# Annual Report 2020

## Clovelly Community Financial Services Ltd

**Community Bank Clovelly**

ABN 69 097 378 740

# Contents

# Chairman's report

For year ending 30 June 2020

Welcome to the Clovelly Community Financial Services Ltd's 2019/20 Annual Report.

2019/20 was a year of unprecedented turmoil. The advent of the COVID-19 virus has affected everyone and at the time of writing the full impact has yet to be assessed.

**Current position**

Given the effects of COVID-19 in the second half of the year, our Bank's performance has truly been remarkable with a pre-tax profit figure of $377,492 and a total book of $240.9 million ($22.5 million increase). The substantial increases in profit and book size is testament to the high level of professional customer service from the management and staff.

Once again thank you Pete, Sally and all the staff for their outstanding commitment to our customers.

**Dividend**

The Board of Directors declared a fully franked dividend of 12c/share (second highest since opening).

**Branch renovation**

During the year, Community Bank Clovelly was completely renovated to bring it up to a state-of-art banking facility with new offices and furniture which has created a modern and efficient working environment for staff and customers to enjoy.

This has brought to fruition the long-term ambition held by the Board and the staff.

**Community participation – during the year ended 30 June 2020**

Community Bank Clovelly continued its support of community organisations totalling $152,383. This included funds for next year's Grants Program. Financial support was provided to the following organisations:

- Randwick Petersham Cricket Club
- Bondi SLSC
- Minhi's Netball Club
- Clovelly Crocodiles
- Coogee Netball Club
- Coogee United FC
- Clovelly Eagles Junior Rugby Club
- Purple Hearts – Randwick City FC
- South Eastern Community Connect
- Randwick Art Society
- Clovelly Men's Bowling Club
- Beaches Outreach Project
- Coogee Dolphins RLFC & Netball Clubs
- Protect Our 1
- Randwick Rugby Club
- Bayside Women's Shelter

# Chairman's report (continued)

However, our community participation extends beyond financial support. When COVID-19 hit, our Community Partnership Manager immediately contacted our extensive community network to determine how we could best help the most vulnerable people in our community. Together we established a Community Outreach Program to deliver food hampers to those in need. This program grew as the generosity of our customers and community groups provided a range of much needed items for us to deliver to those most in need. A full account of our COVID-19 Community Outreach Program is presented in our latest newsletter.

**Some 'did you know' facts about the Community Bank Clovelly**

- Our charter is to give up to 80% of our profits directly back to support local community organisations.
- We have been serving the community for 18 years as a philanthropic bank. To date our small Community Bank Clovelly has given over $1.45 million back to the community via sponsorships and grants and has helped over 100 local community groups.
- We are run by a voluntary Board of Directors who give up their time to ensure our Bank is run in an efficient, fair, cost effective and professional manner.
- We appreciate it when our shareholders and community groups recommend our Bank to their members and drive more business to our Bank. The more business we do, the greater profit which means we have more to give back to the community.

**Board**

During the year we welcomed three new Board Directors.

Ms Keri Spooner, Mr David Hall and Ms Jessie Maguire.

Keri brings to the Board a wealth of experience in H.R. Compliance, Risk Management and Governance. Keri has taught Undergraduate and Postgraduate subjects in Management, Human Resources, Industry/Employment Relations, Ethics/Corporate Governance, Public Administration and Business Communications. Keri has held positions as Deputy Head and Acting Head of the School of Management at UTS and will bring great value to governance and compliance areas.

David has extensive experience in Finance Markets, Technology, Accounting, Auditing and Management Consulting. David brings a plethora of knowledge through his years at Citigroup and Macquarie Bank and Price Waterhouse.

Jesse is a Financial Advisory professional with a wide range of experience in Accounting, Insolvency, Receiverships and Mortgage-in-Possession asset realisation. Jessie will be a youthful and enthusiastic addition to the Board.

I would like to thank my fellow Board Members for their continued support and their keen participation through a most difficult period.

**Acknowledging our staff**

Tiarne Dunn – Congratulations Tiarne for achieving ten years at Community Bank Clovelly. Tiarne was our second school-based trainee. Tiarne has worked hard and developed her knowledge and skill set, and in doing so has contributed to the success of the Bank.

To Pete, Sally and the whole staff, congratulations of the past financial year. Your caring and professional service is the reason for the Bank's success.

**Michael Joseph DeNavi**
**Chairman**

# Manager's report

For year ending 30 June 2020

It's been a dynamic year.

2020 presented many extraordinary challenges for Australia and the world.

Cataclysmic events, uncertain and unprecedented times.

Clovelly Community Financial Services Limited (CCFS), like many organisations has not been immune.

Nevertheless, we have stood firm on our methodologies, seized the opportunities, and relished the challenges. Our relentless focus on client outcomes and pursuit of their success has resulted in us delivering an outstanding, robust result.

Another record year, with many new milestones set.

**Key financial results**

| Business size ($ million) | | Net Assets ($ million) | |
|---|---|---|---|
| 2020 | $240.90 | 2020 | $1.54 |
| 2019 | $218.30 | 2019 | $1.33 |
| 2018 | $191.70 | 2018 | $1.12 |
| EBITDAC* ($ million) | | | |
| 2020 | $0.58 | | |
| 2019 | $0.51 | | |
| 2018 | $0.45 | | |
| Revenue ($ million) | | Earnings per share | |
| 2020 | $1.51 | 2020 | 45.51 |
| 2019 | $1.38 | 2019 | 43.04 |
| 2018 | $1.31 | 2018 | 23.63 |
| Operating margin | | Net Asset backing per share | |
| 2020 | 35% | 2020 | 2.45 |
| 2019 | 33% | 2019 | 2.11 |
| 2018 | 30% | 2018 | 1.78 |

* EBITDAC Earnings before Interest Tax Depreciation Amortisation & Community Contributions

Thanks to our team Sally, Nazife, Belinda, Tiarne, Jim, Glen, Beth, and Nicola who go above and beyond to ensure our clients receive premium personalised service and strive for outcomes beyond our client’s and communities’ immediate needs.

The major branch refurbishment has been completed resulting in increased security, enhanced customer experience and staff environment.

Our valued clients we serve are more than just customers, they are our biggest advocates. They are the reason for our business, not the interruption of it. We are privileged to be contributors to their success and betterment.

Whilst the financials are impressive, we are equally buoyed by the outcomes, assistance, and impact we are making to our communities which we support and pour into.

With passion and engagement, we are achieving many astonishing outcomes at zero or negligible outlay through our relationships and connections. Our community support is understated if we only consider our contribution in dollar terms. In dollar terms – over $150,000 year end 2019/20. In terms of social benefit and impact on people’s lives – priceless / hard to measure.

By collaborating with other generous community organisations, individuals and governments we have been able to significantly leverage our initial seed capital. Thank you for partnering with us and your shared vision. All of us are better than one of us. Our recipients are very appreciative.

To the voluntary Board of Directors of CCFS who give their time and services to Community Bank Clovelly, Denice Kelly, Regional Manager and all the Bendigo and Adelaide Bank Limited team, our communities and organisations that support them, shareholders, ambassadors, clients and friends, congratulations on another outstanding year and thank you for your support.

After an extremely eventful 12 months, we have further fortified our business and are very well positioned to forge ahead into 2021 regardless of the challenges we encounter.

It is with optimism I look forward to proudly continue our Community Bank journey.

P. Swan

**Pete Swan**
**Manager**

# Financial year highlights

↑ 10.3%

$240.9 million
Total footings

$22.5 million
Footings growth

3,741
Total customers

↑ 9.40%

$1.507 million
Revenue

$152,383
Community contributions

↑ 16.80%

$529,875 Profit before tax and contributions

$75,634
Shareholder distributions
January 2020: 12¢ dividend

Community Bank Clovelly team: Nazife Halil, Nicola Powell, Peter Swan, Beth Ruiz, Glen Winters, Tiarne Dunn, Belinda Dorrell and Sally Lambley.

## Community investment 2002-2020

Clovelly and district since opening in July 2002 to June 2020.

Shareholder distributions **$578,423**
+
Community contributions **$1.450 million**
+
Local employment and development **$7.834 million**
=
Total community investment **$9.862 million**
2002-2020

# Community contributions

| Organisation | Outcome |
|---|---|
| Randwick Art Society | Art Exhibition |
| The Minhi's Netball Club | Training Kits |
| Clovelly Mens Bowling Club | Bowls Competition |
| Clovelly Crocodiles | Training Equipment |
| Beaches Outreach Project | Bus Running Costs |
| Coogee Netball Club | Umpire Jackets |
| Coogee Dolphins | Training Equipment |
| Coogee United FC | Equipment/Jerseys |
| Protect Our 1 | Shade Shelter |
| Randwick Rugby Club | Training Equipment |
| Clovelly Eagles | Training Equipment |
| Purple Hearts | Player Kits |
| South Eastern Community Connect | Community Kitchen Equipment |
| Randwick Petersham Cricket Club | Junior Player Equipment |
| Bondi Surf Life Saving Club | Nippers Training Boards |
| Bayside Women's Shelter | Six Months Rent |

▲ South Eastern Community Connect

Their new community kitchen needed essential kitchen equipment so that clients can learn how to cook healthy meals with fresh ingredients. We also partnered with SECC to collect food at the branch and distribute this in hampers to the vulnerable in our community.

▲ The Minhi's Netball Club

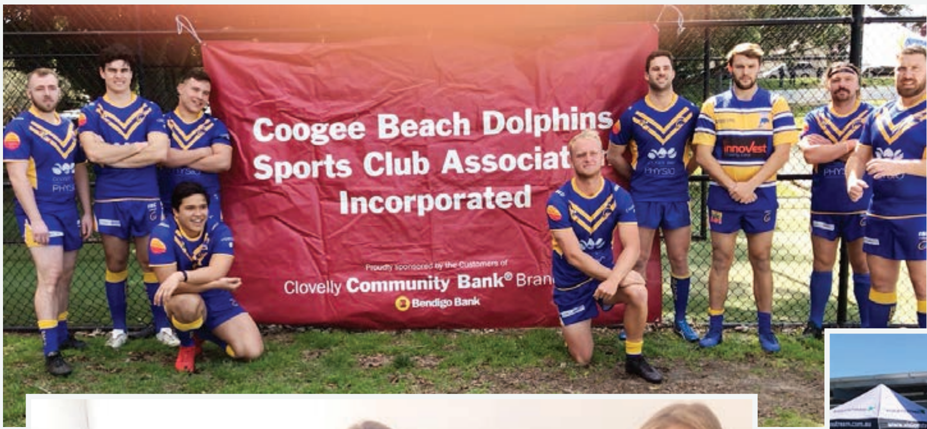
We enabled women and children to have access to training netball kits for the winter season.

▶ Protect our One

The volunteers protecting our environment doing important beach clean-ups were given some shade from the elements with their new beach canopy.


▶ Beaches Outreach Project

The running costs of this essential bus service which operates every Friday night, ensuring the safety of vulnerable young people, were covered by our support.




## ◀ Coogee Dolphins RLFC

The boys and girls playing rugby league this winter were supplied with new balls, training equipment and training shirts for this season and beyond.

## ▲ Purple Hearts Football Club

The Purple Hearts don't let their disability stop them enjoying their weekly game of football. They have assured us that their new kits will help them run faster!

## ▲ Bayside Women's Shelter

We are very proud to continue our support of the shelter by covering their rent for an additional six months. During the period we covered the shelters rent, 42 women and 33 children were kept safe from harm.

## ▶ Randwick Rugby Club

Entertaining local supporters is just one of the benefits of playing top grade rugby for our local team at the oval.

## ▼ Clovelly Crocodiles

The team had access to new training equipment and training aids with this year's support from the bank.

## ◀ Coogee Netball Club

The ladies who volunteer their time to umpire for the teams, both young and old, are being kept warm this winter in their new umpire jackets.

# Directors' report

## For the financial year ended 30 June 2020

The directors present their financial statements of the company for the financial year ended 30 June 2020

**Directors**

The directors of the company who held office during or since the end of the financial year are:

**Michael Joseph DeNavi**

Chairman

Occupation: Small Business Owner

Qualifications, experience and expertise: Michael has extensive experience in small business. He has worked in and owned several small businesses. His present small business has been operating locally for 23 years and has won may accolades including Randwick Council Small Business of the Year. Michael has a strong sense of community. He is a lifetime member of the Clovelly Eagles Junior Rugby Club and was on the steering committee that established the Community Bank.

Special responsibilities: Chairman

Interest in shares: 1 ordinary

**Janet May Kidson**

Deputy Chair and Company Secretary

Occupation: Senior Consultant

Qualifications, experience and expertise: Janet has a degree in Computer Science. She ran her own IT consulting business for over 20 years and now works as a senior consultant specialising in financial systems and performance monitoring. She is Company Secretary of ARTD Pty Ltd and Treasurer and Management Committee Member of The Junction NeighbourhoodCentre.

Special responsibilities: Treasurer, member of Audit & Governance committee

Interest in shares: 11,000 ordinary

**Jonathan Henry Hancock**

Director

Occupation: Stockbroker

Qualifications, experience and expertise: Jonathan is a Stockbroker at Ord Minnett Limited providing a full range of stockbroking and direct asset management services to clients. He was a former President of Tamarama Surf Life Saving Club. Current Junior Activities Director (Head of Nippers) - Tamarama Surf Life Saving Club.

Special responsibilities: Nil

Interest in shares: 1,000 ordinary

**Directors (continued)**

**William Patrick O'Connell**

Director

Occupation: Company Director and Grazier

Qualifications, experience and expertise: Bill has a Bachelor of Business Degree in Marketing and Advertising Management (1986, from the NSW Institute of Technology, now UTS). From 1985 till 2016 he worked in a number of Marketing and Advertising Management roles. He is a current director of AGT Financial Services Limited and former director of the Australasian Pioneers' Club Limited.

Special responsibilities: Chairman of the Marketing Committee.

Chairman of the Greater Sydney Marketing Cluster

NSW Representative on the National Collaborative Marketing Strategy Group

Interest in shares: 1,000 ordinary

**Karen Elizabeth Taylor**

Director

Occupation: Senior Consultant, Governance Risk & Compliance

Qualifications, experience and expertise: Karen has a BA (Hons), MBA, MSc Info Science, BA (Honours) Business and Administration as well as Diplomas in Financial Services and Financial markets. Karen is also a graduate of the Australian Institute of Company Directors. She has over 25 years financial industry experience encompassing all aspects of the wealth management chain.

Special responsibilities: member of Audit & Governance Committee

Interest in shares: 2,000 ordinary

**Elissa Raptis**

Director

Occupation: Office Manager / Director

Qualifications, experience and expertise: Elissa has a Graduate Certificate in Business Administration and is a graduate of the Australian Institute of Company Directors. She has had extensive experience in the Fast Moving Consumer Goods environment, but more recently has focused on Finance marketing. She has had various Board exposures for over 10 years.

Special responsibilities: member of Marketing Committee

Interest in shares: Nil

**Paul Michael Simmons**

Director

Occupation: HR Professional

Qualifications, experience and expertise: Paul has a degree in Psychology and Post Graduate qualification in Human Resources. He was previously a member of Orange Base Hospital Ethics Committee, and is currently an active member of Clovelly Surf Life Saving Club.

Special responsibilities: Nil

Interest in shares: Nil

**Directors (continued)**

**Charles David Hall**

Director (appointed 5 March 2020)

Occupation: Co-founder and CEO of Risk Management and Trading Analytics Company, Tapaas Pty Ltd

Qualifications, experience and expertise: David has over 20 years experience delivering information technology solutions to businesses primarily in investment banking and financial services. He worked in the United States, Japan and Australia and dealt with cultural, language and technology challenges of integrating global enterprises with local market systems. He has a Bachelor of Science in Accounting from University of Maryland, USA; started his career as a CPA with PricewaterhouseCoopers; transitioned into Management Consulting. From there he joined Salomon Brothers Asia, Citigroup, Macquarie Bank and Westpac Bank before leaving to start Tappaas.

Special responsibilities: Nil

Interest in shares: Nil

**Keri Barbara Spooner**

Director (appointed 6 February 2020)

Occupation: Dean of Higher Education

Qualifications, experience and expertise: Dr Keri Spooner (BComHons; MComHons; PhD) is currently Dean of Higher Education at the Wentworth Institute of Higher Education and an Emeritus Professor at the University of Notre Dame Australia, Sydney. Previously Keri worked as an academic at the University of Technology Sydney. Her expertise is in the area of human resource management, public administration and corporate governance. She is extensively involved in many Eastern Suburbs community groups and is particularly focussed on social justice and environmental issues including the promotion of bees, as well as writing and fundraising for pancreatic cancer research. Current director at WAYS Youth and Family Services and WAYS Secondary High School.

Special responsibilities: Nil

Interest in shares: Nil

**Jessie Leigh Maguire**

Director (appointed 2 April 2020)

Occupation: Financial Analyst

Qualifications, experience and expertise: Jessie is a Chartered Accountant with over 8 years experience across analysis, restructuring, corporate advisory, and deals in big four and market leading boutique accounting firms. She currently works in financial planning and analysis at Healius, an ASX listed Healthcare company. Jessie also provides mentoring for University of Technology Sydney business students. Jessie has had extensive exposure to governance issues through advising on boards as an external consultant and providing advice relating to compliance with directors' duties.

Special responsibilities: Member of Audit & Governance committee

Interest in shares: Nil

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

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

**Company Secretary**

The company secretary Janet Kidson was appointed to the position of secretary on 5 December 2018. Her qualifications and experience are outlined in the List of Directors at the beginning of the report.

### Principal activity

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

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

### Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

| | Year ended 30 June 2020 $ | Year ended 30 June 2019 $ |
|---|---|---|
| | 286,865 | 271,282 |

### Directors' interests

| | Fully paid ordinary shares | | |
|---|---|---|---|
| | Balance at start of the year | Changes during the year | Balance at end of the year |
| Michael Joseph DeNavi | 1 | - | 1 |
| Janet May Kidson | 11,000 | - | 11,000 |
| Jonathan Henry Hancock | 1,000 | - | 1,000 |
| William Patrick O'Connell | 1,000 | - | 1,000 |
| Karen Elizabeth Taylor | 2,000 | - | 2,000 |
| Elissa Raptis | - | - | - |
| Paul Michael Simmons | - | - | - |
| Charles David Hall | - | - | - |
| Keri Barbara Spooner | - | - | - |
| Jessie Leigh Maguire | - | - | - |

### Dividends

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

| | Cents per share | Total amount $ |
|---|---|---|
| Final fully franked dividend | 12.00 | 75,634 |
| **Total amount** | **12.00** | **75,634** |

### New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases(AASB 16) was applicable from 1 July 2019. The company has assessed its leasing arrangements and noted the AASB 16 does not have a significant impact. See note 4 for further details.

### Significant changes in the state of affairs

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID 19 to the company's operations.

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

### Events since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.

### Directors' benefits

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

### Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager/s 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/s 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 (including meetings of committees of directors) attended by each of the directors of the company during the financial year were:

| | Board Meetings Attended | | Committee Meetings Attended | | | |
|---|---|---|---|---|---|---|
| | | | Audit, Governance and Risk Sub Committee | | Marketing & Events Sub Committee | |
| | E | A | E | A | E | A |
| Michael Joseph DeNavi | 13 | 13 | - | - | - | - |
| Janet May Kidson | 13 | 11 | 6 | 6 | - | - |
| Jonathan Henry Hancock | 13 | 11 | - | - | - | - |
| William Patrick O'Connell | 13 | 13 | - | - | 1 | 1 |
| Karen Elizabeth Taylor | 13 | 13 | 6 | 6 | - | - |
| Elissa Raptis | 13 | 9 | - | - | 1 | - |
| Paul Michael Simmons | 13 | 12 | - | - | - | - |
| Charles David Hall | 3 | 3 | - | - | 1 | 1 |
| Keri Barbara Spooner | 4 | 3 | - | - | - | - |
| Jessie Leigh Maguire | 2 | 2 | 1 | 1 | - | - |

E - eligible to attend
A - number attended

### 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 25 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and are 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 of directors 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 16.

Signed in accordance with a resolution of the board of directors at Coogee, New South Wales.

**Michael Denavi,**
**Chairman**

Dated this 23rd day of September 2020

# Auditor's independence declaration

Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Clovelly Community Financial Services Limited**

As lead auditor for the audit of Clovelly Community Financial Services Limited for the year ended 30 June 2020, 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: 23 September 2020

**Joshua Griffin**
**Lead Auditor**

Taxation | Audit | Business Services

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

# Financial statements

## Group Consolidated Accounts
## Statement of Profit or Loss and Other Comprehensive Income
## for the year ended 30 June 2020

| | Notes | 2020 $ | 2019 $ |
|---|---|---|---|
| Revenue from contracts with customers | 8 | 1,431,653 | 1,362,992 |
| Other revenue | 9 | 72,822 | 11,736 |
| Finance income | 10 | 2,363 | 2,611 |
| Employee benefit expenses | 11e) | (724,110) | (674,065) |
| Charitable donations, sponsorship, advertising and promotion | 11c) | (152,383) | (73,629) |
| Occupancy and associated costs | | (25,733) | (28,156) |
| Systems costs | | (28,724) | (22,388) |
| Depreciation and amortisation expense | 11a) | (40,119) | (41,535) |
| Finance costs | 11b) | (13,995) | (23,690) |
| General administration expenses | | (144,282) | (133,856) |
| **Profit before income tax expense** | | **377,492** | **380,020** |
| Income tax expense | 12a) | (90,627) | (108,738) |
| **Profit after income tax expense** | | **286,865** | **271,282** |
| **Total comprehensive income for the year attributable to the ordinary shareholders of the company:** | | **286,865** | **271,282** |
| | | | |
| **Earnings per share** | | **¢** | **¢** |
| - Basic and diluted earnings per share: | 28a) | 45.51 | 43.04 |

The accompanying notes form part of these financial statements.

## Group Consolidated Accounts
## Statement of Financial Position
## as at 30 June 2020

| | Notes | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 13a) | 226,063 | 321,520 |
| Trade and other receivables | 14a) | 134,119 | 140,844 |
| **Total current assets** | | **360,182** | **462,364** |
| **Non-current assets** | | | |
| Property, plant and equipment | 15a) | 1,569,060 | 1,424,167 |
| Intangible assets | 16a) | 22,385 | 33,576 |
| Deferred tax asset | 17b) | 19,678 | 18,567 |
| **Total non-current assets** | | **1,611,123** | **1,476,310** |
| **Total assets** | | **1,971,305** | **1,938,674** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 18a) | 54,844 | 68,606 |
| Current tax liabilities | 17a) | 8,777 | 49,603 |
| Loans and borrowings | 19a) | 143,392 | 149,590 |
| Employee benefits | 20a) | 78,386 | 67,295 |
| **Total current liabilities** | | **285,399** | **335,094** |
| **Non-current liabilities** | | | |
| Loans and borrowings | 19b) | 132,180 | 255,641 |
| Employee benefits | 20b) | 10,478 | 15,922 |
| **Total non-current liabilities** | | **142,658** | **271,563** |
| **Total liabilities** | | **428,057** | **606,657** |
| **Net assets** | | **1,543,248** | **1,332,017** |
| **EQUITY** | | | |
| Issued capital | 21a) | 630,284 | 630,284 |
| Retained earnings | 22 | 912,964 | 701,733 |
| **Total equity** | | **1,543,248** | **1,332,017** |

The accompanying notes form part of these financial statements.

## Group Consolidated Accounts
## Statement of Changes in Equity
## for the year ended 30 June 2020

| | Note | Issued capital $ | Retained earnings $ | Total equity $ |
|---|---|---|---|---|
| **Balance at 1 July 2018** | | 630,284 | 493,479 | 1,123,763 |
| Total comprehensive income for the year | | - | 271,282 | 271,282 |
| **Transactions with owners in their capacity as owners:** | | | | |
| Dividends provided for or paid | 27a) | - | (63,028) | (63,028) |
| **Balance at 30 June 2019** | | **630,284** | **701,733** | **1,332,017** |
| **Balance at 1 July 2019** | | 630,284 | 701,733 | 1,332,017 |
| Total comprehensive income for the year | | - | 286,865 | 286,865 |
| **Transactions with owners in their capacity as owners:** | | | | |
| Dividends provided for or paid | 27a) | - | (75,634) | (75,634) |
| **Balance at 30 June 2020** | | **630,284** | **912,964** | **1,543,248** |

The accompanying notes form part of these financial statements.

## Group Consolidated Accounts
## Statement of Cash Flows
## for the year ended 30 June 2020

| | Notes | 2020 $ | 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 1,615,013 | 1,352,049 |
| Payments to suppliers and employees | | (1,187,161) | (945,710) |
| Interest received | | 2,363 | 2,611 |
| Interest paid | | (13,995) | (23,690) |
| Income taxes paid | | (132,562) | (79,161) |
| **Net cash provided by operating activities** | **23** | **283,658** | **306,099** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (173,821) | (3,808) |
| **Net cash used in investing activities** | | **(173,821)** | **(3,808)** |
| **Cash flows from financing activities** | | | |
| Repayment of loans and borrowings | | (129,660) | (120,925) |
| Dividends paid | 27a) | (75,634) | (63,028) |
| **Net cash used in financing activities** | | **(205,294)** | **(183,953)** |
| **Net cash increase/(decrease) in cash held** | | **(95,457)** | **118,338** |
| Cash and cash equivalents at the beginning of the financial year | | 321,520 | 203,182 |
| **Cash and cash equivalents at the end of the financial year** | **13a)** | **226,063** | **321,520** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

For year ended 30 June 2020

## Note 1 Reporting entity

This is the financial report for Clovelly 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** |
|---|---|
| 222 - 226 Clovelly Road<br>Coogee NSW 2034 | 222 - 226 Clovelly Road<br>Coogee NSW 2034 |

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 26.

## 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, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

<u>Principles of consolidation</u>

These consolidated financial statements and notes represent those of Clovelly Community Financial Services Limited and its controlled entity Clovelly Community Property Holdings Pty Ltd (the "group).

The separate financial statements of the parent entity, Clovelly Community Financial Services Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Clovelly Community Financial Services Limited ("the company") is a company limited by shares, incorporated and domiciled in Australia.

The assets, liabilities and results of all entities are fully consolidated into the financial statements of the group. Inter-entity transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of each entity have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the group in the preparation of the consolidated financial statements.

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors.

## Note 3 Changes in accounting policies, standards and interpretations

The company initially applied AASB 16 Leases from 1 July 2019. AASB Interpretation 23 Uncertainty over Income Tax Treatments is also effective from 1 July 2019 but is not expected to have a material impact on the company's financial statements. The company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) was applicable from 1 July 2019. The impact of applying AASB 16 has been assessed as insignificant by the company.

## Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 3).

**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.

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

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

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

<u>Revenue calculation</u>

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.

<u>Margin</u>

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.

<u>Commission</u>

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.

<u>Fee income</u>

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.

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

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

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 that 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

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

Cash flow boost

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

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

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the company improves.

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

**c) Economic dependency - Bendigo Bank**

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

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

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

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

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

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

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

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

**d) Employee benefits**

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Defined superannuation contribution plans

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

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

Other long-term employee benefits

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

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

**d) Employee benefits (continued)**

Other long-term employee benefits (continued)

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

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

**e) Taxes**

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.
- when receivables and payables are stated with the amount of GST included.

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, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

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

**g) Property, plant and equipment**

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

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

Depreciation

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. Land is not depreciated.

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

| Asset class | Method | Useful life |
|---|---|---|
| Building | Straight-line | 40 years |
| Leasehold improvements | Straight-line | 5 - 15 years |
| Plant and equipment | Straight-line | 2 to 5 years |
| Furniture, fixtures and fittings | Straight-line | 2 to 5 years |

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

**h) Intangible assets**

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

Amortisation

Intangible assets 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.

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

**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 debtors and creditors, cash and cash equivalents and borrowings.

Sub-note i) and j) refer to the following acronyms:

| Acronym | Meaning |
|---|---|
| FVTPL | Fair value through profit or loss |
| FVTOCI | Fair value through other comprehensive income |
| SPPI | Solely payments of principal and interest |
| ECL | Expected credit loss |
| CGU | Cash-generating unit |

Recognition and initial measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost

  These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

**i) Financial instruments (continued)**

Classification and subsequent measurement (continued)

Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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

The company recognises a loss allowance for ECL on its trade receivables.

ECL's 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.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance 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 14 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 impairment loss allowance has been made in relation to trade receivables as at 30 June 2020.

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

**j) Impairment (continued)**

Non-derivative financial assets (continued)

Non-financial assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

**k) Issued capital**

Ordinary shares

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**

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 lease that, at commencement date, has a lease term of 12 months or less.

**n) Standards issued but not yet effective**

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the company's financial statements.

## 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:

| | Judgement |
|---|---|
| - Note 8 - revenue recognition | whether revenue is recognised over time or at a point in time; |

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

**b) Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

| Note | Assumptions |
|---|---|
| - Note 17 - recognition of deferred tax assets | availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised; |
| - Note 15 - estimation of useful lives of assets | key assumptions on historical experience and the condition of the asset; |
| - Note 20 - long service leave provision | key assumptions on attrition rate and pay increases though promotion and inflation; |

## Note 6 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

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 has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank.

**b) 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.

The company maintains the following lines of credit with Bendigo Bank:

- $275,572 commercial loan facility secured by the company's assets. Interest is payable at a rate of 3.87% (2019: 4.8%)

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

| 30 June 2020<br>Non-derivative financial liability | Contractual cash flows | | | |
|---|---|---|---|---|
| | Carrying amount | Not later than 12 months | Between 12 months and five years | Greater than five years |
| Bank loans | 275,572 | 143,392 | 132,180 | - |
| | **275,572** | **143,392** | **132,180** | **-** |

## Note 6 Financial risk management (continued)

**b) Liquidity risk (continued)**

| 30 June 2019<br>Non-derivative financial liability | Contractual cash flows | | | |
|---|---|---|---|---|
| | Carrying amount | Not later than 12 months | Between 12 months and five years | Greater than five years |
| Bank loans | 405,231 | 149,590 | 255,641 | - |
| | **405,231** | **149,590** | **255,641** | **-** |

**c) Market risk**

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of $226,063 at 30 June 2020 (2019: $321,520). 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 2020 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

The company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The company is entitled to a share of the margin earned by Bendigo Bank.

| | 2020 $ | 2019 $ |
|---|---|---|
| Revenue from contracts with customers | | |
| Revenue: | | |
| - Revenue from contracts with customers | 1,431,653 | 1,362,992 |
| | **1,431,653** | **1,362,992** |
| Disaggregation of revenue from contracts with customers | | |
| At a point in time: | | |
| - Margin income | 1,208,036 | 1,154,767 |
| - Fee income | 90,666 | 83,951 |
| - Commission income | 132,951 | 124,274 |
| | **1,431,653** | **1,362,992** |

There was no revenue from contracts with customers recognised over time during the financial year.

## Note 9 Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor and cash flow boost from the Australian Government.

| | 2020 $ | 2019 $ |
|---|---|---|
| Other revenue | | |
| Revenue: | | |
| - Market development fund income | 10,000 | 10,000 |
| - Cash flow boost | 62,500 | - |
| - Other income | 322 | 1,736 |
| | **72,822** | **11,736** |

## Note 10 Finance income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

| | 2020 $ | 2019 $ |
|---|---|---|
| Finance income | | |
| At amortised cost: | | |
| - Cash at bank | 182 | 170 |
| - Term deposits | 2,181 | 2,441 |
| | **2,363** | **2,611** |

## Note 11 Expenses

| | 2020 $ | 2019 $ |
|---|---|---|
| **a) Depreciation and amortisation expense** | | |
| Depreciation of non-current assets: | | |
| - Buildings | 24,935 | 24,935 |
| - Leasehold improvements | 613 | 613 |
| - Furniture and fittings | 3,054 | 2,517 |
| - Office equipment | 326 | 2,278 |
| | **28,928** | **30,343** |
| Amortisation of intangible assets: | | |
| - Franchise fee | 11,191 | 11,192 |
| | **11,191** | **11,192** |
| **Total depreciation and amortisation expense** | **40,119** | **41,535** |

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 4g and 4h).

| | 2020 $ | 2019 $ |
|---|---|---|
| **b) Finance costs** | | |
| Finance costs: | | |
| - Bank loan interest paid or accrued | 13,995 | 23,690 |
| | **13,995** | **23,690** |

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

**c) Charitable donations, sponsorship, advertising and promotion**

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| - Direct sponsorship, advertising, and promotion payments | | 47,120 | 30,509 |
| - Contribution to the Community Enterprise Foundation™ | 11d) | 105,263 | 45,389 |
| | | **152,383** | **75,898** |

The funds contributed are held by the CEF and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

**d) Community Enterprise Foundation™ contributions**

During the financial year the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo Bank. These contributions paid in form part of charitable donations and sponsorship expenditure included in profit or loss.

## Note 11 Expenses (continued)

| | Note | 2020<br>$ | 2019<br>$ |
|---|---|---|---|
| **d) Community Enterprise Foundation™ contributions (continued)** | | | |
| Disaggregation of CEF funds | | | |
| Opening balance | | 51,452 | 99,700 |
| Contributions paid in | 11c) | 105,263 | 45,389 |
| Grants paid out | | (34,500) | (92,980) |
| Interest received | | 493 | 1,612 |
| Management fees incurred | | (5,263) | (2,268) |
| **Balance available for distribution** | | **117,446** | **51,452** |
| | | | |
| **e) Employee benefit expenses** | | | |
| Wages and salaries | | 647,389 | 603,202 |
| Contributions to defined contribution plans | | 59,078 | 55,851 |
| Expenses related to long service leave | | (3,238) | (1,977) |
| Other expenses | | 20,881 | 16,989 |
| | | **724,110** | **674,065** |
| | | | |
| **f) Other expenses** | | | |
| - **Procedural error** | | **39,385** | - |

The above amount related to an account and transactional procedural error in the period. Bendigo Bank have since investigated the incident and internal controls.

**g) Recognition exemption**

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| Expenses relating to low-value leases | 14,024 | 10,831 |
| | **14,024** | **10,831** |

Expenses relating to leases exempt from recognition are included in systems costs.

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

## Note 12 Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

## Note 12 Income tax expense (continued)

| | 2020 $ | 2019 $ |
|---|---|---|
| **a) Amounts recognised in profit or loss** | | |
| Current tax expense/(credit) | | |
| - Current tax | 91,738 | 105,353 |
| - Movement in deferred tax | (2,246) | 1,860 |
| - Change in company tax rate | 1,135 | 1,525 |
| | **90,627** | **108,738** |

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $1,135 related to the remeasurement of deferred tax assets and liabilities of the company.

**b) Prima facie income tax reconciliation**

| | 2020 $ | 2019 $ |
|---|---|---|
| Operating profit before taxation | 377,492 | 380,020 |
| Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%) | 79,281 | 83,768 |
| Prima facie tax on loss from ordinary activities at 30% (2019: 30%) | 26,759 | 22,624 |
| Tax effect of: | | |
| - Non-deductible expenses | 640 | 821 |
| - Non-assessable income | (17,188) | - |
| - Temporary differences | 2,246 | (1,860) |
| - Movement in deferred tax | (2,246) | 1,860 |
| - Change in company tax rate | 1,135 | 1,525 |
| | **90,627** | **108,738** |

## Note 13 Cash and cash equivalents

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

| | 2020 $ | 2019 $ |
|---|---|---|
| - Cash at bank and on hand | 126,063 | 215,110 |
| - Term deposits | 100,000 | 106,410 |
| | **226,063** | **321,520** |

## Note 14 Trade and other receivables

| | | |
|---|---|---|
| **a) Current assets** | | |
| Trade receivables | 120,749 | 124,989 |
| Prepayments | 13,180 | 15,700 |
| Other receivables and accruals | 190 | 155 |
| | **134,119** | **140,844** |

## Note 15 Property, plant and equipment

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **a) Carrying amounts** | | |
| At cost | 591,403 | 591,403 |
| | **591,403** | **591,403** |
| Buildings | | |
| At cost | 997,389 | 997,389 |
| Less: accumulated depreciation | (199,479) | (174,544) |
| | **797,910** | **822,845** |
| Leasehold improvements | | |
| At cost | 353,972 | 239,366 |
| Less: accumulated depreciation | (235,504) | (234,891) |
| | **118,468** | **4,475** |
| Furniture and fittings | | |
| At cost | 98,526.00 | 39,311 |
| Less: accumulated depreciation | (37,449) | (34,395) |
| | **61,077** | **4,916** |
| Office equipment | | |
| At cost | 8,739 | 8,739 |
| Less: accumulated depreciation | (8,537) | (8,211) |
| | **202** | **528** |
| **Total written down amount** | **1,569,060** | **1,424,167** |

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

| | | |
|---|---|---|
| **b) Reconciliation of carrying amounts** | | |
| Land | | |
| Carrying amount at beginning | 591,403 | 591,403 |
| **Carrying amount at end** | **591,403** | **591,403** |
| Buildings | | |
| Carrying amount at beginning | 822,845 | 847,780 |
| Depreciation | (24,935) | (24,935) |
| **Carrying amount at end** | **797,910** | **822,845** |
| Leasehold improvements | | |
| Carrying amount at beginning | 4,475 | 5,088 |
| Additions | 114,606 | - |
| Depreciation | (613) | (613) |
| **Carrying amount at end** | **118,468** | **4,475** |
| Furniture and fittings | | |
| Carrying amount at beginning | 4,916 | 3,625.00 |
| Additions | 59,215 | 3,808.00 |
| Depreciation | (3,054) | (2,517.00) |
| **Carrying amount at end** | **61,077** | **4,916.00** |

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

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **b) Reconciliation of carrying amounts (continued)** | | |
| Office equipment | | |
| Carrying amount at beginning | 528 | 2,806.00 |
| Depreciation | (326) | (2,278.00) |
| **Carrying amount at end** | **202** | **528** |
| **Total written down amount** | **1,569,060** | **1,424,167** |

**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 Intangible assets

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **a) Carrying amounts** | | |
| Franchise fee | | |
| At cost | 55,961 | 55,961 |
| Less: accumulated amortisation | (33,576) | (22,385) |
| **Total written down amount** | **22,385** | **33,576** |
| **b) Reconciliation of carrying amounts** | | |
| Franchise fee | | |
| Carrying amount at beginning | 33,576 | 44,768 |
| Amortisation | (11,191) | (11,192) |
| **Total written down amount** | **22,385** | **33,576** |

**c) Changes in estimates**

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

There were no changes in estimates for the current reporting period.

## Note 17 Tax assets and liabilities

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **a) Current tax** | | |
| **Income tax payable** | **8,777** | **49,603** |

## Note 17 Tax assets and liabilities (continued)

**b) Deferred tax**

Movement in the company's deferred tax balances for the year ended 30 June 2020:

| | 30 June 2019 $ | Recognised in profit or loss $ | 30 June 2020 $ |
|---|---|---|---|
| **Deferred tax assets** | | | |
| · employee provisions | 22,885 | 220 | 23,105 |
| **Total deferred tax assets** | **22,885** | **220** | **23,105** |
| **Deferred tax liabilities** | | | |
| · deductible prepayments | 4,317 | (890) | 3,427 |
| **Total deferred tax liabilities** | **4,317** | **(890)** | **3,427** |
| **Net deferred tax assets (liabilities)** | **18,568** | **1,110** | **19,678** |

Movement in the company's deferred tax balances for the year ended 30 June 2019:

| | 30 June 2018 $ | Recognised in profit or loss $ | 30 June 2019 $ |
|---|---|---|---|
| **Deferred tax assets** | | | |
| · employee provisions | 24,567 | (1,682) | 22,885 |
| **Total deferred tax assets** | **24,567** | **(1,682)** | **22,885** |
| **Deferred tax liabilities** | | | |
| · deductible prepayments | 4,141 | 177 | 4,318 |
| **Total deferred tax liabilities** | **4,141** | **177** | **4,318** |
| **Net deferred tax assets (liabilities)** | **20,426** | **(1,859)** | **18,567** |

**c) Uncertainty over income tax treatments**

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

## Note 18 Trade creditors and other payables

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

| | 2020 $ | 2019 $ |
|---|---|---|
| **a) Current liabilities** | | |
| Other creditors and accruals | 54,844 | 68,606 |
| | **54,844** | **68,606** |

## Note 19 Loans and borrowings

| | 2020 $ | 2019 $ |
|---|---|---|
| **a) Current liabilities** | | |
| Secured bank loans | 143,392 | 149,590 |
| | **143,392** | **149,590** |
| **b) Non-current liabilities** | | |
| Secured bank loans | 132,180 | 255,641 |
| | **132,180** | **255,641** |

**c) Terms and repayment schedule**

| | Nominal interest rate | Year of maturity | 30 June 2020 | | 30 June 2019 | |
|---|---|---|---|---|---|---|
| | | | Face value | Carrying value | Face value | Carrying value |
| Secured bank loans | 3.87% | 2022 | 275,572 | 275,572 | 405,231 | 405,231 |

## Note 20 Employee benefits

| | 2020 $ | 2019 $ |
|---|---|---|
| **a) Current liabilities** | | |
| Provision for annual leave | 25,639 | 16,754 |
| Provision for long service leave | 52,747 | 50,541 |
| | **78,386** | **67,295** |
| **b) Non-current liabilities** | | |
| Provision for long service leave | 10,478 | 15,922 |
| | **10,478** | **15,922** |

**c) Key judgement and assumptions**

Employee attrition rates

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

## Note 21 Issued capital

**a) Issued capital**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| a) Issued capital | Number | $ | Number | $ |
| Ordinary shares - fully paid | 630,284 | 630,284 | 630,284 | 630,284 |
| | **630,284** | **630,284** | **630,284** | **630,284** |

## Note 21 Issued capital (continued)

**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.

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").

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 22 Retained earnings

| | Note | 2020 $ | 2019 $ |
|---|---|---|---|
| Balance at beginning of reporting period | | 701,733 | 493,479 |
| Net profit after tax from ordinary activities | | 286,865 | 271,282 |
| Dividends provided for or paid | 27a) | (75,634) | (63,028) |
| **Balance at end of reporting period** | | **912,964** | **701,733** |

## Note 23 Reconciliation of cash flows from operating activities

| | 2020 $ | 2019 $ |
|---|---|---|
| Net profit after tax from ordinary activities | 286,865 | 271,282 |
| Adjustments for: | | |
| - Depreciation | 28,928 | 30,343 |
| - Amortisation | 11,192 | 11,192 |
| Changes in assets and liabilities: | | |
| - (Increase)/decrease in trade and other receivables | 6,725 | (22,680) |
| - (Increase)/decrease in other assets | (1,111) | 1,217 |
| - Increase/(decrease) in trade and other payables | (13,763) | (6,853) |
| - Increase/(decrease) in employee benefits | 5,647 | (6,119) |
| - Increase/(decrease) in tax liabilities | (40,825) | 27,717 |
| **Net cash flows provided by operating activities** | **283,658** | **306,099** |

## Note 24 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 | 2020 $ | 2019 $ |
|---|---|---|---|
| **Financial assets** | | | |
| Trade and other receivables | 14 | 120,939 | 125,144 |
| Cash and cash equivalents | 13 | 126,063 | 215,110 |
| Term deposits | 13 | 100,000 | 106,410 |
| | | **347,002** | **446,664** |
| **Financial liabilities** | | | |
| Secured bank loans | 19 | 275,572 | 405,231 |
| | | **275,572** | **405,231** |

## Note 25 Auditor's remuneration

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

| | 2020 $ | 2019 $ |
|---|---|---|
| Audit and review services | | |
| - Audit and review of financial statements | 4,900 | 4,600 |
| | **4,900** | **4,600** |
| Non audit services | | |
| - General advisory services | 900 | 1,565 |
| - Share registry services | 1,900 | 3,574 |
| | **2,800** | **5,139** |
| **Total auditor's remuneration** | **7,700** | **9,739** |

## Note 26 Related parties

**a) Details of key management personnel**

The directors of the company during the financial year were:

Michael Joseph DeNavi
Janet May Kidson
Jonathan Henry Hancock
William Patrick O'Connell
Karen Elizabeth Taylor
Elissa Raptis
Paul Michael Simmons
Charles David Hall
Keri Barbara Spooner
Jessie Leigh Maguire

**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**

No director or related entity has entered into a material contract with the company.

## Note 27 Dividends provided for or paid

**a) Dividends provided for and paid during the period**

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

| | 30 June 2020 | | 30 June 2019 | |
|---|---|---|---|---|
| | Cents | $ | Cents | $ |
| Fully franked dividend | 12.00 | 75,634 | 10.00 | 63,028 |
| **Total dividends provided for and paid during the financial year** | **12.00** | **75,634** | **10.00** | **63,028** |

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

## Note 27 Dividends provided for or paid (continued)

| | 2020 $ | 2019 $ |
|---|---|---|
| **b) Franking account balance** | | |
| Franking credits available for subsequent reporting periods | | |
| Franking account balance at the beginning of the financial year | 378,235 | 322,981 |
| Franking transactions during the financial year: | | |
| - Franking credits (debits) arising from income taxes paid (refunded) | 132,562 | 79,161 |
| - Franking debits from the payment of franked distributions | (28,689) | (23,907) |
| **Franking account balance at the end of the financial year** | **482,108** | **378,235** |
| Franking transactions that will arise subsequent to the financial year end: | | |
| - Franking credits (debits) that will arise from payment (refund) of income tax | 12,729 | 49,603 |
| **Franking credits available for future reporting periods** | **494,837** | **427,838** |

The ability to utilise franking credits is dependent upon the company's ability to declare dividends.

## 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.

| | 2020 $ | 2019 $ |
|---|---|---|
| **Profit attributable to ordinary shareholders** | **286,865** | **271,282** |

| | Number | Number |
|---|---|---|
| **Weighted-average number of ordinary shares** | **630,284** | **630,284** |
| **Basic and diluted earnings per share** | **45.51** | **43.04** |

## 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 Clovelly 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 2020 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.

**Michael Denavi,**
**Chairman**

Dated this 23rd day of September 2020

# Independent audit report

Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
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## Independent auditor's report to the members of Clovelly Community Financial Services Limited

### Report on the audit of the financial report

**Our opinion**
In our opinion, the accompanying financial report of Clovelly 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 2020 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

**What we have audited**
Clovelly Community Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Statement of financial position
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the company.

**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.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. 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 *APE*S 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.

**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.

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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.

**Directors' responsibility 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 responsibility 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/home.aspx. This description forms part of our auditor's report.

**Andrew Frewin Stewart**
61 Bull Street, Bendigo, 3550
Dated: 23 September 2020

**Joshua Griffin**
**Lead Auditor**

Taxation | Audit | Business Services

Community Bank · Clovelly
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Web: bendigobank.com.au/clovelly

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ABN: 69 097 378 740
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/ClovellyCommunityBankBranch

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