from investing activities			
Payments for property, plant and equipment		-	(4,623)
Proceeds from sale of property, plant and equipment		-	21,818
Payments for intangible assets		(21,127)	(6,036)
Net cash provided by/(used in) investing activities		(21,127)	11,159
Cash flows from financing activities			
Repayment of loans and borrowings		-	(25,766)
Lease payments (principal component)		(11,409)	(10,623)
Net cash used in financing activities		(11,409)	(36,389)
Net cash increase/(decrease) in cash held		62,398	(47,277)
Cash and cash equivalents at the beginning of the financial year		63,212	110,489
Cash and cash equivalents at the end of the financial year	13	125,610	63,212

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 Tasman Community Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
1693 Main Road NUBEENA TAS 7184	1693 Main Road NUBEENA TAS 7184

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 27.

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 30 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
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 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.

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.

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

c) Economic dependency - Bendigo Bank *(continued)*

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

Bendigo Bank seconds employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

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.

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

e) Taxes *(continued)*

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

f) Cash and cash equivalents

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

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	7 to 40 years
Plant and equipment	Straight-line	5 to 40 years

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

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

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)
Franchise renewal process 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 appropriate.

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.

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.

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

j) Impairment *(continued)*

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

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

As a lessee

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

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

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

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

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.

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

m) Leases *(continued)*

As a lessee (continued)

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

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

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

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

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

b) Assumptions and estimation uncertainties

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

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

Note 6 Financial risk management

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

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

a) Credit risk

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

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

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	118,136	18,000	71,998	55,501
Trade and other payables	55,829	25,950	29,879	-
	173,965	43,950	101,877	55,501

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

30 June 2020

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	129,545	18,000	71,998	73,501
Trade and other payables	72,675	24,537	48,138	-
	202,220	42,537	120,136	73,501

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 and liabilities are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of $125,610 at 30 June 2021 (2020: $63,212). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	189,361	204,081
- Fee income	24,616	25,911
- Commission income	28,954	30,124
	242,931	260,116

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	40,000	40,000
- Sale of property, plant and equipment	-	1,508
	40,000	41,508

Note 10 Finance income

	2021 $	2020 $
- Term deposits	-	454

Note 11 Expenses

a) Depreciation and amortisation expense

	2021 $	2020 $
Depreciation of non-current assets:		
- Leasehold improvements	7,288	7,288
- Plant and equipment	3,081	2,658
- Motor vehicles	-	3,147
	10,369	13,093
Depreciation of right-of-use assets		
- Leased land and buildings	11,799	11,799
Amortisation of intangible assets:		
- Franchise fee	2,198	2,104
- Franchise establishment fee	-	8,333
- Franchise renewal process fee	10,890	6,353
	13,088	16,790
Total depreciation and amortisation expense	35,256	41,682

Note 11 Expenses *(continued)*

b) Finance costs

	2021 $	2020 $
- Bank loan interest paid or accrued	-	588
- Lease interest expense	6,591	7,178
- Unwinding of make-good provision	336	319
	6,927	8,085

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

c) Employee benefit expenses

Wages and salaries	92,846	126,490
Non-cash benefits	-	1,742
Contributions to defined contribution plans	8,895	14,266
Expenses related to long service leave	2,488	3,456
Other expenses	12,611	73,171
	116,840	219,125

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	4,987	5,198

Note 12 Income tax expense

During the financial year the company recognsied their deferred tax asset as it is now probable that future taxable profit will be available against which the company can use the benefits therefrom.

a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax expense/(credit)		
- Recoupment of prior year tax losses	16,825	-
- Future income tax benefit attributable to losses	-	(12,591)
- Movement in deferred tax	(2,537)	(7,902)
- Deferred tax not previously recognised brought to account	(149,991)	-
- Adjustment to deferred tax on AASB 16 retrospective application	-	7,443
- Reduction in company tax rate	5,219	8,653
- Deferred tax asset not brought to account	-	4,397
	(130,484)	-

Note 12 Income tax expense *(continued)*

b) *Prima facie* income tax reconciliation	2021 $	2020 $
Operating profit/(loss) before taxation	54,503	(57,156)
Prima facie tax on profit/(loss) from ordinary activities at 26% (2020: 27.5%)	14,171	(15,718)
Tax effect of:		
- Non-deductible expenses	111	2,667
- Temporary differences	2,543	460
- Movement in deferred tax	(2,537)	(7,902)
- Deferred tax not previously recognised brought to account	(149,991)	-
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	5,219	8,653
- Leases initial recognition	-	7,443
- Deferred tax asset not brought to account	-	4,397
	(130,484)	-

Note 13 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	125,610	63,212

Note 14 Trade and other receivables

a) Current assets	2021 $	2020 $
Trade receivables	15,648	11,250
Prepayments	1,278	807
Other receivables and accruals	111	5,538
	17,037	17,595

Note 15 Property, plant and equipment

a) Carrying amounts	2021 $	2020 $
Leasehold improvements		
At cost	116,939	116,939
Less: accumulated depreciation	(48,143)	(40,855)
	68,796	76,084
Plant and equipment		
At cost	26,088	26,088
Less: accumulated depreciation	(18,708)	(15,627)
	7,380	10,461
Total written down amount	76,176	86,545

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

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leasehold improvements		
Carrying amount at beginning	76,084	83,372
Depreciation	(7,288)	(7,288)
	68,796	76,084
Plant and equipment		
Carrying amount at beginning	10,461	8,496
Additions	-	4,623
Depreciation	(3,081)	(2,658)
	7,380	10,461
Motor vehicles		
Carrying amount at beginning	-	23,457
Disposals	-	(20,310)
Depreciation	-	(3,147)
	-	-
Total written down amount	76,176	86,545

c) Changes in estimates

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

Note 16 Right-of-use assets

a) Carrying amounts

	2021 $	2020 $
Leased land and buildings		
At cost	176,980	176,980
Less: accumulated depreciation	(81,608)	(69,809)
Total written down amount	95,372	107,171

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leased land and buildings		
Carrying amount at beginning	107,171	-
Initial recognition on transition	-	176,980
Accumulated depreciation on adoption	-	(58,010)
Depreciation	(11,799)	(11,799)
Total written down amount	95,372	107,171

Note 17 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	20,890	20,890
Less: accumulated amortisation	(13,469)	(11,271)
	7,421	9,619
Franchise establishment fee		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	-	-
Franchise renewal process fee		
At cost	54,450	54,450
Less: accumulated amortisation	(17,243)	(6,353)
	37,207	48,097
Total written down amount	44,628	57,716

b) Reconciliation of carrying amounts

	2021 $	2020 $
Franchise fee		
Carrying amount at beginning	9,619	833
Additions	-	10,890
Amortisation	(2,198)	(2,104)
	7,421	9,619
Franchise establishment fee		
Carrying amount at beginning	-	8,333
Amortisation	-	(8,333)
	-	-
Franchise renewal process fee		
Carrying amount at beginning	48,097	-
Additions	-	54,450
Amortisation	(10,890)	(6,353)
	37,207	48,097
Total written down amount	44,628	57,716

c) Changes in estimates

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

Note 18 Tax assets and liabilities

a) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- expense accruals	775	-
- make-good provision	1,631	-
- lease liability	29,534	-
- carried-forward tax losses	126,936	-
Total deferred tax assets	158,876	-
Deferred tax liabilities		
- property, plant and equipment	4,549	-
- right-of-use assets	23,843	-
Total deferred tax liabilities	28,392	-
Net deferred tax assets (liabilities)	130,484	-
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	130,484	-

During the financial year the company recognsied their deferred tax asset as it is now probable that future taxable profit will be available against which the company can use the benefits therefrom.

Note 19 Trade creditors and other payables

a) Current liabilities

	2021 $	2020 $
Other creditors and accruals	25,950	24,537

b) Non-current liabilities

	2021 $	2020 $
Other creditors and accruals	29,879	48,138

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 5.30%.

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:

- Branch premises — The lease agreement commenced in August 2014. A 5 year renewal option was exercised in June 2019. The company has an additional 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is July 2029.

Note 20 Lease liabilities *(continued)*

a) Current lease liabilities

	2021 $	2020 $
Property lease liabilities	18,000	18,000
Unexpired interest	(5,972)	(6,591)
	12,028	11,409

b) Non-current lease liabilities

	2021 $	2020 $
Property lease liabilities	127,499	145,499
Unexpired interest	(21,391)	(27,363)
	106,108	118,136

c) Reconciliation of lease liabilities

	2021 $	2020 $
Balance at the beginning	129,545	-
Initial recognition on AASB 16 transition	-	140,168
Lease interest expense	6,591	7,178
Lease payments - total cash outflow	(18,000)	(17,801)
	118,136	129,545

d) Maturity analysis

	2021 $	2020 $
- Not later than 12 months	18,000	18,000
- Between 12 months and 5 years	71,998	71,998
- Greater than 5 years	55,501	73,501
Total undiscounted lease payments	145,499	163,499
Unexpired interest	(27,363)	(33,954)
Present value of lease liabilities	118,136	129,545

Note 21 Provisions

a) Non-current liabilities

	2021 $	2020 $
Make-good on leased premises	6,522	6,186

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision to be $10,000 based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The lease is due to expire on 31 July 2029 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22 Issued capital

a) Issued capital

	2021 Number	2021 $	2020 Number	2020 $
Ordinary shares - fully paid	813,063	813,063	813,063	813,063
Less: equity raising costs	-	(36,940)	-	(36,940)
	813,063	776,123	813,063	776,123

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Note 22 Issued capital *(continued)*

b) Rights attached to 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 190. As at the date of this report, the company had 272 shareholders (2020: 272 shareholders).

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

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

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

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

Note 23 Accumulated losses

	2021 $	2020 $
Balance at beginning of reporting period	(652,290)	(568,069)
Adjustment for transition to AASB 16	-	(27,065)
Net profit (loss) after tax from ordinary activities	184,987	(57,156)
Balance at end of reporting period	(467,303)	(652,290)

Note 24 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit (loss) after tax from ordinary activities	184,987	(57,156)
Adjustments for:		
- Depreciation	22,168	24,892
- Amortisation	13,088	16,790
- (Profit)/loss on disposal of non-current assets	-	(1,508)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	557	(10,199)
- (Increase)/decrease in other assets	(130,484)	-
- Increase/(decrease) in trade and other payables	4,282	4,815
- Increase/(decrease) in provisions	336	319
Net cash flows provided by/(used in) operating activities	94,934	(22,047)

Note 25 Financial instruments

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

	Note	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	125,610	63,212
Trade and other receivables	14	17,037	17,595
		142,647	80,807
Financial liabilities			
Trade and other payables	19	55,829	72,675
Lease liabilities	20	118,136	129,545
		173,965	72,675

Note 26 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	1,100	1,400
- General advisory services	2,660	2,350
- Share registry services	1,900	1,900
Total auditor's remuneration	10,660	10,450

Note 27 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Stephen Dennis Bowes
Roderick Edward Scurrah
Gavin Maurice Hallam
Lynette Anne Hallam
Mark Graeme Etheridge
Samantha Jane Stansbie
Casey Elvie-Ann Garrett
Paul Sutton

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.

Transactions with related parties	2021 $	2020 $
- The company used the bookkeeping/accounting services of Gavin Hallam. The total benefit received was:	-	800

Note 28 Earnings per share

a) Basic and diluted earnings per share

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

	2021 $	2020 $
Profit/(loss) attributable to ordinary shareholders	184,987	(57,156)
	Number	Number
Weighted-average number of ordinary shares	813,063	813,063
	Cents	Cents
Basic and diluted earnings/(loss) per share	22.75	(7.03)

Note 29 Commitments

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

Note 30 Contingencies

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

Note 31 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 Tasman Community Financial Services Limited, we state that:

In the opinion of the directors:

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

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

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

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

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

S.D Bowes

Stephen Dennis Bowes, Chair

Dated this 30th 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 Tasman Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Tasman Community Financial Services Limited'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 Tasman Community Financial Services Limited, 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.

Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 30th September 2021

Joshua Griffin
Lead Auditor

Community Bank · Nubeena & Tasman
1628 Main Road, Nubeena TAS 7184
Phone: 03 6127 5300 Fax: 03 6127 5301
Email: nubeenatasmanmailbox@bendigoadelaide.com.au
Web: bendigobank.com.au/nubeena-tasman

Franchisee: Tasman Community Financial Services Limited
ABN: 46 159 606 881
1693 Main Road, Nubeena TAS 7184
Phone: 0417 328 287

/nubeenatasmanbendigo

Bendigo Bank