

Annual Report 2024

Circular Head Community
Financial Services Ltd

Community Bank
Smithton & Districts

ABN 21 626 751 157

Bendigo Bank

Community Bank
Smithton

Bendigo Bank

Community Bank
Smithton

Everything you need
Home loans
Accounts
Credit cards
Personal loans
Business
Insurance
Financial planning
Travel and International
Investing and Super

Community Bank
Smithton

Everything you need
Home loans
Accounts
Credit cards
Personal loans
Business
Insurance
Financial planning
Travel and International
Investing and Super

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Chairman's report

For year ending 30 June 2024

It has been an exciting and somewhat groundbreaking year for Community Bank Smithton & Districts.

Each year we prepare a projected budget 12 months in advance. This year I am pleased to report we have month on month exceeded expectations. Our projected income and expenses have resulted in a profit each month.

This is an extraordinary achievement as I am led to believe start up Community Banks usually take in excess of five years to break even and then slowly move into profit.

In late 2023 we completed the purchase of our premises at 67 Emmett Street Smithton and then, in the first part of 2024 we completed the refurbishment, resulting in an official opening of the premises in June.

The Board regards this as a remarkable achievement as the Community Bank has opened a bricks and mortar business premises.

We are now in the top category of Community Banks in Tasmania, all of which has been achievement with changes in staff and a steady increase in interest rates as set by the Reserve Bank.

From the support shown by the people of Circular Head, I believe they trust in the Community Bank operating in their district, as has been shown by the steady increase in customers.

Although to date the Community Bank has not paid a shareholder dividend, this has been closely monitored. At this stage the Board have decided to reinvest surplus funds in our operating account to build up our reserves in these early days of trading.

Our major community contributions this year has been to the Circular Head Cricket Association, Circular Head District Agricultural Show and Rotary Devil Country Muster as well as smaller contributions to individuals and organisations.

All of this could not be achieved without the dedication and energy of all the Board of Directors. I thank Jan Bishop for her support, enthusiasm and willingness to take over the Chair role, Leanne Thompson for her work as our Company Secretary, Brett Dawes for overseeing the refurbishment of the bank premises, Angela Bruce, Julian Jacobs, Sharlyn Walters and Harry Korpershoek for their continued support and contributions at Board level and events.

I also thank Naomi O'Leary for her effort and time that has set us up in such a profitable manner throughout 2023/24. We were sad to receive her resignation and departure from the management position at the end of June.



Tom Glynn
Chairman

Manager's report

For year ending 30 June 2024

2024 has been a year of change and growth. Community Bank Smithton & Districts has moved into their own premises and are now a full service bank. I have been in the role for three and a half years and have been heartened by the continuing support of the local Community, Directors, shareholders, and the wider Community Bank team as a whole. Thank you.

I am moving on from my role as Business Development Manager with Community Bank Smithton & Districts. I look forward to the bank continuing to go from strength to strength.

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 five years. The business has continued to grow with 1,281 customers. The bank has achieved profit this year so with the continued support of the community we look forward to distributing more money back into the local community.

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

Our team has grown from two staff members to four, we welcome Ashlee back to Community Bank Smithton & Districts as a CSO along with Niccola and Jayne who has accepted the role as CRO.

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

All the staff 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.

Bendigo and Adelaide Bank report

For year ending 30 June 2024

This past year has been particularly significant for Bendigo Bank and the Community Bank network. After five years apart, we had the opportunity to come together in person and connect in Bendigo at our National Conference in September.

It was lovely to see so many familiar faces and to meet many Directors who haven't attended previously. We feel proud to support such an amazing network.

We are committed to our strategy and the qualities that make Bendigo Bank unique, by staying true to our connection with communities, our regional roots, and our position as Australia's most trusted bank.

As Bendigo Bank adapts to the evolving digital landscape and changing customer expectations, the Community Bank Network is organically evolving in response.

Over the past 12 months, we have seen Community Bank companies seek to enhance their presence within their communities more than ever.

This has been through expanding or consolidating branch sites, collaborating with local, state, and national governments to support community initiatives, or by prioritising social value alongside financial performance through Social Trader accreditation.

The anniversary of the Community Bank model, along with changing environmental factors, provides an opportunity to reset and establish a clear pathway towards the next 25 years.

Bendigo Bank's purpose, to feed into the prosperity of communities, and our willingness to ensure our purpose is relevant to the needs of communities in which we are present, is a key contributor to our commercial success.

When we utilise our combined strengths, exercise our imaginations and have the courage to commit to creating our own opportunities, we will be the partner of choice for customers and communities regardless of location or cause.

Community, regional presence, and trust are the distinctive attributes of Bendigo Bank that we have maintained and plan to uphold in the future.

While Bendigo Bank emphasises commercial success, our foundation remains in community values. Our aim is to generate mutual value by providing solutions to local challenges.

On behalf of Bendigo Bank, thank you for being a shareholder in your local Community Bank. Your contribution helps foster economic growth, creates employment opportunities, and provides essential financial services to the members of your community.

Your dedication and support is making a positive impact on your community.

Justine Minne
Bendigo and Adelaide Bank

Directors' report

30 June 2024

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2024.

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:	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:	Chair
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:	Nil
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:	Angela Bruce
Title:	Non-executive director
Experience and expertise:	Partner in family beef farming business, Farm Secretary (ADFSS)
Special responsibilities:	Nil.
Name:	Brett Allen Dawes
Title:	Non-executive director
Experience and expertise:	Brett has experience in Farming and Retail business.
Special responsibilities:	Nil

Directors' report (continued)

Name: Leanne Helen Thompson
Title: Non-executive director (appointed 15 November 2023)
Experience and expertise: Administrative Assistant, Minute Secretary, Law Clerk, Soroptimist International of Circular Head.
Special responsibilities: Company Secretary, Member of Audit Committee

Name: Sharalyn May Walters
Title: Non-executive director (appointed 6 December 2023)
Experience and expertise: Education manager with Smithton High School. Sharalyn has qualifications and extensive experience in administration, finance, and marketing, as well as training and skills development. She has worked in the tourism, primary industry, and local government sectors and is currently a director of and manages family businesses in the forestry and fishing industries. Sharalyn is actively involved in community organisations such as Smithton High School Association and the Circular Head Community and Recreation Centre. A Tasmanian Finalist in the Telstra Business Women's Awards in 2004 for service to community and local government, Sharalyn was also nominated as a Soroptimist International Circular Head Local Heroine in 2022.
Special responsibilities: Treasurer, Member of Audit Committee, Social Media and Promotion

Name: Jordan Antony Jacobs
Title: Non-executive director (resigned 7 August 2024)
Experience and expertise: Jordan holds a Bachelor of Business (Finance) and a Bachelor of Science (Applied Maths, Data and Statistics)
Special responsibilities: Treasurer

Name: Jennifer Rosalie Wallis
Title: Non-executive director (resigned 5 June 2024)
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 (resigned 15 November 2023)
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

Company secretary

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

- Leanne Helen Thompson was appointed company secretary on 31 January 2024
- Jennifer Rosalie Wallis was appointed as company secretary on 15 May 2019 and ceased on 31 January 2024.

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 \$149,940 (30 June 2023: \$153,953).

Operations have continued to perform in line with expectations.

Dividends

No dividends were declared or paid in the current financial year.

Directors' report (continued)

Significant changes in the state of affairs

On 1 July 2023, Bendigo Bank updated the Funds Transfer Pricing (FTP) base rate on certain deposits which has reduced the income earned on these products.

In October 2023 the company purchased the 67 Emmett Street, Smithton property. Following the purchase the company completed significant renovations on the property and subsequently relocated branch operations to the property in April 2024.

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

No matter, circumstance or likely development in operations has arisen during or since the end of the financial year that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Meetings of directors

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

	Board Eligible	Attended
Jan Elizabeth Bishop	11	10
Thomas Patrick Glynn	11	9
Hendrik Korpershoek	11	4
Julian John Jacobs	11	9
Angela Bruce	11	9
Brett Allen Dawes	11	10
Leanne Helen Thompson	7	6
Sharalyn May Walters	6	6
Jordan Antony Jacobs	11	7
Jennifer Rosalie Wallis	11	10
Rebecca Lee Korpershoek	5	1

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 25 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Jan Elizabeth Bishop	26,001	-	26,001
Thomas Patrick Glynn	501	-	501
Hendrik Korpershoek	7,001	-	7,001
Julian John Jacobs	20,000	20,000	40,000
Angela Bruce	-	-	-
Brett Allen Dawes	-	-	-
Leanne Helen Thompson	-	-	-
Sharalyn May Walters	-	-	-
Jordan Antony Jacobs	-	-	-
Jennifer Rosalie Wallis	1,000	-	1,000
Rebecca Lee Korpershoek	500	-	500

Directors' report (continued)

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of directors and officers

The company has indemnified all directors and management in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or management 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 26 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



Leanne Helen Thompson
Company Secretary/Director

11 October 2024

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 2024, 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: 11 October 2024

A handwritten signature in black ink, appearing to read 'Jessica Ritchie'.

Jessica Ritchie
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 2024

	Note	2024 \$	2023 \$
Revenue from contracts with customers	7	681,740	514,854
Other revenue	8	13,772	52,213
Total revenue		<u>695,512</u>	<u>567,067</u>
Employee benefits expense	9	(215,485)	(169,885)
Advertising and marketing costs		(14,545)	(11,336)
Occupancy and associated costs		(24,791)	(601)
System costs		(30,344)	(14,358)
Depreciation and amortisation expense	9	(67,577)	(77,161)
Loss on disposal of assets		(21,280)	-
Finance costs		(2,635)	(7,356)
General administration expenses		(105,232)	(65,754)
Total expenses before community contributions and income tax		<u>(481,889)</u>	<u>(346,451)</u>
Profit before community contributions and income tax expense		213,623	220,616
Charitable donations, sponsorships and grants expense		<u>(10,455)</u>	<u>(7,823)</u>
Profit before income tax expense		203,168	212,793
Income tax expense	10	<u>(53,228)</u>	<u>(58,840)</u>
Profit after income tax expense for the year		149,940	153,953
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>149,940</u></u>	<u><u>153,953</u></u>
		Cents	Cents
Basic earnings per share	28	24.70	25.36
Diluted earnings per share	28	24.70	25.36

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 2024

	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	11	279,572	202,662
Trade and other receivables	12	37,162	56,631
Investments	13	-	200,000
Total current assets		<u>316,734</u>	<u>459,293</u>
Non-current assets			
Property, plant and equipment	14	607,686	59,394
Right-of-use assets	15	-	112,180
Intangible assets	16	69,136	12,597
Deferred tax assets	10	-	16,252
Total non-current assets		<u>676,822</u>	<u>200,423</u>
Total assets		<u>993,556</u>	<u>659,716</u>
Liabilities			
Current liabilities			
Trade and other payables	17	8,780	31,556
Borrowings	18	49,617	-
Lease liabilities	19	-	45,123
Current tax liabilities	10	14,122	-
Employee benefits		2,158	7,494
Total current liabilities		<u>74,677</u>	<u>84,173</u>
Non-current liabilities			
Trade and other payables	17	46,402	-
Borrowings	18	207,457	-
Lease liabilities	19	-	79,941
Deferred tax liabilities	10	22,854	-
Employee benefits		37	773
Provisions		-	2,640
Total non-current liabilities		<u>276,750</u>	<u>83,354</u>
Total liabilities		<u>351,427</u>	<u>167,527</u>
Net assets		<u>642,129</u>	<u>492,189</u>
Equity			
Issued capital	20	573,771	573,771
Retained earnings/(accumulated losses)		<u>68,358</u>	<u>(81,582)</u>
Total equity		<u>642,129</u>	<u>492,189</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 2024

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2022	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
Balance at 30 June 2023	<u>573,771</u>	<u>(81,582)</u>	<u>492,189</u>
Balance at 1 July 2023	573,771	(81,582)	492,189
Profit after income tax expense	-	149,940	149,940
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	149,940	149,940
Balance at 30 June 2024	<u>573,771</u>	<u>68,358</u>	<u>642,129</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 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		759,446	563,450
Payments to suppliers and employees (inclusive of GST)		<u>(511,995)</u>	<u>(304,834)</u>
Net cash provided by operating activities	27	<u>247,451</u>	<u>258,616</u>
Cash flows from investing activities			
Redemption of/(investment in) term deposits		200,000	(200,000)
Payments for property, plant and equipment	14	(587,615)	(36,325)
Proceeds from disposal of property, plant and equipment		<u>-</u>	<u>24,545</u>
Net cash used in investing activities		<u>(387,615)</u>	<u>(211,780)</u>
Cash flows from financing activities			
Proceeds from borrowings		261,848	-
Repayment of lease liabilities		(37,506)	(42,766)
Interest and other finance costs paid		(2,494)	(7,234)
Repayment of borrowings		<u>(4,774)</u>	<u>-</u>
Net cash provided by/(used in) financing activities		<u>217,074</u>	<u>(50,000)</u>
Net increase/(decrease) in cash and cash equivalents		76,910	(3,164)
Cash and cash equivalents at the beginning of the financial year		<u>202,662</u>	<u>205,826</u>
Cash and cash equivalents at the end of the financial year	11	<u><u>279,572</u></u>	<u><u>202,662</u></u>

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

Notes to the financial statements

30 June 2024

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 67 Emmett 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 directors have a reasonable expectation that the company has adequate resources to pay its debts as and when they fall due for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 11 October 2024. The directors have the power to amend and reissue the financial statements.

Note 3. Material accounting policy information

The accounting policies that are material to the company are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Adoption of new and revised accounting standards

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current financial year. A description of the impact of new or amended Accounting Standards and Interpretations that have had a material impact on the company during the current financial year is outlined below:

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates is mandatory for annual reporting periods beginning on or after 1 January 2023 and was adopted by the company in the preparation of the 30 June 2024 financial statements.

AASB 2021-2 includes amendments to AASB 101 *Presentation of Financial Statements*, requiring the company to disclose material accounting policy information in its financial statements rather than significant accounting policies which was required in previous financial years. Accounting policy information is material if it, when considered with other information, could reasonably be expected to influence decisions of primary users based on the financial statements.

Adoption of AASB 2021-2 has had no impact on the numerical information disclosed in the company's financial statements. Rather, adoption has required the company to remove significant accounting policy information from the notes to the financial statements that is not considered material.

Accounting standards issued but not yet effective

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the company has been performed. No new or amended Accounting Standards or Interpretations that are not mandatory have been early adopted, nor are they expected to have a material impact on the company in future financial years.

Current and non-current classification

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

Notes to the financial statements (continued)

Note 3. Material accounting policy information (continued)

Impairment of financial assets

The company recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost. The measurement of the loss allowance depends upon the company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Impairment of 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The directors continually evaluate their judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

The directors base their 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.

Judgements

Timing of revenue recognition associated with trail commission

The company receives trailing commission from Bendigo Bank for products and services sold. Ongoing trailing commission payments are recognised on a monthly basis when earned as there is insufficient detail readily available to estimate the most likely amount of revenue without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission revenue is outside the control of the company.

Allowance for expected credit losses on trade and other receivables

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Notes to the financial statements (continued)

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

The company has not recognised an allowance for expected credit losses in relation to trade and other receivables for the following reasons:

- 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.
- 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. The directors are not aware of any such non-compliance at balance date.
- 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 has not experienced any instances of default in relation to receivables owed to the company from Bendigo Bank.

Impairment of non-financial assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. The directors did not identify any impairment indications during the financial year.

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.

Estimates and assumptions

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.

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 June 2029.

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. Change to comparative figures

Classification of term deposits

During the year the directors reviewed the requirements of AASB 107 *Statement of Cash Flows* and noted term deposits normally qualify as a cash and cash equivalent only when they have initial investment periods of three months or less. In previous financial years the company classified all term deposits as cash and cash equivalents in the preparation of the financial statements even if they had initial investment periods greater than three months.

In the preparation of the financial statements for the current financial year, the directors updated its accounting policy to align to the requirements of AASB 107, restating comparative figures to reclassify term deposits with initial investment periods greater than three months as current investments instead of cash and cash equivalents in the Statement of financial position.

The change in classification had the following impacts on comparative figures:

- Cash and cash equivalents decreased and investments increased by \$200,000 at 30 June 2023 as reported in the Statement of financial position.
- Opening and closing cash balances were reduced to exclude term deposits with initial investment periods greater than three months as reported in the Statement of cash flows.
- Investments in and redemptions of term deposits with initial investment periods greater than three months are now classified within investment activities as reported in the Statement of cash flows.

The change in classification had no impact on the company's net profit or net asset position.

Note 7. Revenue from contracts with customers

	2024	2023
	\$	\$
Margin income	463,332	343,909
Fee income	25,059	14,570
Commission income	193,349	156,375
	<u>681,740</u>	<u>514,854</u>

Accounting policy for 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.

Notes to the financial statements (continued)

Note 7. Revenue from contracts with customers (continued)

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement, 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.

Margin income

Margin income on core banking products 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 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 generated from the sale of products and services. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation. Refer to note 4 for further information regarding key judgements applied by the directors in relation to the timing of revenue recognition from trail commission.

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.

Notes to the financial statements (continued)

Note 8. Other revenue

	2024 \$	2023 \$
Net gain on disposal of property, plant and equipment	-	17,197
Market development fund	-	32,917
Other income	13,772	2,099
	<u>13,772</u>	<u>52,213</u>

Accounting policy for market development fund

In previous years Bendigo Bank made market development fund (MDF) payments to the company, which 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. Bendigo Bank ceased the MDF during the previous year and therefore the company did not receive any contributions during the current financial year.

Note 9. Expenses

Employee benefits expense

	2024 \$	2023 \$
Wages and salaries	176,294	148,274
Non-cash benefits	12,683	-
Superannuation contributions	19,441	15,988
Expenses related to long service leave	(736)	468
Other expenses	7,803	5,155
	<u>215,485</u>	<u>169,885</u>

Depreciation and amortisation expense

	2024 \$	2023 \$
<i>Depreciation of non-current assets</i>		
Buildings	3,801	-
Leasehold improvements	6,576	5,320
Plant and equipment	401	1,128
Motor vehicles	7,265	6,645
	<u>18,043</u>	<u>13,093</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	35,766	42,068
<i>Amortisation of intangible assets</i>		
Franchise fee	1,340	2,000
Franchise establishment fee	11,452	20,000
Franchise renewal fee	976	-
	<u>13,768</u>	<u>22,000</u>
	<u>67,577</u>	<u>77,161</u>

Notes to the financial statements (continued)

Note 10. Income tax

	2024 \$	2023 \$
<i>Income tax expense</i>		
Current tax	14,122	-
Movement in deferred tax	20,365	6,506
Under/over provision in respect to prior years	(902)	-
Recoupment of prior year tax losses	19,643	52,334
Aggregate income tax expense	<u>53,228</u>	<u>58,840</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	203,168	212,793
Tax at the statutory tax rate of 25%	50,792	53,198
Tax effect of:		
Non-deductible expenses	3,338	5,642
	54,130	58,840
Under/over provision in respect to prior years	(902)	-
Income tax expense	<u>53,228</u>	<u>58,840</u>
	2024 \$	2023 \$
<i>Deferred tax attributable to:</i>		
Tax losses	-	18,741
Employee benefits	549	2,067
Lease liabilities	-	31,266
Provision for lease make good	-	660
Accrued expenses	-	475
Right-of-use assets	-	(28,045)
Property, plant and equipment	(23,403)	(8,912)
Deferred tax asset/(liability)	<u>(22,854)</u>	<u>16,252</u>
	2024 \$	2023 \$
Provision for income tax	<u>14,122</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.

Accounting policy for deferred tax

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.

Notes to the financial statements (continued)

Note 11. Cash and cash equivalents

	2024 \$	2023 \$
Cash at bank and on hand	279,572	202,662

Note 12. Trade and other receivables

	2024 \$	2023 \$
Trade receivables	35,515	53,343
Prepayments	1,647	3,288
	<u>37,162</u>	<u>56,631</u>
	2024 \$	2023 \$
Total trade and other receivables	37,162	56,631
less GST receivable to the ATO found in trade and other receivables	<u>(11,570)</u>	<u>-</u>
	<u>25,592</u>	<u>56,631</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. 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.

Note 13. Investments

	2024 \$	2023 \$
<i>Current assets</i>		
Term deposits	<u>-</u>	<u>200,000</u>

Notes to the financial statements (continued)

Note 14. Property, plant and equipment

	2024 \$	2023 \$
Land - at cost	148,500	-
Buildings - at cost	228,084	-
Less: Accumulated depreciation	(3,801)	-
	<u>224,283</u>	<u>-</u>
Building improvements - at cost	181,850	50,764
Less: Accumulated depreciation	(3,222)	(26,167)
	<u>178,628</u>	<u>24,597</u>
Plant and equipment - at cost	29,181	8,874
Less: Accumulated depreciation	(55)	(8,491)
	<u>29,126</u>	<u>383</u>
Motor vehicles - at cost	36,325	36,325
Less: Accumulated depreciation	(9,176)	(1,911)
	<u>27,149</u>	<u>34,414</u>
	<u>607,686</u>	<u>59,394</u>

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

	Land \$	Buildings \$	Building improvements \$	Plant and equipment \$	Motor vehicles \$	Total \$
Balance at 1 July 2022	-	-	29,917	1,511	12,082	43,510
Additions	-	-	-	-	36,325	36,325
Disposals	-	-	-	-	(7,348)	(7,348)
Depreciation	-	-	(5,320)	(1,128)	(6,645)	(13,093)
Balance at 30 June 2023	-	-	24,597	383	34,414	59,394
Additions	148,500	228,084	181,850	29,181	-	587,615
Disposals	-	-	(21,243)	(37)	-	(21,280)
Depreciation	-	(3,801)	(6,576)	(401)	(7,265)	(18,043)
Balance at 30 June 2024	<u>148,500</u>	<u>224,283</u>	<u>178,628</u>	<u>29,126</u>	<u>27,149</u>	<u>607,686</u>

Additions

During the financial year the company purchased land and building located at 67 Emmett Street, Smithton TAS 7330. Following the purchase the company completed significant renovations on the property and subsequently relocated branch operations to the property in April 2024.

Accounting policy for property, plant and equipment

Property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Notes to the financial statements (continued)

Note 14. Property, plant and equipment (continued)

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:

Buildings	40 years
Building improvements	4 to 40 years
Plant and equipment	2 to 10 years
Motor vehicles	5 years

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

Building improvements are depreciated over the estimated useful life of the assets. Land is not depreciated.

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.

Note 15. Right-of-use assets

	2024 \$	2023 \$
Land and buildings - right-of-use	-	280,378
Less: Accumulated depreciation	-	(168,198)
	-	112,180

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 2022	154,248
Depreciation expense	(42,068)
Balance at 30 June 2023	112,180
Remeasurement adjustments	(76,414)
Depreciation expense	(35,766)
Balance at 30 June 2024	-

Early cessation of lease

During the financial year the company ended the lease of 29 Smith Street early, for the purposes of relocating its business to 67 Emmett Street.

Notes to the financial statements (continued)

Note 16. Intangible assets

	2024 \$	2023 \$
Franchise fee	21,718	10,000
Less: Accumulated amortisation	<u>(10,195)</u>	<u>(8,855)</u>
	11,523	1,145
Franchise renewal fee	58,589	-
Less: Accumulated amortisation	<u>(976)</u>	<u>-</u>
	57,613	-
Establishment fee	100,000	100,000
Less: Accumulated amortisation	<u>(100,000)</u>	<u>(88,548)</u>
	-	11,452
	<u>69,136</u>	<u>12,597</u>

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

	Franchise fee \$	Franchise renewal fee \$	Establishment fee \$	Total \$
Balance at 1 July 2022	3,145	-	31,452	34,597
Amortisation expense	<u>(2,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>(22,000)</u>
Balance at 30 June 2023	1,145	-	11,452	12,597
Additions	11,718	58,589	-	70,307
Amortisation expense	<u>(1,340)</u>	<u>(976)</u>	<u>(11,452)</u>	<u>(13,768)</u>
Balance at 30 June 2024	<u>11,523</u>	<u>57,613</u>	<u>-</u>	<u>69,136</u>

Additions

During the financial year the franchise fee was renewed. This is to be amortised over five years to June 2029.

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 fee	Straight-line	Over the franchise term (5 years)	June 2029
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	June 2029

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

Notes to the financial statements (continued)

Note 17. Trade and other payables

	2024 \$	2023 \$
<i>Current liabilities</i>		
Other payables and accruals	8,780	31,556
<i>Non-current liabilities</i>		
Other payables and accruals	46,402	-
	2024 \$	2023 \$
<i>Financial liabilities at amortised cost classified as trade and other payables</i>		
Total trade and other payables	55,182	31,556
less GST payable to the ATO included in trade and other payables	-	(13,303)
	55,182	18,253

Note 18. Borrowings

	2024 \$	2023 \$
<i>Current liabilities</i>		
Bank loans	49,617	-
<i>Non-current liabilities</i>		
Bank loans	207,457	-

Bank loans

The company took out a loan for the purposes of refurbishment of 67 Emmett Street on 30 April 2024.

The bank loan is repayable monthly with the final instalment due on April 2031. Interest is recognised at the rate of 8.20% as of 30 June 2024.

Accounting policy for borrowings

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

Note 19. Lease liabilities

	2024 \$	2023 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	-	45,123
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	-	79,941

Notes to the financial statements (continued)

Note 19. Lease liabilities (continued)

Reconciliation of lease liabilities

	2024 \$	2023 \$
Opening balance	125,064	167,830
Remeasurement adjustments	(87,558)	-
Lease interest expense	2,494	7,234
Lease payments - total cash outflow	(40,000)	(50,000)
	<u>-</u>	<u>125,064</u>

During the financial year the company terminated the lease of 29 Smith Street and relocated the branch to 67 Emmett Street, which the company purchased.

Note 20. Issued capital

	2024 Shares	2023 Shares	2024 \$	2023 \$
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.

Notes to the financial statements (continued)

Note 20. Issued capital (continued)

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- 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 (2023: 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 21. 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%.

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.

Notes to the financial statements (continued)

Note 22. Dividends

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

Note 23. Financial risk management

The company's financial instruments include trade receivables and payables, cash and cash equivalents, investments and lease liabilities. The company does not have any derivatives.

The directors are responsible for monitoring and managing the financial risk exposure of the company, to which end it monitors the financial risk management policies and exposures and approves financial transactions within the scope of its authority.

The directors have identified that the only significant financial risk exposures of the company are liquidity and market (price) risk. Other financial risks are not significant to the company due to the following factors:

- The company has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars.
- 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, Bendigo Bank is rated A- on Standard & Poor's credit ratings.
- The company has no direct exposure to movements in commodity prices.
- The company's interest-bearing instruments are held at amortised cost which have fair values that approximate their carrying value since all cash and payables have maturity dates within 12 months.

Further details regarding the categories of financial instruments held by the company that hold such exposure are detailed below.

	2024 \$	2023 \$
Financial assets at amortised cost		
Trade and other receivables excluding prepayments (note 12)	23,945	53,343
Cash and cash equivalents (note 11)	279,572	202,662
Term deposits (note 13)	-	200,000
	<u>303,517</u>	<u>456,005</u>
Financial liabilities		
Trade and other payables (note 17)	55,182	18,253
Lease liabilities (note 19)	-	125,064
Bank loans (note 18)	257,074	-
	<u>312,256</u>	<u>143,317</u>

At balance date, the fair value of financial instruments approximated their carrying values.

Accounting policy for financial instruments

Financial assets

Classification

The company measures its financial assets at amortised cost.

The company's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and investments in term deposits.

Derecognition

A financial asset is derecognised when the company's contractual right to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

Impairment of trade and other receivables

Impairment of trade receivables is determined using the simplified approach which uses an estimation of lifetime expected credit losses. The company has not recognised an allowance for expected credit losses in relation to trade and other receivables. Refer to note 4 for further information.

Financial liabilities

Classification

The company measures its financial liabilities at amortised cost.

The company's financial liabilities measured at amortised cost comprise trade and other payables, lease liabilities and borrowings.

Derecognition

A financial liability is derecognised when it is extinguished, cancelled or expires.

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.

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 \$279,572 and term deposits of nil at 30 June 2024 (2023: \$202,662 and \$200,000).

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.

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

	2024		2023	
	Nominal interest rate %	Balance \$	Nominal interest rate %	Balance \$
Bank loans	8.20%	<u>257,074</u>	-	<u>-</u>
Net exposure to cash flow interest rate risk		<u>257,074</u>		<u>-</u>

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

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.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

The following are the company's 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 \$
2024				
Bank loans	49,617	207,457	-	257,074
Trade and other payables	8,780	46,402	-	55,182
Total non-derivatives	<u>58,397</u>	<u>253,859</u>	<u>-</u>	<u>312,256</u>
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2023				
Trade and other payables	18,253	-	-	18,253
Lease liabilities	50,000	83,333	-	133,333
Total non-derivatives	<u>68,253</u>	<u>83,333</u>	<u>-</u>	<u>151,586</u>

Note 24. 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.

Jan Elizabeth Bishop	Leanne Helen Thompson
Thomas Patrick Glynn	Sharalyn May Walters
Hendrik Korpershoek	Jordan Antony Jacobs
Julian John Jacobs	Jennifer Rosalie Wallis
Angela Bruce	Rebecca Lee Korpershoek
Brett Allen Dawes	

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 25. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 24.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Terms and conditions of transactions with related parties

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

Notes to the financial statements (continued)

Note 25. Related party transactions (continued)

Transactions with related parties

The following transactions occurred with related parties:

	2024 \$	2023 \$
The company used the conveyancing services of Glynn's Lawyers, where Thomas Glynn is the Principal Solicitor. The total benefit received was:	15,057	-
The company paid Leanne Thompson for conducting secretarial duties. The total amount paid was:	4,550	-

Note 26. 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:

	2024 \$	2023 \$
<i>Audit services</i>		
Audit or review of the financial statements	6,650	5,400
<i>Other services</i>		
Taxation advice and tax compliance services	3,814	2,773
General advisory services	5,285	3,840
Share registry services	3,300	2,746
	<u>12,399</u>	<u>9,359</u>
	<u>19,049</u>	<u>14,759</u>

Note 27. Reconciliation of profit after income tax to net cash provided by operating activities

	2024 \$	2023 \$
Profit after income tax expense for the year	149,940	153,953
Adjustments for:		
Depreciation and amortisation	67,577	77,161
Net loss/(gain) on disposal of non-current assets	21,280	(17,197)
Lease liabilities interest	2,494	7,232
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	19,469	(33,060)
Decrease in deferred tax assets	16,252	58,840
Increase/(decrease) in trade and other payables	(55,027)	11,097
Increase in provision for income tax	14,122	-
Increase in deferred tax liabilities	22,854	-
Increase/(decrease) in employee benefits	(6,072)	468
Increase/(decrease) in other provisions	(5,438)	122
Net cash provided by operating activities	<u>247,451</u>	<u>258,616</u>

Notes to the financial statements (continued)

Note 28. Earnings per share

	2024 \$	2023 \$
Profit after income tax	<u>149,940</u>	<u>153,953</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	24.70	25.36
Diluted earnings per share	24.70	25.36

Note 29. Commitments

The company has no 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.

Note 31. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 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 2024

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 2024 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the company does not have any controlled entities and is not required by the Accounting Standards to prepare consolidated financial statements. Therefore, a consolidated entity disclosure statement has not been included as section 295(3A)(a) of the *Corporations Act 2001* does not apply to the entity.

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



Leanne Helen Thompson
Company Secretary/Director

11 October 2024

Independent audit report



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
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03 5443 0344

Independent auditor's report to the Directors of 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 2024
- Statement of profit or loss and other comprehensive income for the year then ended
- Statement of changes in equity for the year then ended
- Statement of cash flows for the year then ended
- Notes to the financial statements, including material accounting policies
- The directors' declaration.

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 2024 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 directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', written in a cursive style.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 11 October 2024

A handwritten signature in black ink, appearing to read 'Jessica Ritchie', written in a cursive style.

Jessica Ritchie
Lead Auditor

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This Annual Report has been printed on 100% Recycled Paper

 **Bendigo Bank**