Annual Report 2023

East Malvern Community Financial Services Limited

Community Bank
Malvern East and Wantirna

ABN 27 089 542 174

Contents

Chairman's report

For year ending 30 June 2023

It is my pleasure to report on what has been an extraordinary year for the Company during which we celebrated surpassing the $5 million milestone in cumulative community sponsorships. Community Bank Malvern East won two regional awards, displayed solid growth across all key metrics and late in the year we added Community Bank Wantirna as a second site.

From a financial perspective our before tax profit for the full year to 30 June 2023 was $835,000 a massive increase of $869,000 from the prior comparable period (pcp) which was a $34,000 loss. The operating profit before sponsorships and tax was $1,111,000 up $1,021,000 from $90,000 in the pcp.

The key reasons for these outcomes are:

- A $936,000 improvement in margin income as RBA official interest rates returned to "normal" levels.
- Strong footings growth driving a $192,000 increase in Branch income.
- All Branch operating costs rose by $96,000 or 10.3% compared to the pcp which included Wantirna branch operating costs for the final month and employment of additional staff in the lead up to commencing operation of Community Bank Wantirna.

As outlined in our 2022 Annual Report and then extensively covered at the 2022 AGM, this year has seen a fundamental change in our Branch revenues as the RBA has returned to more "normal" interest rate settings. Combined with strong footings growth and the addition of Community Bank Wantirna to our existing franchise agreement, this has produced a full year result for the Company that has surpassed all previous records by a very long way.

The record returns have flowed through to all stakeholders with sponsorships to our community partners increasing by $152,000 or 123% from the pcp and dividends per share increased to a record 30 cents per share for the full year, up 88% on the previous year. With a full 12 months of operation from Community Bank Wantirna, the results for the coming financial year are expected to be much stronger again, refer to the Outlook statement for further details and the announcement of the change to quarterly dividend payments.

Financial metrics were as follows:

$'000	2023	2022	Change	
Revenue	2,141	1,024	up	109%
Operating profits before sponsorships and tax	1,111	90	up	1,134%
Sponsorships and donations	276	124	up	123%
Dividends per share (declared/paid)	30 cents	16 cents	up	88%
Branch footings	347.3m	214.8m	up	62%

Branch operating profit rose by $1,024,000 from the previous year showing a very strong 91% flow through from the higher Branch revenues which increased by $1,120,000 or 114% from the pcp. Interest expense on our loan facilities increased by $48,000 which included the costs of funding last year's premises acquisition for a full twelve months, the commencement of Community Bank Wantirna effective 31 May 2023 and the impact of higher interest rates. The higher interest expense was more than offset by;

- a $39,000 reduction in lease expenses at Malvern East,
- the $92,000 in Branch revenue that Community Bank Wantirna added for one month, and
- the natural hedge that rising interest rates have on boosting margin income which over the last year increased by $936,000.

As at 30 June 2023 the Company's loan facilities totalled $2,184,000 which due to the very strong cashflows from the business only increased by $750,000 from a year earlier despite paying $1,400,000 for the revenue right and business assets for Community Bank Wantirna.

		Total			Total	
Operating Results ($'000)	1H23	2H23	2023	1H22	2H22	2022
Community Banking						
Branch revenue	916	1,185	2,101	465	516	981
Branch operating profit	413	658	1,071	(22)	69	47
Operating margin	45%	56%	51%	-5%	14%	5%
Investment Income						
Cash investment earnings	18	23	41	51	82	133
Mark-to-market adjustment	24	(25)	(1)	(15)	(75)	(90)
Operating Profit before Sponsorships and Tax	**455**	**656**	**1,111**	**14**	**76**	**90**
Sponsorships			(276)			(124)
Net profit/(loss) before tax			835			(34)

From an operational perspective Ruth Hall and the branch teams achieved record levels of footings and have put in a truly outstanding effort to prepare for and integrate Community Bank Wantirna. Building a new team virtually from scratch and returning Community Bank Wantirna opening hours back to normal. It is still early days but Community Bank Wantirna customer feedback has been very positive, a cohesive team is now in place and the initial community sponsorships have been made in the Wantirna community. The investment in adding Community Bank Wantirna as a second site is on track to add significantly to the overall results of our social enterprise.

It was rewarding to see Community Bank Malvern East recognised by their peers in the 2023 Regional Awards winning two awards. The Deposit Growth award – "the branch built a strategy to focus on niche opportunities resulting in a strong flow of word of mouth referrals and in excellent deposit growth. Community Bank Malvern East comfortably grew their deposits by the most in Bayside as measured by both dollar and percentage growth." The Rising Star award – "the team at Community Bank Malvern East has evolved significantly with very capable staff joining the team. Current performance across a range of metrics is good and so there is great potential for the business to accelerate their growth while building even stronger connections with customers and the community. With firm plans in place to leverage their strengths, 2024 promises to be another exciting and highly successful one for the Community Bank. For these reasons, they are seen as a Rising Star in Bayside."

On behalf of all shareholders, I thank Ruth and her whole team for the great operational and financial results, the successful integration of Community Bank Wantirna and the continuing dedication to customer service across two communities despite facing several significant challenges.

Community Sponsorships

Sponsorships increased by 123% to $276,000 as the Company reached out to our community partners to understand what more could be done and to share in the rewards from our growing social enterprise. Following the revenue right and business assets purchase of Community Bank Wantirna, the first community sponsorships were made totalling $6,000 in June and the Company has committed to distributing $100,000 to Wantirna based community partners by the end of next year.

It was with enormous pride that we marked a major milestone for our social enterprise with a "5,000,000 reasons to celebrate!" function at the East Malvern RSL in April this year attended by many of our community partners, shareholders and other supporters.

With upwards of 320 Community Bank branches since the Community Bank model began 25 years ago, our $5 million in community sponsorships out of the total $320 million in sponsorships from all Community Banks has certainly been an outsized contribution. Since beginning our Community Bank relationship with Bendigo Bank in 2000 our social enterprise has now helped over 170 groups covering the whole spectrum of society. Our very first sponsorship payment in 2002 was to Lloyd St Primary School and fittingly they were also the recipient of the grant that took us over the $5 million mark in December last year.

The Company provides grants to many Community Partners throughout the year and this is outlined in more detail in the Sponsorship Committee Report. We see our Community Partners as valuable relationships to be nurtured for the long term and look forward to expanding the depth and breadth of the sponsorship programme as our financial returns are set to further improve, refer the Outlook statement below.

Dividends

Following the very strong current year operating results the Board has resolved to pay a fully franked dividend of 14 cents per share (6 cents 2021/22) as a final dividend for the 2022/23 financial year to all shareholders on record as at 13 October 2023. The dividend will be payable on 31 October 2023. This will take total dividends paid/declared for the current full year to 30 cents (16 cents 2021/22) which is 88% higher than the prior year.

This dividend also marks the 41st consecutive semi-annual dividend that the Company has paid. For original shareholders dividends paid/declared up until this year end have totalled $4.09 per share, all of which have been fully franked apart from the initial two dividend payments.

The addition of Community Bank Wantirna will provide financial benefits from diversification and scale such that the Board decided to change it's policy of semi-annual dividend payments to quarterly dividend payments. For the financial year 2023/24 (FY24) and thereafter the intention is to pay a quarterly dividend on the last business day in October, January, April and July of each year. In the first quarter of each new financial year the Board plans to advise shareholders what the expected quarterly dividend is likely to be for that financial year.

The intention is to provide shareholders with a stable and regular flow of dividends that respects the dividend guidelines in the Franchise Agreement with Bendigo Bank and fairly rewards shareholders for their stake in a successful social enterprise. It is anticipated that the quarterly dividend policy and our ongoing financial results will be highly attractive to the growing cohort of long term income investors, especially when combined with the strong Community Banking ESG credentials that our Community Bank Company offers.

FY24 Q1 dividend declaration

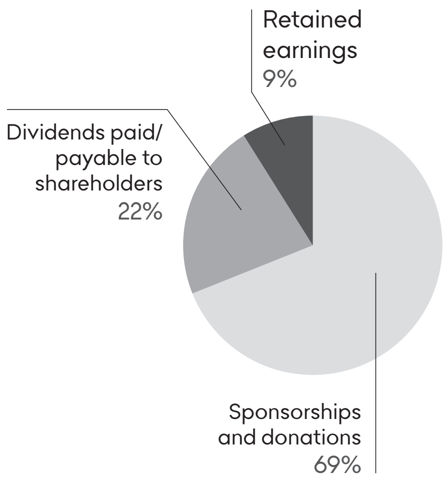
Subsequent to year end and reflecting the expected strong FY24 operating results, the Board has resolved to pay the Company's first quarterly dividend of 9 cents per share fully franked as the FY24 Q1 dividend to all shareholders on record as at 13 October 2023. The dividend will be payable on 31 October 2023.

In the transition from semi-annual dividends to quarterly dividends the previously declared final dividend for FY23 of 14 cents per share fully franked will be paid at the same time as the FY24 Q1 dividend of 9 cents per share fully franked. Accordingly the total dividend received by eligible shareholders on 31 October 2023 will be 23 cents per share fully franked.

Cumulative Community Returns

As always the Board strives to keep the balance right between all our stakeholders including shareholders while staying true to the spirit of Community Bank programme. Since the business started through to the current year, but excluding the FY24 Q1 dividend declared subsequent to year end, the cumulative returns to the community and shareholders are as follows:

Sponsorships and donations	$5,150,000
Dividends paid/payable to shareholders	$1,696,000
Retained earnings	$ 667,000
Total	**$7,513,000**



Outlook

Since the actual results FY 2023 only included Community Bank Wantirna for one month it is appropriate to provide an outlook statement for the coming financial year as a further material improvement is anticipated despite a significant reduction in one of our key deposit margins.

	Actual FY 2022	Actual FY 2023	Outlook FY 2024
Branch revenue	$981,000	$2,101,000	> $2,950,000
Branch operating profits	$ 47,000	$1,071,000	> $1,250,000
Sponsorships and donations	$124,000	$276,000	> $ 400,000
Dividends per share paid/declared	16 cents	30 cents	>/= 36 cents

No guidance is provided for Investment Income as this can be highly variable.

Capital Raising

Subsequent to the preparation of the 2023 Annual Report an Offer Information Statement (OIS) is expected to be shortly registered with ASIC relating to a placement of up to 150,000 shares and a non-renounceable pro rata entitlement offer to shareholders of the Company of 1 new share for every 4 shares held at a subscription price of A$3.60 per new share to raise up to $1,061,856 before costs of the issue.

As part of the Community Bank Wantirna assets purchase the Company committed to offering preferential access to a future capital raising for Wantirna Community Financial Services Limited shareholders and members of the Community of Wantirna supporters group. To deliver on that commitment the Company is making available 150,000 new shares with preference given to these individuals. The Company is making this offer in order to raise funds for general corporate purposes including debt reduction. All shareholders are strongly encouraged to read the OIS when it becomes available and consider a further investment in a highly profitable social enterprise that is achieving so much across the community.

New shares issued under the OIS will rank equally with existing shares and are expected to be eligible for the FY24 Q2 and subsequent dividends.

Retirement of Founding Director

Earlier this year Phil Carey announced his retirement and resignation as a director effective 30 June 2023. Phil was one of our founding directors and served the Company with distinction over 24 years. He leaves an indelible mark on the Board and the history of the Company with his sage advice, wisdom, good humour and wit. With his legal background Phil examined every material contract the Company has entered into including the original Franchise Agreement, it's many subsequent versions, property leases and property purchases. Over the years Phil added Company Secretarial duties, management of the Low Volume Market, served on the Audit, Risk & Governance committee and was a long term member of the Sponsorship & Marketing committee.

On behalf of all shareholders, staff and the Board I thank Phil for his very valued service over 24 years to our social enterprise that I know he is immensely proud to have helped build.

Board of Directors

The role and duties of the Board continue to expand in order to help realise many of the available opportunities in growing and building a sustainable social enterprise along with meeting ever increasing regulatory compliance requirements. I want to acknowledge the dedication and time they provide in guiding this Company for the benefit of all stakeholders, especially the considerable effort that has gone into the planning and integration of Community Bank Wantirna. Actively working with our business partner Bendigo Bank has been essential to achieving this and many other positive outcomes for both the Company and the many Community Partners that rely on us.

The Board comprises of:-

Stuart Martyn - Chairman

Philip Williamson – Deputy Chairman

Melissa Hartmann– Company Secretary

Michael Arbon

Anne Parsonson

Philip Carey (retired 30 June 2023)

I want to thank those who are currently supporting Community Bank Malvern East and Community Bank Wantirna with their banking business and look forward to that support continuing in the future.

Stuart Martyn
Chairman

Manager’s report

For year ending 30 June 2023

Despite many of our competitors closing or reducing basic providing banking services to our local communities we are very committed in our endeavors to deliver personalised service to both of our communities. Our Malvern East team are well established to do this, we plan to grow the Wantirna team, ensuring our values and behaviors align with our strategic goals for the success of both branches and the business. The growth we have experienced, including the addition of Community Bank Wantirna, would not have been possible without the confidence in our team to ensure the smooth operations of each branch.

The addition of Community Bank Wantirna in June 2023, along with the growth achieved at our Malvern East branch, will enable us to deliver stronger results and increased funding to our community partners through economies of scale.

I would like to extend my gratitude to Community Bank Wantirna customers who have welcomed us and supported us during this transition. Previously, the Wantirna branch had been closing daily at 1.30pm due to low staff numbers leading up to the transition, however we are pleased to have now returned Wantirna to standard bank opening hours.

We have had several staff movements in the last 12 months. We farewelled Ed Greene who has decided to move forward with a different career path. Taylor and Steven have transferred to Wantirna where they are well supported by Emily from Community Bank Wantirna, as well as Noni and Sukhmani who are new to banking. Additionally, Vish an experienced banker has also joined us as our first ever Business Development Manager to support our future growth in mortgage lending across both branches. Mirsada leads Malvern East branch, supported by Reggie, Simon and Anthony who recently joined us in his first full-time role. Both Taylor and Mirsada have risen to the challenge of leading each branch, this has meant an increased workload and level of responsibility for them.

At the regional awards this year we received two awards. The first award was for Deposit growth, as we achieved our highest year in deposit growth. Our second award was the Rising Star Award, due to the positive changes we made at Malvern East branch, resulting in higher customer retention, increased customer satisfaction and improved sales and profitability.

We are looking to grow Community Bank Wantirna team to ensure we can continue to deliver the personalised service our Community Bank Malvern East customers have become accustomed to. The increase in staff will ensure we are able to continue to focus on ensuring our values and behaviours drive our strategy to achieve success across both our Malvern East and now our Wantirna Community Bank operations.

Our total footings are sitting at $347 million, an increase of $133 million compared to previous year which included $21 million in organic growth. Our lending increased by $5.6 million (8%) while deposits grew by $15.4 million (11%). This growth surpasses any previous 12 month period and compares very well with growth in the Bendigo Bank network. None of this would have been possible without the support of our shareholder and customers.

We are very proud to have now returned over $5 million to our community since we commenced operation over 23 years ago. In the past year alone, we have provided community contributions to over 40 groups and organisations totaling $276,000.

Some of the organisations we supported in the past 12 months included East Malvern Food & Wine Festival, Chinese Association Victoria, Malvern Valley Primary School, Phoenix Park Neighbourhood House, Southern Football Netball League and Warriors 4 Wildlife just to name a few.

Finally, I want to update you on the external works at Community Bank Malvern East. Although there have been some delays, we hope to have them completed by the end of the 2023 year.

The efforts made by the Board of Directors in the Wantirna transaction cannot be overstated, particularly the contributions of Stuart and Michael who ensured the transaction was conducted with utmost professionalism and efficiency. I am truly grateful of the support I have received from the Board and the staff over the past year as it has been a very busy period.

I would also like to express my appreciation to Bendigo Bank, especially Simon Sponza, our Community Banking Business Performance Manager, Amy Land, our State Senior Manager Operations nd our Regional Mangers, Peter Rice and Daryl Ellis whose assistance was invaluable during the Wantirna transaction process.

Ruth Hall
Senior Branch Manager

Sponsorship report

For year ending 30 June 2023

Fortunately we have experienced a relatively COVID free year, allowing our community partners to resume their normal operations. Due to our record business growth and profitability we have distributed a grand total of $276,000 to over 40 community groups through sponsorships and grants.

Following the addition of Community Bank Wantirna we commenced reaching out to local community partners and have now distributed $10,000 to support five community groups in the Wantirna area.

Additionally, this year we implemented a new initiative where our staff undertook research and recommend a non-profit organization that could benefit from a $1,000 grant. This endeavor was warmly embraced by both our dedicated staff and the recipient groups, which included MAD Foundation, Probus Women's Housing, and Malvern Theatre Company. Encouraged by its success we plan to continue this program in 2024 as it has not only introduced us to new non-profit groups to collaborate with but has also been a valuable activity for our staff.

The East Malvern Food & Wine Festival was again bought to the Stonnington community via one of our grants. Although the event experienced a slightly lower turnout compared to pre COVID years due to public concerns about attending larger gatherings and the cooler weather, we are proud to announce that we will remain the premier partners for this event in 2024.

Furthermore, we demonstrated our support to the branch and community of Rochester by contributing to the Community Bank Rochester flood recovery program. These funds were utilised to organise a memorable Rochester Community Christmas Party and a Men's Health Evening event. Additionally, funds were distributed to many various local groups, including the Senior Citizens for the replacement of their oven and the Rochester Kindergarten to assist with the replacement of flood-damaged playground equipment.

Anne Parsonson
Chair Sponsorship & Marketing Committee

Sponsorship report (continued)

Below is the full list of community partners we have supported this year.

Sport
Caulfield Grammarians Football Club
Coatesville Bowls club
Collegians Football Club.
Caulfield Cricket Club
De La Salle Football Club
East Malvern Football Club
East Malvern Tooronga Cricket Club
Malvern Bowls Club
Malvern Cricket Club
Malverndale Ladies Golf Club Cricket Club
Old Melburnian's Amateur Football Club
Old Xaverian's Amateur Football Club
Prahran Cricket Club
Scotchmans Creek Golf Club
St Kevin's Old Boys Football Club
Southern Football Netball League
Southern Golf Club
Victorian Sub District Cricket Assoc
Victorian Sub District Cricket Umpires Association

Central Park Child Care
Malvern Special Needs Playgroup
Llyod St Primary School
Malvern Special Needs Playgroup

Community
4th East Malvern Girl Guides
Chinese Association of Victoria
Community Bank Rochester- Flood Appeal
East Malvern Combined Probus Club
East Malvern Food & Wine Festival
East Malvern Men's Shed
East Malvern RSL Anglers Club
Knox Presbyterian Church – Outreach program
Malvern SES
Peoples Choir
Phoenix House Neighbourhood House
Wantirna Lions Club
Warriors 4 Wildlife
Wantirna South Probus Club
Probus Women's Housing

Arts
Golden Days Radio
Malvern Artists Society
Malvern Theatre Company
Stonnington Symphony

Health
Cystic Fibrosis Community Care
MAD Foundation
Mecwacare

Directors' report

For the financial year ended 30 June 2023

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

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Stuart Martyn

Title: Chair

Experience and expertise: Stuart has substantial CFO and Board experience across IT, Payments and Retail Banking. Chartered Accountant, MBA (AGSM) and GAICD qualified he was an executive with a major retail bank for more than 8 years and a long term CFO for the Australian subsidiary of a large international IT company specialising in the financial services industry. A founding director of the East Malvern Community Bank he and his family have been Stonnington residents for over 30 years.

Special Responsibilities: Chair of Investment Committee, Member of Audit, Risk & Governance Committee, Member of Remuneration & Nominations Committee.

Philip Williamson

Title: Deputy Chair

Experience and expertise: Phil had a 23-year career in retail banking with Westpac holding all roles from junior through to running a high performing branch. In addition, Phil held Regional banking roles in the People and Culture space as well as periods of heading up the Recruitment function for Victoria and senior management roles in Learning & Development. Subsequently, Phil has held the most senior People and Culture positions in Mercedes-Benz Australia Pacific, the Movember Foundation (Global), ECMS Early Childhood Management and a senior management role in People & Culture with the City of Monash. Phil has been involved in sporting, school, and kindergarten committees for almost 50 years and has held the role of President on two occasions at the Prahran Cricket Club.

Special Responsibilities: Chair of Remuneration & Nominations Committee, Member of Investment Committee.

Philip Carey

Title: Company secretary (resigned 30 June 2023)

Experience and expertise: A founding director of the East Malvern Community Bank and a current practising solicitor and practice principal for over 50 years. Former VAFA footballer Club Captain and President. Phil is particularly pleased to have played a part in the development of a bank which has been a contributor to the community for which it came into existence.

Special Responsibilities: Member of Sponsorship & Marketing Committee, Member of Audit, Risk & Governance Committee.

Directors (continued)

Michael Arbon

Title: Non-executive director

Experience and expertise: Michael joined the Board in 2008. He holds a Bachelor of Engineering Degree from Melbourne University and is a graduate of the Stanford Executive Program. Michael has worked in a variety of Infrastructure businesses during his career in Executive Management positions. Michael has lived in the City of Stonnington for over 30 years and is a life member of the Malvern Cricket Club.

Special Responsibilities: Chair of Audit, Risk & Governance Committee, Member of Sponsorship & Marketing Committee, Member of Remuneration & Nominations Committee.

Anne Parsonson

Title: Non-executive director

Experience and expertise: Anne joined the Board in 2012 and has over 25 years experience in the manufacturing and retail services sector including being a Director of Kidman Furniture Pty Ltd and Red Dust Furniture. Most recently she is involved in the accounting sector of her family business in Veneer Board manufacturing and distribution which operates in Victoria and Canberra. Anne has lived in Stonnington for more than 30 years and has been involved in local community groups, including Malvern Netball Club and East Malvern Tennis Club.

Special Responsibilities: Chair of Sponsorship & Marketing Committee.

Melissa Hartmann

Title: Non-executive director

Appointed company secretary on 1 July 2023

Experience and expertise: Melissa has substantial Strategy and Digital Transformation experience, working in Financial Services across 5 countries. She was an executive with a major insurer, where she worked for 16 years. She holds a Bachelor of Commerce from the University of Western Australia and a MBA from the Australian Graduate School of Management. Melissa joined in the board in March 2021.

Special Responsibilities: Member of Sponsorship & Marketing Committee, Member of Investment Committee.

Company Secretary

Philip Carey resigned from his position of secretary on 30 June 2023. Melissa Hartmann was appointed to the position on 1st July 2023.

Principal Activities

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 year.

Review of Operations

The profit for the company after providing for income tax amounted to $602,412 (30 June 2022 loss: $43,003).

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

Dividends

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

	2023 $
Dividends Paid	
Fully franked special dividend of 4 cents per share	23,167
Fully franked interim dividend of 12 cents per share	69,502
Dividends Proposed	
Fully franked final dividend 14 cents per share	81,085
	173,754

Significant changes in the state of affairs

In May 2023, the company acquired the operations and revenue right of Community Bank Wantirna from Wantirna Community Financial Services Limited (WCFSL). The purchase included the acquisition of both the branch operations and revenue right attached to this location. The revenue right pertains to the revenue generated by the loans, deposits and other revenue generating business under the franchise agreement between WCFSL and Bendigo and Adelaide Bank Limited (Bendigo).

As from 1st June 2023, Community Bank Wantirna became the second branch under the Franchise Agreement that East Malvern Community Financial Services Limited holds with Bendigo and Adelaide Bank Ltd and all revenue rights of Community Bank Wantirna transferred to East Malvern Community Financial Services.

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

Matters subsequent to the end of the financial year

An Offer Information Statement is expected to be shortly registered with ASIC relating to a placement of up to 150,000 shares and a non-renounceable pro rata entitlement offer to Eligible Shareholders of the Company of 1 new share for every 4 shares held at a subscription price of A$3.60 per new share, to raise up to $1,061,856 before costs of the issue. As part of the Community Bank Wantirna acquisition the Company committed to offering preferential access to a future capital raising for Wantirna Community Financial Services Limited shareholders and members of the Community of Wantirna supporters group. To deliver on that commitment the Company is making available 150,000 new shares with preference given to these individuals. The Company is making this offer in order to raise funds for general corporate purposes including debt reduction and possible future Community Bank acquisitions.

On 25 July 2023 the Board resolved to pay the Company's first quarterly dividend of 9 cents per share fully franked as the FY24 Q1 dividend to all shareholders on record as at 13 October 2023. The dividend will be payable on 31 October 2023. The expectation is that unless circumstances change materially the declared quarterly dividends will be held stable at 9 cents per share fully franked for the remaining quarters of FY24. In the transition from semi-annual dividends to quarterly dividends the previously declared final dividend for FY23 of 14 cents per share fully franked will be paid at the same time as the FY24 Q1 dividend of 9 cents per share fully franked. Accordingly the total dividend received by eligible shareholders on 31 October 2023 will be 23 cents per share fully franked.

Likely developments

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

Environmental regulation

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each director were:

	Board	
	Eligible	Attended
Stuart Martyn	12	10
Philip Williamson	12	12
Philip Carey	12	9
Michael Arbon	12	11
Anne Parsonson	12	10
Melissa Hartmann	12	12

All directors participate in various committees the business of which are conducted informally on an as required basis with the Chair of each committee reporting to the monthly Board Meetings.

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. This statement excludes a benefit included in the aggregarte amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' interests

The interest (direct and indirect) in company shareholdings for each director are:

	Balance at the start of the year #	Changes #	Balance at the end of the year #
Stuart Martyn	22,300	-	22,300
Philip Williamson	1,700	-	1,700
Philip Carey	1,000	-	1,000
Michael Arbon	9,000	-	9,000
Anne Parsonson	11,000	-	11,000
Melissa Hartmann	-	-	-

Indemnity and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnification and insurance of auditor

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (John Creffield) for audit and non audit services provided during the year are set out in the notes to the accounts.

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

- all non-audit services have been reviewed by the Board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- 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 include reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk 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

Stuart Martyn
Chair

29 August 2023

Auditor's independence declaration

AUDITOR'S INDEPENDENCE DECLARATION

To: The Directors
East Malvern Community Financial Services Limited

As lead engagement auditor for the audit of the financial report of the East Malvern 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:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

John S Creffield
Registered Company Auditor - 8821

29 AUGUST 2023

Financial statements

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

	Notes	2023 $	2022 $
Revenue from contracts with customers	6	2,100,262	966,171
Other revenue	7	40,629	56,321
Finance Income		-	1,261
Total revenue		**2,140,891**	**1,023,753**
Employee benefit expenses	8	(598,722)	(587,098)
Occupancy and associated costs		(30,127)	(24,700)
Systems costs		(29,250)	(31,906)
Depreciation and amortisation expense	8	(49,287)	(78,800)
Finance costs	8	(70,091)	(27,386)
General administration expenses		(252,680)	(183,580)
Total expenses before community contributions and income tax		**(1,030,157)**	**(933,470)**
Profit before community contributions and income tax expense		1,110,734	90,283
Charitable donations and sponsorships	8	(276,353)	(123,827)
Profit before income tax expense		**834,381**	**(33,544)**
Income tax expense	9	(231,969)	(9,459)
Profit after income tax expense		602,412	(43,003)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**602,412**	**(43,003)**
		Cents	Cents
Basic earnings per share	30	104.01	(7.42)
Diluted earnings per share	30	104.01	(7.42)

The accompanying notes form part of these financial statements

Balance sheet
as at 30 June 2023

	Notes	2023 $	2022 $
ASSETS			
Current assets			
Cash and cash equivalents	10	32,032	25,365
Trade and other receivables	11	280,840	110,389
Total current assets		**312,872**	**135,754**
Non-current assets			
Trade and other receivables	11	6,099	12,101
Property, plant and equipment	12	2,113,607	2,133,529
Financial assets	13	282,237	346,717
Right-of-Use Assets	14	53,803	-
Intangible assets	15	1,426,306	13,269
Deferred tax asset	9	33,979	68,706
Total non-current assets		**3,916,031**	**2,574,322**
Total assets		**4,228,903**	**2,710,076**
LIABILITIES			
Current liabilities			
Trade and other payables	16	190,182	96,406
Current Tax Liabilities	9	154,536	-
Lease Liabilities	17	42,869	-
Employee Benefits	18	50,081	44,270
Borrowings	19	419,688	178,860
Total current liabilities		**857,356**	**319,536**
Non-current liabilities			
Employee Benefits	18	35,543	36,094
Lease Liabilities	17	7,423	-
Borrowings	19	1,764,627	1,255,844
Deferred Tax Liabilities	9	46,555	12,508
Total non-current liabilities		**1,854,148**	**1,304,446**
Total liabilities		**2,711,504**	**1,623,982**
Net assets		**1,517,399**	**1,086,094**
EQUITY			
Issued capital	20	844,112	845,371
Accumulated profits	21	673,287	240,723
Total equity		**1,517,399**	**1,086,094**

The accompanying notes form part of these financial statements

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

	Notes	Issued capital $	Accumulated profits $	Total equity $
Balance at 1 July 2021		394,300	376,395	770,695
Total comprehensive income for the year		-	(43,003)	(43,003)
Transactions with owners in their capacity as owners:				
Issue of Ordinary Shares		451,071	-	451,071
Dividends provided for or paid	23	-	(92,669)	(92,669)
Balance at 30 June 2022		**845,371**	**240,723**	**1,086,094**
Balance at 1 July 2022		845,371	240,723	1,086,094
Total comprehensive income for the year		-	602,412	602,412
Cumulative retrospective effect of AASB 16: Leases		-	3,906	3,906
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	23	-	(173,754)	(173,754)
Share Issue Expenses		(1,259)	-	(1,259)
Balance at 30 June 2023		**844,112**	**673,287**	**1,517,399**

The accompanying notes form part of these financial statements

Statement of cash flows
for the year ended 30 June 2023

	Notes	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers		1,932,125	943,308
Payments to suppliers and employees		(1,163,072)	(859,725)
Dividends and other investment income		21,027	36,127
Interest received		-	1,261
Interest paid		(69,796)	(21,832)
Lease payments (interest component)		(295)	(5,554)
Lease payments not included in the measurement of lease liabilities		(12,630)	(16,964)
Income taxes received/(paid)		-	-
Net cash provided by operating activities	**29**	**707,359**	**76,621**
Cash flows from investing activities			
Payment for property, plant and equipment		(9,863)	(1,732,059)
Net (investment)/disposal of shares		74,089	134,762
Acqusition of Business		(1,400,000)	-
Payments for intangible assets		(28,697)	(14,475)
(Investment)/Repayment of loans to Sponsorship Groups		10,000	10,000
Net cash used in investing activities		**(1,354,471)**	**(1,601,772)**
Cash Flows from Financing Activities			
Proceeds from issue of shares		-	462,205
Payments for equity raising costs		(1,259)	(11,133)
Proceeds from Borrowings		900,000	1,225,000
Repayments of Borrowings		(116,530)	(53,988)
Dividends Paid		(124,985)	(93,538)
Lease payments (principal component)		(3,447)	(34,597)
Net Cash (used in)/provided by financing Activities		**653,779**	**1,493,949**
Net increase/ (decrease) in cash held		**6,667**	**(31,202)**
Cash and cash equivalents at the beginning of the financial year		25,365	56,567
Cash and cash equivalents at the end of the financial year	**10**	**32,032**	**25,365**

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

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

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Registered Office	**Principal Place of Business**
268 Waverley Road Malvern East VIC 3145	268 Waverley Road Malvern East VIC 3145

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

Note 2. Basis of preparation and statement of compliance

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2023. The directors have the power to amend and reissue the financial statements.

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations

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

Current and non-current classification

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

An asset is classified as current when, it is expected to be realised or intended to be sold or consumed in the company's normal operating cycle, it is held primarily for the purpose of trading, it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when, it is either expected to be settled in the company's normal operating cycle, it is held primarily for the purpose of trading, it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Note 3. Significant accounting policies (continued)

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 and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

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

Goods and Services Tax (GST)

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

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

Impairment of non-financial assets

The company assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined as the higher of its fair value less costs of disposal or value-in-use, each of which incorporate a number of key estimates and assumptions.

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and inflation have been taken into account.

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.

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.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 5. Economic dependency

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

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.

Note 5. Economic dependency (continued)

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

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

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

Note 6. Revenue from contracts with customers

	2023 $	2022 $
Margin income	1,968,335	841,165
Fee income	63,956	56,616
Commission income	67,971	68,390
Revenue from contracts with customers	**2,100,262**	**966,171**

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

Revenue Calculation

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

Note 6. Revenue from contracts with customers (continued)

Margin

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

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

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

Commission Income

Commission income 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 is outside the control of the company, and is a significant judgement area.

Fee income

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

Core banking products

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

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.

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 the time. For other products and services, there is no restriction on the change Bendigo Bank may take.

Note 7. Other revenue

	2023 $	2022 $
Dividend and distribution income	29,685	51,420
Gain on sale of assets	10,407	80,309
Change in market value adjustment	(799)	(90,398)
Other income	1,336	14,990
Revenue from contracts with customers	**40,629**	**56,321**

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 possible that the economic benefits will flow to the company and can be reliably measured.

Note 7. Other revenue (continued)

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

All revenue is stated net of the amount of GST.

Note 8. Expenses

Employee benefits expense

	2023 $	2022 $
Wages and salaries	524,125	492,306
Non-cash benefits	5,811	15,198
Superannuation contributions	50,933	44,553
Expenses related to long service leave	(552)	9,990
Other expenses	18,405	25,051
	598,722	**587,098**

Depreciation and amortisation expense

	2023 $	2022 $
Depreciation of non-current assets:		
Plant and equipment	29,782	29,782
Depreciation of right-of-use assets:		
Leased land and buildings	**3,844**	**34,542**
Amortisation of intangible assets:		
- Franchise fee	15,661	14,476
Total depreciation and amortisation expense	**49,287**	**78,800**

Finance costs

	2023 $	2022 $
Interest expense	69,796	21,832
Lease interest expense	295	5,554
	70,091	**27,386**

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

Leases recognition exemption

	2023 $	2022 $
Expenses relating to low-value leases	**12,631**	**16,964**

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

Note 8. Expenses (continued)

Charitable donations and sponsorships

	2023 $	2022 $
Direct donation and sponsorship payments	**276,353**	**123,827**

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, sponsorships and grants).

Note 9. Income tax

	2023 $	2022 $
Income tax expense (benefit)		
Current Tax	208,595	-
Recoupment of prior year tax losses	(47,355)	17,731
Net benefit of franking credits on dividends received	(8,658)	
Adjustment to deferred tax upon completion of AASB 16	-	(5,709)
Adjustment to deferred tax provision in respect to prior years	77,433	
Movement in deferred tax	1,954	(2,563)
Aggregate income tax expense/(benefit)	**231,969**	**9,459**
Prima facie income tax reconciliation		
Profit before income tax expense	**834,381**	**(33,544)**
Tax at the statutory tax rate of 25%	208,595	(8,386)
Tax effect of:		
Non-assessable income	-	-
Non deductible Expenses	-	3,620
Other assessable income	-	13,892
Timing differences expenses	-	8,605
Permanent differences	(56,013)	-
Movement in deferred tax	79,387	(8,272)
	231,969	**9,459**

	2023 $	2022 $
Deferred tax asset attributable to:		
Tax losses	-	48,615
Capital losses	-	-
Employee provisions	21,406	20,091
Lease liability	12,573	-
Deferred tax asset	**33,979**	**68,706**

Note 9. Income tax (continued)

	2023 $	2022 $
Deferred tax liability attributable to:		
Prepayments	1,825	1,580
Right-of-use assets	34,587	-
Property, plant and equipment	7,330	7,916
Market value of investments	2,813	3,012
Deferred tax liability	**46,555**	**12,508**
Income tax payable	**154,536**	**-**

Accounting policy for income tax

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

Accounting policy for current tax

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

Accounting policy for deferred tax

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

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

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

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

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

Note 10. Cash and cash equivalents

	2023 $	2022 $
- Cash at bank and on hand	**32,032**	**25,365**

Accounting policy for cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

Note 11. Trade and other receivables

	2023 $	2022 $
Current assets		
Trade receivables	273,541	104,068
Prepayments	7,299	6,321
	280,840	**110,389**
Non-current assets		
Other receivables and accruals	**6,099**	**12,101**

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 12. Property, plant and equipment

	2023 $	2022 $
Property, plant and equipment - at cost	2,176,674	2,171,072
Less: accumulated depreciation and impairment	(69,902)	(43,273)
	2,106,772	**2,127,799**
Furniture and fittings - at cost	11,450	8,924
Less: accumulated depreciation and impairment	(4,615)	(3,194)
	6,835	5,730
	2,113,607	**2,133,529**

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

	Property, plant and equipment $	Furniture and Fittings $	Total $
Balance at 1 July 2021	423,564	7,162	430,726
Additions	1,732,585	-	1,732,585
Disposals	-	-	-
Depreciation	(28,350)	(1,432)	(29,782)
Balance at 1 July 2022	**2,127,799**	**5,730**	**2,133,529**
Additions	5,602	2,526	8,128
Disposals	-	-	-
Depreciation	(26,629)	(1,421)	(28,050)
Balance at 30 June 2023	**2,106,772**	**6,835**	**2,113,607**

Accounting policy for property, plant and equipment

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

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 12. Property, plant and equipment (continued)

Accounting policy for property, plant and equipment (continued)

Depreciation is calculated on a diminishing value and straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	2 to 20 years
Leasehold improvements	10 to 20 years
Motor vehicles	4 to 8 years

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

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

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

Changes in estimates

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

Note 13. Financial assets

	2023 $	2022 $
Non-current assets		
Sponsorship Fund (ASX Listed Securities) at cost	270,986	334,668
Market value adjustment	11,251	12,049
	282,237	**346,717**

Reconciliation

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

Opening fair value	346,717	523,744
Additions	45,118	3,285
Disposals	(108,799)	(89,914)
Revaluation decrements	(799)	(90,398)
Closing fair value	**282,237**	**346,717**

The company classifies financial assets as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

Note 14. Right-of-use assets

	2023 $	2022 $
Land and buildings - right of use	138,350	-
Less: Accumulated depreciation	(84,547)	-
	53,803	**-**

Note 14. Right-of-use assets (continued)

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

	Land and buildings $
Balance at 1 July 2022	-
Additions	138,350
Depreciation	(84,547)
Balance at 30 June 2023	**53,803**

Accounting policy for right-of-use assets

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

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to note 17 for more information on lease arrangements.

Note 15. Intangibles

	2023 $	2022 $
Franchise fee		
At cost	28,697	14,475
Less: accumulated amortisation	(2,391)	(1,206)
	26,306	**13,269**
Goodwill	1,400,000	-
	1,426,306	**13,269**

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

	Franchise fee $
Balance at 1 July 2021	13,269
Franchise renewal costs	14,475
Amortisation expense	(14,475)
Balance at 1 July 2022	**13,269**
Goodwill	1,400,000
Franchise renewal costs	28,697
Amortisation expense	(15,660)
Balance at 30 June 2023	**1,426,306**

Accounting policy for intangible assets

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

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

Note 15. Intangibles (continued)

Accounting policy for intangible assets (continued)

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present. They are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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

Asset class	Method	Useful life	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (1 years)	May 2024

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

Change in estimates

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

Note 16. Trade and other payables

	2023 $	2022 $
Current liabilities		
Other payables and accruals	**190,182**	**96,406**

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

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

Note 17. Lease liabilities

	2023 $	2022 $
Current liabilities		
Land and buildings lease liabilities	44,904	55,205
Disposals	-	(55,205)
Unexpired interest	(2,035)	-
	42,869	**-**
Non-current liabilities		
Land and buildings lease liabilities	7,484	201,815
Disposals	-	(201,815)
Unexpired interest	(61)	-
	7,423	**-**

Note 17. Lease liabilities (continued)

Reconciliation of lease liabilities

	2023 $	2022 $
Opening balance	-	257,020
Additional lease liabilities recognised	53,739	2,655
Disposals	-	(225,078)
Lease interest expense	295	5,554
Lease payments - total cash outflow	(3,742)	(40,151)
	50,292	**-**

Maturity analysis

	2023 $	2022 $
No later than 12 months	44,904	-
Between 12 months and 5 years	7,484	-
Total undiscounted lease payments	**52,388**	**-**
Unexpired interest	(2,096)	-
Present value of lease liabilities	**50,292**	**-**

Accounting policy for lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate.

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

The company has applied judgement in estimating the remaining lease term including the effects of any extension options reasonably expected to be exercised, applying hindsight where appropriate.

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

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

The company's lease portfolio includes:

Wantirna branch	The lease agreement commenced in August 2021 for a 3 year term (36 months). In June 2023, the lease was assigned to East Malvern Community Financial Services Limited, expiring September 2024. The discount rate used in calculations was 6.59%.

Note 18. Employee Benefits

	2023 $	2022 $
Current liabilities		
Annual leave	**50,081**	**44,270**
Non-current liabilities		
Provision for long service leave	**35,543**	**36,094**

Accounting policy for 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 salaries and wages 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.

Superannuation contributions

Contributions to superannuation plans are expensed in the period in which they are incurred.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

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.

Note 19. Loans and Borrowings

	2023 $	2022 $
Current liabilities		
Secured bank loans	**419,688**	**178,860**
Non-current liabilities		
Secured bank loans	**1,764,627**	**1,255,844**

Note 19. Loans and Borrowings (continued)

			30 June 2023		30 June 2022	
Terms and repayment schedule	Nominal interest rate	Year of Maturity	Face value	Carrying Value	Face value	Carrying Value
Mortgage Loan	8.39%	June 2026	176,540	176,540	231,840	231,840
Commercial Mortgage	6.75%	February 2027	1,120,017	1,120,017	1,202,864	1,202,864
Market Rate Loan	8.266%	May 2028	887,758	887,758	-	-

Note 20. Issued capital

	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	**579,182**	**579,182**	856,505	856,505
Less: Equity raising costs			(12,393)	(11,134)
			844,112	**845,371**

Accounting policy for 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.

Rights attached to issued capital

Ordinary Shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Note 20. Issued capital (continued)

Rights attached to issued capital (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 172. As at the date of this report, the company had 172 shareholders.

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

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

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

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

Note 21. Accumulated profits

	2023 $	2022 $
Accumulated profits at the beginning of the financial year	240,723	376,395
Adjustment for transition to AASB 16	3,906	-
Profit after income tax expense for the year	602,412	(43,003)
Dividends paid (note 23)	(173,754)	(92,669)
Balance at the end of the financial year	**673,287**	**240,723**

Note 22. Capital management

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

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

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Note 22. Capital management (continued)

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

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

Note 23. Dividends

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.

	2023 $	2022 $
Fully franked special dividend of 4 cents per share	23,167	-
Fully franked interim dividend of 12 cents (10 cents in 2022) per share	69,502	57,918
Fully franked final dividend of 14 cents (6 cents in 2021) per share	81,085	34,751
	173,754	**92,669**

Franking credits

	2023 $	2022 $
Franking account balance at the beginning of the financial year	222,095	238,599
Franking credits (debits) arising from income taxes paid (refunded)	-	-
Franking credits arising from the receipt of franked distributions	8,658	14,386
Franking account balance at the end of the financial year	230,753	252,985
Franking debits from the payment of franked distributions	(57,918)	(30,890)
	172,835	**222,095**
Franking transactions that will arise subsequent to the financial year end:		
Balance at the end of the financial year	172,835	222,095
Franking credits (debits) that will arise from payment (refund) of income tax	154,536	-
Franking debits from the payment of franked distributions	(17,395)	-
Franking credits available for future reporting periods	**309,976**	**222,095**

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

Note 24. Financial Instruments

	2023 $	2022 $
Financial assets		
Trade and other receivables	280,840	110,389
Cash and cash equivalents	32,032	25,365
	312,872	**135,754**

Note 24. Financial Instruments (continued)

	2023 $	2022 $
Financial liabilities		
Trade and other payables	190,182	96,407
Lease liabilities	50,292	-
Loans and borrowings	2,184,315	1,434,704
	2,424,789	**1,531,111**

Accounting policy for financial instruments

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

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

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

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

Financial risk management

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

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The company has no exposure to any transactions denominated in a currency other than Australian dollars.

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

The company held cash and cash equivalents of $32,032 at 30 June 2023 (2022: $25,365). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Price risk

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

Credit risk

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

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

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.

Note 24. Financial Instruments (continued)

Liquidity risk (continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
2023				
Non-derivatives				
Trade and other payables	190,182	-	-	190,182
Lease liabilities	42,869	7,423	-	50,292
Borrowings	419,688	1,764,627	-	2,184,315
Total non-derivatives	**652,739**	**1,772,050**	**-**	**2,424,789**

	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
2022				
Non-derivatives				
Trade and other payables	96,407	-	-	96,407
Lease liabilities	-	-	-	-
Borrowings	178,860	754,836	501,088	1,434,784
Total non-derivatives	275,267	754,836	501,088	1,531,191

Note 25. Fair value measurement

Fair value hierarchy

The following tables detail the company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 $	Level 2 $	Level 3 $	Total $
2023				
Assets				
Equity Securities	282,237	-	-	282,237
Total Assets	**282,237**	**-**	**-**	**282,237**

Note 25. Fair value measurement (continued)

	Level 1 $	Level 2 $	Level 3 $	Total $
2022				
Assets				
Equity Securities	346,717	-	-	346,717
Total Assets	**346,717**	**-**	**-**	**346,717**

There were no transfers between levels during the financial year.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Note 26. Key management personnel disclosures

The following persons were directors of East Malvern Community Financial Services Limited during the financial year:

Stuart Martyn

Philip Williamson

Philip Carey (resigned 30 June 2023)

Michael Arbon

Anne Parsonson

Melissa Hartmann

The number of Directors who were paid, or due to be paid remuneration (including brokerage, commissions, bonuses, retirement payments and salaries), directly or indirectly from the company or any related corporation, as shown in the following bands, were: 6 (2022: 6)

	2023 $	2022 $
The aggregate remuneration of all Directors was:	**103,820**	**73,333**

Compensation of the company's key management personnel includes salaries and contributions to a post-employment defined contribution plan.

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

Note 27. Related party transactions

Besides the key management personnel transactions disclosed above, there were no transactions with related parties during the current and previous financial year.

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by John Creffield, the auditor of the company:

	2023 $	2022 $
Audit and review services		
- Audit and review of financial statements	9,550	7,410
	9,550	**7,410**

Note 29. Reconciliation of profit after income tax to net cash provided by operating activities

	2023 $	2022 $
Profit after income tax expense for the year	**602,412**	**(43,003)**
Adjustments for:		
Depreciation and amortisation	49,287	78,800
(Profit)/loss on disposal of non-current assets	(10,407)	(80,309)
Market value adjustment	799	90,398
Changes in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(178,130)	(53,143)
(Increase)/decrease in other assets	(978)	7,157
Increase/(decrease) in trade and other payables	45,005	64,381
Increase/(decrease) in employee benefits	5,259	24,747
Increase/(decrease) in provisions and other liabilities	194,112	(12,407)
Net cash provided by operating activities	**707,359**	**76,621**

Note 30. Earnings per share

	2023 $	2022 $
Profit after income tax	**602,412**	**(43,003)**

	Number	Number
Weighted number of ordinary shares used in calculating basic earnings per share	579,182	579,182
Weighted number of ordinary shares used in calculating diluted earnings per share	**579,182**	**579,182**

	Cents	Cents
Basic earnings per share	104.01	(7.42)
Diluted earnings per share	104.01	(7.42)

Accounting policy for earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of East Malvern Community Financial Services Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Note 31. Commitments

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

Note 32. Contingencies

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

Note 33. Events after the reporting period

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

Directors' declaration

For the financial year ended 30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

Stuart Martyn
Chair

29 August 2023

Independent audit report

TO THE MEMBERS OF THE EAST MALVERN COMMUNITY FINANCIAL SERVICES LIMITED.

SCOPE

We have audited the financial report being the Director's Declaration, Profit & Loss Statement, Balance Sheet and Notes to the Financial Statements of East Malvern Community Financial Services Limited for the period 1st July 2022 to the 30th June 2023. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of East Malvern Community Financial Services Limited is in accordance with:

(a) the Corporations Law including:

(i) giving a true and fair view of the company's financial position as at 30th June 2023 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements

John Creffield
202A Collins Street
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Ph: 0412 120 247

John Creffield
Principal

29TH AUGUST 2023

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