

Annual Report 2023

2023 Annual Report

Clovelly Community
Financial Services Ltd

Community Bank
Clovelly

ABN 69 097 378 740



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Chairman's report

For year ending 30 June 2023



Our unique business model forges strong relationships which add value to the community and in doing so implement the bank's philosophy of returning profit back to the community by the way of grants and sponsorship.

For the year ended 30th of June 2023. It gives me great pleasure to present the 22nd Annual report of Clovelly Community Financial Services Ltd.

Current position

Our most successful year since the inception of the bank in 2002.

The bank recorded a pre-tax profit (before community contributions) of \$1,935,002 (previous year \$462,020) and an after-tax profit of \$1,071,314 (\$314,785 previous year).

Dividend

The Board of Directors was pleased to announce a fully franked dividend of 14c/share which was paid in January 2023.

Community participation

Our unique business model forges strong relationships which add value to the community and in doing so implement the bank's philosophy of returning profit back to the community by the way of grants and sponsorship. During the financial year ended 30 June, the bank returned \$171,950 which was distributed amongst 30 different community groups.

Board

In the past year we farewelled two of our voluntary directors. On behalf of the board, I would like to thank David Hall and Ian Marsden, for their contributions and wish them well in the future. Once again, I would like to thank my fellow directors for their support during the past financial year.

Acknowledging our staff

Congratulations to Peter Swan on achieving fifteen years as branch manager. Pete's enthusiasm and commitment to our Community Bank has been unwavering.

Congratulations also go to Glen Winters on reaching ten years and Belinda Dorrell for reaching twenty years of friendly and professional service at the branch.

Sadly, we bade farewell to three of our team, Tracy Bryant, Tiarne Dunn and Daniel Ye. A sincere thank you for your caring and professional service to our customers. We wish you well in your future endeavours.

To Sally and the staff, thank you for your hard and dedicated work, which is reflected in the fantastic end of Financial Year results. Welcome to our newest members of staff, Lisa Giallafos and Carey Lu.

Finally to all our stakeholders, our customers, our staff, our board, our shareholders, and our Community Groups, thank you again for your support, during the past financial year.

A handwritten signature in dark ink, reading 'Michael Joesph Denavi'.

Michael Joesph Denavi
Chairman

Manager's report

For year ending 30 June 2023



Our results are not due to getting lucky from recent rate increases, but rather the cumulative effect of what we have been doing consistently over time.

2023 has been an extremely challenging and successful year for the Community Bank Clovelly.

The only constant has been change.

After two years, the COVID-19 pandemic and its implications have diminished to a large extent, however unprecedented levels of Cyber and financial crimes, fraud, closure of Community Sector Banking, other new events and variables have presented us with a variety of challenges.

Coming off a historically low base, consistent rises over the past eighteen months have brought interest rates back to a more normalised range. This has had a significant impact on both our personal and business customers, depositors and borrowers.

The markets in which we operate are fiercely competitive in terms of pricing, credit, risk policy and appetite for business.

Regardless, we have kept our commitment to remain open until 5.00pm weekdays, being accessible, available, answering incoming calls, making appointments, and providing a personalised branch and mobile banking service.

This has enabled us to connect and to serve our clients and communities with premium levels of service and care. A point of differentiation that is our competitive advantage, and appreciated by our new and existing customers.

Our results are not due to getting lucky from recent rate increases, but rather the cumulative effect of what we have been doing consistently over time.

Focusing on the goal of our business, implementing throughput methodologies over 17 years, connecting with our customers, staying open for business without closures, increasing our business portfolio by \$149 million during the pandemic, hard work and many other factors have all combined toward 2023 being our strongest performance since Community Bank Clovelly's inception.

2023 Key financial indicators have increased by orders of magnitude.

Revenue	↑	93%
Profit before Tax	↑	236%
Earnings per Share	↑	240%
Equity	↑	53%
Dividend	↑	56%
Net Assets per Share	↑	63%
Operating Margin	↑	165%
ROE	↑	92%
Cash	↑	282%
Cost to Income	↑	-48%
Operating Profit	↑	319%
EbitdaC	↑	319%
Community Contributions	↑	1332%

What we have achieved is impressive.

What is more impressive is who we did it with.

Manager's report (continued)

Thank you to our Board of Directors for your commitment, generous volunteering of your service, expertise, professionalism, time and input. Your support, backing and contributions are much appreciated.

Thank you to our hard working and high achieving Clovelly branch team. Sally, Nazife, Belinda, Glen, Nicola, Carey and Lisa for your commitment to our customers and the success of our business. It has been a dynamic year. Thanks for the dynamic effort.

Thank you to Bendigo and Adelaide bank Regional Manager Yiota Isaias, State Manager Brendan Hendry, and the whole Bendigo Bank team for your support.

Thank you to our customers, community groups, families, individuals, and businesses that support and work with us to make many life-changing contributions to thousands of people in our communities. It is a privilege to serve you.

To our shareholders, thank you for your capital investment and vision over twenty years ago which made our Community Bank a reality.

Congratulations to the Board of Management and staff on another record year.

Our business is on a firm footing.

Balance Sheet, Profits, ROE, and Cash Flow are robust, and community support is substantial.

I look forward to 2024 progressing Clovelly Community Financial Services Ltd to new frontiers and successes.



Pete Swan
Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2023

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

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

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

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

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

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



Justine Minne
Bendigo and Adelaide Bank

Financial year highlights



\$3.045 million Revenue

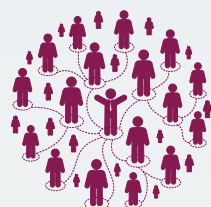
↑ **92.5%**

\$1.935 million Profit before tax and contributions

↑ **318%**

4,121 Total customers

↑ **2.8%**



\$498,320

Community / Foundation contributions

\$88,240

Shareholder distributions
January 2023: 14c dividend



In April 2023 we welcomed Lisa Giallafos (pictured right) as a Customer Service Consultant and Carey Lu (far right) as a Customer Relationship Manager to



our team at Clovelly. Lisa and Carey bring a wealth of knowledge and expertise to our branch. Lisa has worked in the finance industry for over 25 years and worked with Delphi Bank prior to joining our team. Carey has worked in the lending industry for the past six years.

Community investment 2002-2023

Clovelly and district since opening
in July 2002 to June 2023.

**Total
community
investment
\$13.321 million**
2002-2023

**Local
employment
and development
\$10.368 million**

**Community /
Foundation
contributions
\$2.101 million**

**Shareholder
distributions
\$851,960**



Community contributions

*Community Bank Clovelly
Returning profits back to the
community through grants
and sponsorships.*



Applicant name	Outcome
Clovelly Bowling Club	The Bendigo Bank Cup
Clovelly Crocodiles JRLFC	Team and kit sponsorship
Clovelly Eagles	Training for volunteer coaches & training equipment
Coogee Beach Dolphins RLFC	Club lock box trailer for training equipment
Coogee Netball	New canopy tent
Coogee Seahorses	Playing kit
Randwick Netball Association	Umpiring training program, umpire kit, tent, mentor fees
Randwick Rugby Club	Training equipment
South Coogee Bowling Club	Uniforms for mens and women's teams
The Minhi's Netball Club	Registration costs, Game day ball, First aid kits, netball kit
The Purple Hearts RCFC	Uniforms, equipment, field hire, player registration
Surf Rescue 30	Specialist hardware and software for new boat
South Maroubra Surf Lifesaving Club	New lifesaving trailer
Randwick Petersham Cricket Club	Junior and Senior training equipment
Waverley Action Group	Action group meetings running costs
Randwick Art Society	Randwick Art Show 2024
Coogee Chamber of Commerce (Business Coogee)	Recruitment campaign -Events
Ted Noffs Foundation Ltd	Youth Homelessness Brokerage Project
A Touch of Kindness Charity Limited	Nourishing the Homeless - Vehicle
St Laurence House, Kingsford	Bedroom Makeover
Kids Giving Back Charity	Kids Giving Back: Helping Communities Thrive Project
South Eastern Community Connect	Multicultural Specialist Domestic & Family Violence Case Worker
Lokahi Foundation	Caseworker Manager Project
ReLove	ReLove Moving on Up Vehicle
The Deli Women and Children's Centre	Eastern Suburbs Domestic Violence counselling project
ProjectKindness Incorporated	ProjectKindness Motor Vehicle Purchase
Autism Swim Ltd	Dippers season 2024
Windgap Foundation Ltd	Windgap Well-Being Month
Caring Kids Incorporated	Volunteer Coordinator
Weave	Mad Pride Event

Directors' report

For the financial year ended 30 June 2023

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

Directors

The directors of the company who held office during the financial year and to the date of this report 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 30 years and has won many 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, Member of HR sub Committee

Interest in shares: 1 ordinary

Jonathan Hancock

Non-executive 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

Elissa Raptis

Non-executive 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: Nil

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Paul Simmons

Non-executive 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: Member of HR Sub Committee

Interest in shares: Nil

Keri Barbara Spooner

Non-executive director

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: Member of Audit & Governance committee and HR sub Committees

Interest in shares: Nil

Jessie Leigh Maguire

Non-executive director

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 boutique accounting firms. She is currently Head of FP&A at Healius, an ASX listed Healthcare company. Jessie has had extensive exposure to governance issues through advising boards as an external consultant and providing advice relating to compliance with directors' duties.

Special responsibilities: Treasurer (appointed 3 September 2020), Member of Audit & Governance committee

Interest in shares: Nil

Mark Robert McCormack

Non-executive director

Occupation: Business manager

Qualifications, experience and expertise: Mark is an experienced multi business unit manager in Australian and global markets. He has special expertise in marketing and business strategies planning, driving cultural change to achieve best practice. He has a Bachelor of Commerce from Uni of NSW, completed the Advanced Management Program at Harvard University, and is a Retired Vice President and Managing Director Koppers Australasia. He is also a current Director of Rainbow Club Australia.

Special responsibilities: Member of Marketing Sub Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Rory Kevin Brennan

Non-executive director

Occupation: IT Security Practice Manager

Qualifications, experience and expertise: Rory has a Bachelor of Computer Science and has completed the AICD Directors course. He has extensive experience in business management, and has previously held Director, Company Secretary, and CEO roles in various businesses.

Special responsibilities: Deputy Chair, member of HR Sub Committee

Interest in shares: 1,000 ordinary (joint holding)

Charles David Hall (resigned 21 November 2022)

Non-executive director

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 Tapaas.

Special responsibilities: Member of Marketing Committee

Interest in shares: Nil

Ian Richard Marsden (resigned 31 May 2023)

Non-executive director

Occupation: Solicitor

Qualifications, experience and expertise: Ian is a partner in a boutique Sydney law firm. He specialises in corporate litigation with particular focus on insolvency, director duties and obligations, restraints of trade, fraud and leasing, mortgages and debt recovery and land disputes. Ian has a Bachelor of Laws and Bachelor of Economics from Macquarie University. He also obtained an MBA for Macquarie Graduate School of Management. He has completed the Australian Institute of Company Directors introductory course in 2021.

Special responsibilities: Member of audit sub 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 is Sally Lambley who was appointed to the position of Secretary on 1 February 2021.

Qualifications, experience and expertise: Sally has been employed by the Company since it commenced in 2002, and has been involved in the banking industry for 31 years. She is currently the Customer Service Supervisor for the Company. She has a Certificate IV in Human Resources and has completed a Company Secretarial course through GIA.

Principal activity

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

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

Directors' report (continued)

Review of Operations

The profit for the company after providing for income tax amounted to \$1,071,314 (30 June 2022: \$314,785)

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

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
Jonathan Hancock	1,000	-	1,000
Elissa Raptis	-	-	-
Paul Simmons	-	-	-
Keri Barbara Spooner	-	-	-
Jessie Leigh Maguire	-	-	-
Mark Robert McCormack	-	-	-
Rory Kevin Brennan	1,000	-	1,000
Charles David Hall (resigned 21 November 2022)	-	-	-
Ian Richard Marsden (resigned 31 May 2023)	-	-	-

Dividends

	Year ended 30 June 2023	
	Cents	\$
Dividends:		
- Dividends provided for and paid in the year	14.00	88,240

Significant changes in the state of affairs

In the opinion of the directors there were no 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.

Matters subsequent to the end of the financial year

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

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.

Directors' report (continued)

Indemnity and insurance of directors and officers

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

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Meetings of directors

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	
	E	A
Michael Joseph Denavi	11	10
Jonathan Hancock	11	10
Elissa Raptis	11	6
Paul Simmons	11	11
Keri Barbara Spooner	11	6
Jessie Leigh Maguire	11	4
Mark Robert McCormack	11	10
Rory Kevin Brennan	11	11
Charles David Hall (resigned 21 November 2022)	5	-
Ian Richard Marsden (resigned 31 May 2023)	10	6

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 24 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

Directors' report (continued)

Non audit services (continued)

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

Auditor's independence declaration

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

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

On behalf of the directors



Michael Denavi
Chair

14 September 2023

Auditor's independence declaration



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

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

As lead auditor for the audit of Clovelly Community Financial Services Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 14 September 2023

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

Joshua Griffin
Lead Auditor



afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue from contracts with customers	8	3,037,728	1,567,247
Other revenue	9	-	13,906
Finance revenue	10	7,386	351
Total revenue		3,045,114	1,581,504
Employee benefit expenses	11e)	(857,781)	(864,606)
Advertising and marketing costs		(22,390)	(4,102)
Occupancy and associated costs		(17,376)	(25,835)
Systems costs		(28,766)	(33,259)
Depreciation and amortisation expense	11a)	(71,628)	(68,507)
Finance costs	11b)	-	(2,405)
General administration expenses		(112,171)	(120,770)
Total expenses before community contributions and income tax		(1,110,112)	(1,119,484)
Profit before community contributions and income tax expense		1,935,002	462,020
Charitable donations and sponsorships expense	11c)	(498,320)	(34,789)
Profit before income tax expense		1,436,682	427,231
Income tax expense	12a)	(365,368)	(112,446)
Profit after income tax expense		1,071,314	314,785
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		1,071,314	314,785
Earnings per share		¢	¢
- Basic and diluted earnings per share:		169.97	49.94

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of financial position as at 30 June 2023

	Note	2023 \$	2022 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	1,568,366	410,502
Trade and other receivables	14a)	303,693	172,550
Total current assets		1,872,059	583,052
Non-current assets			
Property, plant and equipment	15a)	1,432,829	1,490,019
Intangible assets	16a)	52,691	65,864
Deferred tax asset	17b)	22,339	26,983
Total non-current assets		1,507,859	1,582,866
Total assets		3,379,918	2,165,918
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	154,036	92,831
Current tax liabilities	17a)	272,920	63,392
Employee benefits	19a)	88,610	92,675
Total current liabilities		515,566	248,898
Non-current liabilities			
Trade and other payables	18b)	28,981	43,471
Employee benefits	19b)	6,607	27,859
Total non-current liabilities		35,588	71,330
Total liabilities		551,154	320,228
Net assets		2,828,764	1,845,690
EQUITY			
Issued capital	20a)	630,284	630,284
Retained earnings	21	2,198,480	1,215,406
Total equity		2,828,764	1,845,690

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2023

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2021		630,284	957,347	1,587,631
Total comprehensive income for the year		-	314,785	314,785
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for or paid	26	-	(56,726)	(56,726)
Balance at 30 June 2022		630,284	1,215,406	1,845,690
Balance at 1 July 2022		630,284	1,215,406	1,845,690
Total comprehensive income for the year		-	1,071,314	1,071,314
<i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for or paid	26	-	(88,240)	(88,240)
Balance at 30 June 2023		630,284	2,198,480	2,828,764

The accompanying notes form part of these financial statements

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		3,203,617	1,707,966
Payments to suppliers and employees		(1,812,438)	(1,237,079)
Interest received		7,386	351
Interest paid		-	(2,405)
Income taxes paid		(151,196)	(28,679)
Net cash provided by operating activities	22	1,247,369	440,154
Cash flows from investing activities			
Payments for property, plant and equipment		(1,265)	(15,728)
Net cash used in investing activities		(1,265)	(15,728)
Cash flows from financing activities			
Repayment of loans and borrowings		-	(139,951)
Dividends paid	26	(88,240)	(56,725)
Net cash used in financing activities		(88,240)	(196,676)
Net cash increase in cash held		1,157,864	227,750
Cash and cash equivalents at the beginning of the financial year		410,502	182,752
Cash and cash equivalents at the end of the financial year	13b)	1,568,366	410,502

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2023

Note 1 Reporting entity

This is the consolidated financial report for Clovelly Community Financial Services Limited and its subsidiaries (together referred to as 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 Rd Coogee NSW 2034	222-226 Clovelly Rd 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 25.

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.

These financial statements for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2022, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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:

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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.

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

b) Other revenue (continued)

Revenue stream	Revenue recognition policy
Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Discretionary financial contributions

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

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

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

c) Economic dependency - Bendigo Bank

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

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in June 2026.

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

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

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

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

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

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives, and is recognised in profit or loss. 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	10 - 12 years
Office equipment	Straight-line	3 years
Furniture and fittings	Straight-line	4 years

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

h) Intangible assets

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

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

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

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

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

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, borrowings.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus transaction costs (where applicable), when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method, except for the equity securities which remain at fair value through profit or loss (FVTPL).

Notes to the financial statements (continued)

Note 4 Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

j) Impairment

Non-derivative financial assets

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2023.

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

Short-term leases and leases of low-value assets

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

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

Notes to the financial statements (continued)

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

a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2023 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 19 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;

Note 6 Financial risk management

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

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

a) Credit risk

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

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank. Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2023

Financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Trade payables	183,016	154,036	28,980	-
	183,016	154,036	28,980	-

30 June 2022

Financial liability	Contractual cash flows			
	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Trade payables	136,302	92,831	43,471	-
	136,302	92,831	43,471	-

Notes to the financial statements (continued)

Note 6 Financial risk management (continued)

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.

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of \$1,568,366 at 30 June 2023 (2022: \$410,052).

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.

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 2023 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

	2023 \$	2022 \$
Revenue:		
- Revenue from contracts with customers	3,037,728	1,567,247
	3,037,728	1,567,247
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	2,844,924	1,362,342
- Fee income	83,056	86,738
- Commission income	109,748	118,167
	3,037,728	1,567,247

Notes to the financial statements (continued)

Note 9 Other revenue

	2023 \$	2022 \$
- Other income	-	13,906
	-	13,906

Note 10 Finance revenue

	2023 \$	2022 \$
- Cash at bank	7,018	-
- Term deposits	-	351
- Other	368	-
	7,386	351

Finance income is recognised when earned using the effective interest rate method.

Note 11 Expenses

a) Depreciation and amortisation expense

	2023 \$	2022 \$
<i>Depreciation of non-current assets:</i>		
- Buildings	24,935	24,934
- Leasehold improvements	12,980	11,454
- Furniture and fittings	19,392	19,780
- Office equipment	1,148	1,147
	58,455	57,315
<i>Amortisation of intangible assets:</i>		
- Franchise fee	13,173	11,192
	13,173	11,192
Total depreciation and amortisation expense	71,628	68,507

b) Finance costs

	2023 \$	2022 \$
- Bank loan interest paid or accrued	-	2,405
	-	2,405

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 sponsorships, grants and donations).

Notes to the financial statements (continued)

Note 11 Expenses (continued)

c) Charitable donations, sponsorship, advertising and promotion (continued)

	Note	2023 \$	2022 \$
- Direct sponsorships, grants and donations		77,267	19,000
- Contribution to the Community Enterprise Foundation™	11d)	421,053	15,789
		498,320	34,789

The funds contributed are held by the Community Enterprise Foundation (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.

Disaggregation of CEF funds

	2023 \$	2022 \$
Opening balance	11,756	23,875
Contributions paid in	421,053	15,789
Grants paid out	(41,053)	(27,245)
Interest received	1,136	127
Management fees incurred	(21,052)	(790)
Balance available for distribution	371,840	11,756

e) Employee benefit expenses

	2023 \$	2022 \$
Wages and salaries	764,346	758,258
Contributions to defined contribution plans	79,195	73,378
Expenses related to long service leave	(18,607)	7,274
Other expenses	32,847	25,695
	857,781	864,606

f) Recognition exemption

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

	2023 \$	2022 \$
Expenses relating to low-value leases	10,646	14,556

Notes to the financial statements (continued)

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.

a) Amounts recognised in profit or loss

	2023 \$	2022 \$
<i>Current tax expense/(credit)</i>		
- Current tax	360,724	114,779
- Movement in deferred tax	4,644	(2,333)
	365,368	112,446

b) Prima facie income tax reconciliation

	2023 \$	2022 \$
Operating profit before taxation	1,436,682	427,231
Prima facie tax on profit/(loss) from ordinary activities at 25% (2022: 25%)	330,657	79,651
Prima facie tax on profit/(loss) from ordinary activities at 30% (2022: 30%)	34,217	32,589
Tax effect of:		
- Non-deductible expenses	494	206
- Temporary differences	(4,644)	2,334
- Movement in deferred tax	4,644	(2,334)
	365,368	112,446

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

	2023 \$	2022 \$
- Cash at bank and on hand	1,418,366	410,502
- Term deposits	150,000	-
	1,568,366	410,502

b) Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand, cash held with financial and banking institutions, and investments in short-term money financial instruments, net of outstanding bank overdrafts.

The below figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2023 \$	2022 \$
- Cash at bank and on hand	1,418,366	410,502
- Term deposits	150,000	-
	1,568,366	410,502

Notes to the financial statements (continued)

Note 14 Trade and other receivables

	2023 \$	2022 \$
a) Current assets		
Trade receivables	297,714	159,794
Prepayments	5,859	12,600
Other receivables and accruals	120	156
	303,693	172,550

Note 15 Property, plant and equipment

	2023 \$	2022 \$
a) Carrying amounts		
<i>Land</i>		
At cost	591,403	591,403
	591,403	591,403
<i>Buildings</i>		
At cost	997,389	997,389
Less: accumulated depreciation and impairment	(274,282)	(249,347)
	723,107	748,042
<i>Leasehold improvements</i>		
At cost	363,031	363,031
Less: accumulated depreciation and impairment	(272,314)	(259,334)
	90,717	103,697
<i>Furniture and fittings</i>		
At cost	119,865	118,601
Less: accumulated depreciation and impairment	(93,172)	(73,780)
	26,693	44,821
<i>Office equipment</i>		
At cost	12,182	12,182
Less: accumulated depreciation and impairment	(11,273)	(10,125)
	909	2,057
Total written down amount	1,432,829	1,490,019

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

	2023 \$	2022 \$
<i>Land</i>		
Carrying amount at beginning	591,403	591,403
	591,403	591,403

Notes to the financial statements (continued)

Note 15 Property, plant and equipment (continued)

b) Reconciliation of carrying amounts (continued)

	2023 \$	2022 \$
<i>Buildings</i>		
Carrying amount at beginning	748,042	772,976
Depreciation	(24,935)	(24,934)
	723,107	748,042
<i>Leasehold improvements</i>		
Carrying amount at beginning	103,697	115,151
Depreciation	(12,980)	(11,454)
	90,717	103,697
<i>Furniture and fittings</i>		
Carrying amount at beginning	44,821	48,873
Additions	1,264	15,728
Depreciation	(19,392)	(19,780)
	26,693	44,821
<i>Office equipment</i>		
Carrying amount at beginning	2,057	3,204
Depreciation	(1,148)	(1,147)
	909	2,057

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

	2023 \$	2022 \$
a) Carrying amounts		
<i>Franchise fee</i>		
At cost	65,864	121,825
Less: accumulated amortisation and impairment	(13,173)	(55,961)
Total written down amount	52,691	65,864
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	65,864	11,192
Additions	-	65,864
Amortisation	(13,173)	(11,192)
Total written down amount	52,691	65,864

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.

Notes to the financial statements (continued)

Note 17 Tax assets and liabilities

	2023 \$	2022 \$
a) Current tax		
Income tax payable/(refundable)	272,920	63,392
b) Deferred tax		
<i>Deferred tax assets</i>		
- employee provisions	23,804	30,134
Total deferred tax assets	23,804	30,134
<i>Deferred tax liabilities</i>		
- deductible prepayments	1,465	3,151
Total deferred tax liabilities	1,465	3,151
Net deferred tax assets (liabilities)	22,339	26,983
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	4,644	(2,334)

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.

	2023 \$	2022 \$
a) Current liabilities		
Other creditors and accruals	154,036	92,831
	154,036	92,831
b) Non-current liabilities		
Other creditors and accruals	28,981	43,471
	28,981	43,471

Note 19 Employee benefits

	2023 \$	2022 \$
a) Current liabilities		
Provision for annual leave	19,607	28,150
Provision for personal leave	23,122	21,289
Provision for long service leave	45,881	43,236
	88,610	92,675
b) Non-current liabilities		
Provision for long service leave	6,607	27,859
	6,607	27,859

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.

Notes to the financial statements (continued)

Note 18 Trade creditors and other payables (continued)

c) Key judgement and assumptions (continued)

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Note 20 Issued capital

a) Issued capital

	2023		2022	
	Number	\$	Number	\$
Ordinary shares - fully paid	630,284	630,284	630,284	630,284
	630,284	630,284	630,284	630,284

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 their associates) has a prohibited shareholding interest in are suspended.

Notes to the financial statements (continued)

Note 21 Retained earnings

	2023 \$	2022 \$
Balance at beginning of reporting period	1,215,406	957,347
Net profit after tax from ordinary activities	1,071,314	314,785
Dividends provided for or paid	(88,240)	(56,726)
Balance at end of reporting period	2,198,480	1,215,406

Note 22 Reconciliation of cash flows from operating activities

	2023 \$	2022 \$
Net profit after tax from ordinary activities	1,071,314	314,785
Adjustments for:		
- Depreciation	58,455	57,315
- Amortisation	13,173	11,192
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(137,920)	(41,422)
- (Increase)/decrease in other assets	6,777	(567)
- Increase/(decrease) in trade and other payables	46,715	5,183
- Increase/(decrease) in employee benefits	(25,317)	9,901
- Increase/(decrease) in tax liabilities	214,172	83,767
Net cash flows provided by operating activities	1,247,369	440,154

Note 23 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	2023 \$	2022 \$
Financial assets			
Trade and other receivables	14	297,834	159,950
Cash and cash equivalents	13	1,418,366	410,502
Term deposits	13	150,000	-
		1,866,200	570,451
Financial liabilities			
Trade and other payables	18	183,017	136,302
		183,017	136,302

Notes to the financial statements (continued)

Note 24 Auditor's remuneration

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

	2023 \$	2022 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,650	5,200
<i>Non audit services</i>		
- General advisory services	1,650	1,700
- Share registry services	3,961	3,712
Total auditor's remuneration	11,261	10,612

Note 25 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Michael Joseph Denavi
Jonathan Hancock
Elissa Raptis
Paul Simmons
Keri Barbara Spooner
Jessie Leigh Maguire
Mark Robert McCormack
Rory Kevin Brennan
Charles David Hall (resigned 21 November 2022)
Ian Richard Marsden (resigned 31 May 2023)

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 26 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 2023		30 June 2022	
	Cents	\$	Cents	\$
Fully franked dividend	14.00	88,240	9.00	56,726
Total dividends provided for and paid during the financial year	14.00	88,240	9.00	56,726

The tax rate at which dividends have been franked is 25%.

Notes to the financial statements (continued)

Note 26 Dividends provided for or paid (continued)

	2023 \$	2022 \$
b) Franking account balance		
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	539,124	529,354
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	151,198	28,679
- Franking debits from the payment of franked distributions	(29,413)	(18,909)
Franking account balance at the end of the financial year	660,909	539,124
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	272,920	63,392
Franking credits available for future reporting periods	933,829	602,516

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

Note 27 Earnings per share

a) Based 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.

	2023 \$	2022 \$
Profit attributable to ordinary shareholders	1,071,314	314,785

	Number	Number
Weighted-average number of ordinary shares	630,284	630,284
Basic and diluted earnings per share	169.97	49.94

Note 28 Commitments

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

Note 29 Contingencies

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

Note 30 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

For the financial year ended 30 June 2023

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 2023 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
Chair

14 September 2023

Independent audit report



Andrew Frewin Stewart
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Independent auditor's report to the Directors of Clovelly Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Clovelly Community Financial Services Limited (the company), which comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of 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 2023 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. The annual report may also include "other information" on the company's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

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

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

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

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

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

Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists.

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Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 14 September 2023

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

Joshua Griffin
Lead Auditor

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