Clifroy Limited

ABN 31 114 604 358

2019 Annual Report

Clifton Hill/North Fitzroy Community Bank Branch

Contents

Chair's report

For year ending 30 June 2019

Dear Clifroy Shareholders,

The past financial year has been a challenging time for most operators in the financial services sector, however Clifton Hill/North Fitzroy Community Bank Branch's commitment and investment into our community has not faltered.

In the aftermath of the banking Royal Commission, new regulations were introduced to protect consumers and improve lending practices within the sector. The new regulations were applied to all banks, and the impact on our branch's business from tighter lending standards and market conditions has been the key focus of your Board and management for much of the year.

I am pleased to report that the significant efforts of our branch staff and in particular our Mobile Relationship Manager (MRM) Michael Galante have substantially rebuilt our base to a year end total book of $190 million – $1 million ahead of our June 2018 position. Branch revenue increased by $19,000 (1.5%) to $1.384 million due primarily to a change in the mix of banking products at different margins, and cautious cost control by your Board.

Internally, we have had to deal with numerous staff movements which inevitably cause stress and destabilisation in a small business. Our popular Senior Customer Service Officer Toni Vavala continues on extended medical leave and we wish her well. Counter staff Kate Mulholland and Eden Tylo accepted external opportunities, and our Branch Manager Kim Dower also left the business.

These changes put considerable pressure on our remaining staff, and I would like to sincerely thank our Customer Service Officer Alahna Desiato, Customer Relationship Manager Keith Rawdin, and MRM Michael Galante for their resilience and support. Your Board has since taken the opportunity to review and restructure the branch to better meet customer needs, resulting in new or updated positions which we expect to be filled very shortly.

Throughout the year, Clifroy Directors continued to commit significant amounts of their time to engaging with our community partners to develop stronger partnerships and opportunities for developing our business. The hard work of our Community Liaison Officer Lee Chia has been of great value, not only in her liaison with our partners but also supporting Michael Galante in strengthening these relationships.

Since 2017, a key focus of our community support funding has been skills development and employment support for young people. The significant partnership we have established with the Inner Northern Local Learning and Employment Network has continued and our flagship Jobs for Youth Program, now in its fifth year, has attracted substantial additional funding from government and philanthropic sources.

Our strong, productive partnership with the Inner North Community Foundation led by Ben Rogers has continued with the Young Change Makers Program, and several other youth-oriented projects have been implemented jointly with the Fitzroy Rotary Club.

In financial year 2018/19 your Community Bank branch was able to provide a total of $355,000 in sponsorships and grants as detailed later in this report. This brings our investment into our community over our fourteen year journey to in excess of $2.5 million.

Other highlights of the year included completing our program with the Foundation for Young Australians, funding the final stage of the Clifton Hill Scout Hall rebuild, and establishing a new project partnership with the Victorian Association for the Care and Resettlement of Offenders. These funding initiatives are in line with the company's mission statement that was reviewed and re-endorsed at our annual strategic planning session in May.

Chair’s report (continued)

Numerous new business opportunities have emerged as a result of our quarterly Business Breakfast initiatives, and in March we were proud to host our inaugural International Women’s Day breakfast which attracted over 100 attendees.

During the year, Rosalyn (Ro) Roberts and Daisy Chiumburu were appointed as Clifroy Directors after serving as Board Associates during the previous year. This brings the total of Directors on your Board to ten. Several Directors have attended Australian Institute of Company Directors courses and updates as part of our ongoing commitment to improving Director education.

On behalf of shareholders, I’d like to thank all our Directors who freely give their time to be hands on developing, reviewing and implementing our strategies, referring potential customers, providing governance, and engaging actively with our community partners.

It has been a challenging year for the business however with a new organisational structure in place and the right people to focus on growing our business we will continue to invest in our vibrant and dynamic community.

I hope our efforts inspire you to tell the Community Bank story, refer friends and family to our branch, and to bring some or all your banking across to an organisation that continues to have a significant social impact in line with our mission to address disadvantage by investing in our community.

Your Sincerely

Jenny Farrar
Chair

Manager's report

For year ending 30 June 2019

The financial year just completed has seen more changes more rapidly that many of us working in the banking sector can ever remember. Clifton Hill/North Fitzroy Community Bank Branch operates as a single Community Bank branch, but we are just as affected by new regulations, declining interest rates, and the slowdown in the national economy as other banks.

The early part of the year was marked by a significant tightening of lending policies such that many customers in otherwise strong financial positions found they could not meet the servicing requirements to secure new or additional loans. Clearly loans are the core component of a balanced banking book, so the easing of lending constraints later in the year has enabled the branch to rebuild its loan book to a more healthy level.

Our depositors have also been challenged by the steady decrease in official interest rates to the point where we in common with the majors are finding it difficult to offer attractive rates.

Despite these marketplace challenges, the efforts of our branch staff, Directors and community supporters have enabled us to emerge a stronger business. As at June 2019, our loan and deposit portfolio had recovered to some $190 million, with an encouraging pipeline of potential new loan business on the books for the first few months of financial year 2019/20.

Through the year we have also endured an unusually high level of branch staff turnover as a result of external career opportunities, health issues and planned structural changes. This has put considerable strain on the core team and I want to personally thank Keith Rawdin and Alahna Desiato for stepping up when required. We will shortly have a full staff complement structured to provide more efficient provision of loan and other products, and I invite all shareholders to visit the branch and meet our new team.

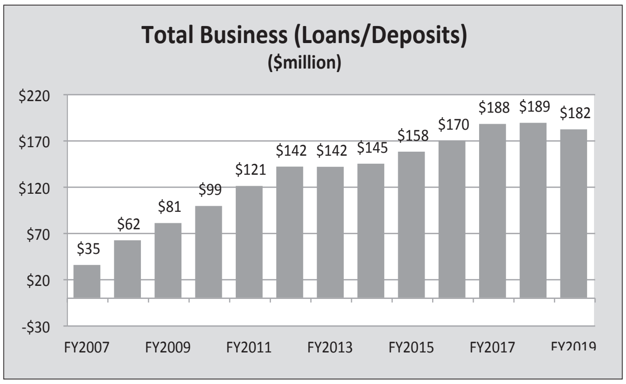
Our positive financial year 2018/19 results are once again proof that even in turbulent times our Community Bank model is appreciated for the difference it makes to our local community. Our local volunteer Directors sourced numerous business referrals to the branch from their personal networks, and our community partners advocated on our behalf amongst their supporters and members.

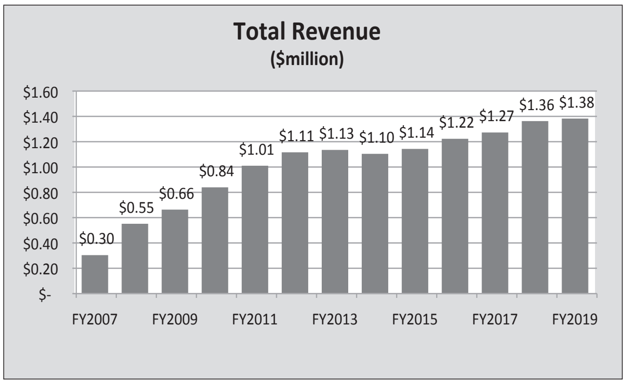
In the year ahead, I'd like to ask our shareholders to spread our message to families and friends and encourage them to consider our Community Bank branch when they need banking products. I know we provide great products and great service, with the added bonus of the grants and sponsorships we provide to countless community organisations.

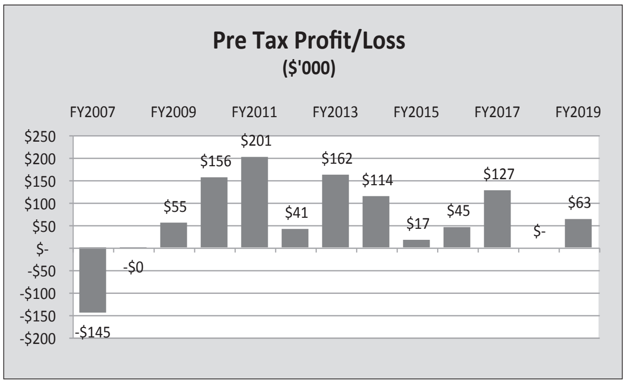
Michael Galante
Mobile Relationship Manager

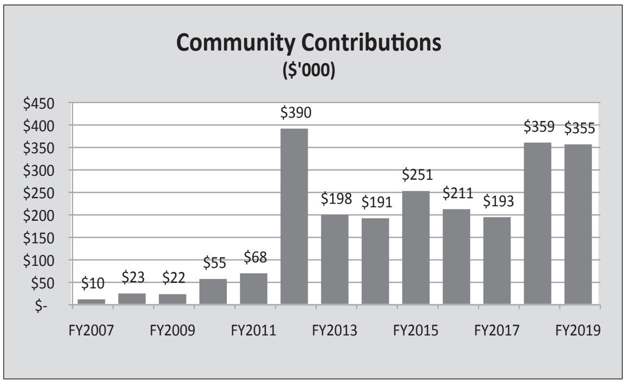
Performance summary

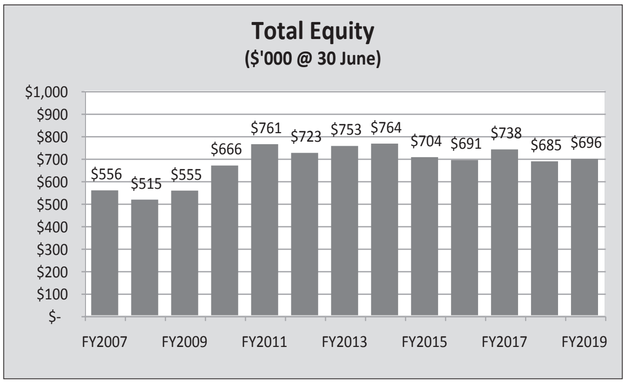
1 July 2006 to 30 June 2019

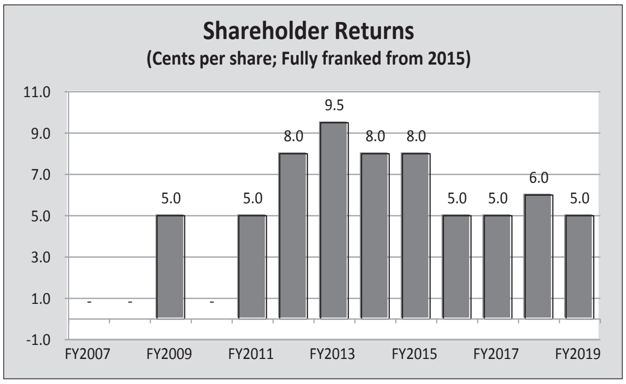












Community support funding

Sponsorships and grants supporting local community organisations in 2018/19

$355,393
2018/19 Total

Organisation	Amount
Arts, culture and heritage	
Alphington Community Centre (ASHE) Inc.	$951
BANH Inc	$5,000
Dancehouse	$9,000
The Gertrude Street Association / Centre for Projection Art Inc	$5,000
Children / Youth	
Collingwood Toy Library	$11,057
The Foundation for Young Australians	$60,000
Tribus	$500
Civic, religious and other interest groups	
Fitzroy Learning Network	$9,995
Folklorn Grupa Mladi Hrvati Clifton Hill Inc	$2,000
Girl Guides Victoria - Yarra City District	$5,000
Inner North Community Foundation	$30,000
Inner Northern Local Learning and Employment Network (INLLEN)	$50,000
Myeloma Australia	$1,500
Northern Funders Network	$2,500
Rotary Club of Fitzroy	$2,600
Rotary Club of Preston	$1,000
Scouts Victoria	$25,000
Yarra Youth Services	$2,000
Youth Foundation Parkville College	$1,980
Community support services	
Alphington Community Centre (ASHE) Inc.	$4,000
Down Syndrome Victoria	$1,000
Drummond Street Services	$4,960
High Street Bells Choir	$1,000
Jika Jika Community Centre	$1,000
North Carlton Railway Neighbourhood House	$9,000
St Mary's House of Welcome	$9,690
The Social Studio	$5,000
VACRO (Victorian Association For the Care and Resettlement of Offenders)	$10,000

Organisation	Amount
Education	
Isabel Henderson Kindergarten	$5,000
Merri Creek Primary School	$250
Northcote High School	$5,000
Northcote High School	$250
Our Lady's Help of Christian Primary School	$1,000
Sacred Heart Primary School	$1,000
St Mary's Primary School	$1,700
Westgarth Primary School	$1,000
Education – Adult	
U3A Darebin Inc	$1,000
Sports	
Alphington Football Club	$2,500
Carlton Neons	$1,000
Collingwood Junior Basketball Association	$3,000
Collingwood Knights Reclink Football Team	$3,600
Crusaders Cricket Australia	$4,000
Darebin City Bowls Club Inc	$1,000
Edinburgh Cricket Club	$5,000
Fitzroy Baseball Club Inc	$1,000
Fitzroy Football Club (inc. Reds)	$6,000
Fitzroy Lions Soccer Club	$9,000
Fitzroy Victoria Bowling and Sports Club	$1,000
Helping Hoops Inc.	$5,000
Melbourne University Lightning Netball Club	$7,000
Moreland City FC	$3,000
Northcote Cricket Club - Bill Lawry Oval	$3,000
Northcote Park Football and Netball Club	$8,800
Youlden-Parkville Cricket Club	$4,560
Total	**$355,393**

Directors' report

For the financial year ended 30 June 2019

Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Jenny Maree Farrar

Chair

Occupation: Business Development Manager

Board member since 3 June 2005.

Why I chose to become a Community Bank Director:
My experience as Mayor and Councillor of the City of Yarra coupled with my strong connection and understanding of the Clifton Hill and North Fitzroy community and positive and productive relationships with individuals and community groups in the area contribute to the growth of our community enterprise. As an active member of the Steering Committee branch since its inception, I became a Director when the Community Bank branch launched in order to contribute to the successful establishment of a genuine, alternative, local banking service where community and shareholders benefit. I am proud to be a founding member of our community enterprise that continues to invest in our vibrant and dynamic community.

Experience I bring to this role:
I have a great range of skills and experience in community engagement and strategic planning. As a former Councillor and Mayor of the City of Yarra I was involved and developed solid relationships within our community, many not for profits, small and larger businesses. One of my legacies was the establishment of Business Advisory Group(s) for the purpose of engaging with SME's to large corporates. Skills I bring include: marketing, communications, organising, planning, OHS and sound knowledge in industrial relations. Previously a member of the Council of Australasian Tribunals in my role as a Panel member for the Victorian Government I am also an AICD member. BA Monash University.

My general philosophy:
I have a strong commitment to social justice, my local community(s), environmental sustainability, family, cooking and the North Melbourne Football Club.

Special responsibilities: Chair, Structures & Resource Committee, Finance, Governance & Audit Committee and Sponsorship Assessment Committee

Interests in shares: 2,001

Peter Raymond Hille

Deputy Chair

Occupation: Community Connector

Board member since 3 August 2011. Chair 2013 - 2017.

Why I chose to become a Community Bank Director:
I was invited to join the Board in 2011 because of my broad and long-standing community networks and community engagement. I was also aware from the start what the Community Bank model meant, as I supported the original steering committee (which founded the Clifroy Limited Branch) through my networking and advocacy. Several years down the track that model has made a significant difference in the local community and I considered I could add value to the Board as it pursued business growth to underpin its community investment.

Experience I bring to this role:
As a resident of Clifton Hill for 27 years I bring local knowledge and substantive networks. As a leader and Board Member at a range of local community organisations, I bring an understanding of corporate governance as well as an awareness of community needs and how such needs might be addressed. I am currently Chairman of the Reds Foundation, a Director of the Rotary Club of Fitzroy, Bowls Development Manager of Fitzroy Victoria Bowls Club, Chair of Youth Enterprise Hub (Inner North Youth Employment Network). My professional background includes educational leadership, public speaking, a managerial role in financial services and HR Consultancy – each of these informs and supports my role as a Director of Clifroy Limited.

My general philosophy:
Partnerships can achieve more than individual effort.

Special responsibilities: Deputy Board Chair; Chair Structures & Resources Committee, Member Business Development & Marketing Committee, key contact with Inner Northern Local Learning & Employment Network

Interests in shares: 2,000

Directors (continued)

Andrew Blair Minogue

Treasurer

Occupation: Financial & Commercial Consultant

Board member since 17 April 2013

Why I chose to become a Community Bank Director:
The opportunity to serve as a Director on a Community Bank Board interested me greatly. I saw my experience and skills as well suited for this important role and felt I could add value to the Board in my area of expertise. I believe the support provided by the bank across the broader community is invaluable and absolutely critical for the provision of important and vital services and opportunities. The long term healthy viability of the Community Bank branch is imperative to this cause and I believe and wish to play a part in this endeavour.

Experience I bring to this role:
I have over 20 years experience working in various senior commercial and finance roles across multiple industry sectors. I hold a Bachelor of Business (Monash University) and as a CPA bring to the Board experience in all matters commercial, including financial reporting, budgeting, business planning, and corporate governance.

My general philosophy:
I believe those who CAN should dedicate some of their time to a cause they are passionate about, get involved, make a difference to a life, organisation or community. Hopefully this will provide satisfaction and pride knowing you have played a part in something positive and may inspire peers and generations that follow.

Special responsibilities: Treasurer; Chair of Finance, Governance & Audit Committee

Interests in shares: Nil

Adrian Howard Nelson

Company Secretary

Occupation: Executive Director

Board member since 3 June 2005.

Why I chose to become a Community Bank Director:
How many people get to run their own bank? I was coming to the end of my long-term corporate career just as the Clifroy Steering Committee was seeking new volunteers back in 2005. The challenge of establishing a business from scratch, particularly one with such a unique business model – and making a positive contribution to the local community at the same time – was irresistible. 11 years on it's hard to believe what we have achieved, and it still gives me a buzz.

Experience I bring to this role:
My 15 years with the Dulux Group and almost 20 with Tattersall's were all about sales, marketing and in the latter years strategic business development – both locally and overseas. I was exposed to the workings of Boards as a Director of two of Tattersall's overseas subsidiaries and really enjoyed the balance between a Director's governance role and the business strategy and development role. I successfully completed the AICD Graduate Diploma course in 2004, and retain a keen interest in the continually changing environment in which Directors of public companies are required to operate.

My general philosophy:
Treat others as you would wish to be treated yourself and look out for those less able to cope with today's challenges. Take responsibility for your own actions and hold others accountable for theirs.

Special responsibilities: Company Secretary; Member: Finance, Governance & Audit and Structure & Resources Committees

Interests in shares: 15,002

Directors' report (continued)

Directors (continued)

Lauren Mary Zoric

Director

Occupation: Associate Director, Tolarno Galleries

Board member since: 24 January 2013

Why I chose to become a Community Bank Director:
I think community banking is a brilliant idea and I was excited by the bank's unique business model. I was intrigued by the strategic challenge of continuing to develop new business and find better ways to tell the community banking story. I also saw the opportunity to become a Director as a way of having a deeper involvement in my community, meeting people and finding ways to make new connections.

Experience I bring to this role:
Strategic business development, sales, communications and operations management. Previously Marketing and Communications Manager at Melbourne International Film Festival, where the role encompasses marketing and sponsorship, audience development, branding and communications. Background in publicity and marketing roles in arts, music, media and film industries in Australia and UK. Skills in integrated marketing and communications, campaign strategy, copywriting. Tertiary qualifications: University of Melbourne, Melbourne Business School – Graduate Certificate in Communication and Customer Strategy (2013), RMIT – Certificate II Print Design 1997, RMIT – Bachelor of Arts (Media) 1994, MAICD. Completed AICD Company Directors Course 2019.

My general philosophy:
I believe in social justice, the strength of local community and being a good neighbour. I also believe that good PR and clever marketing can transform excellent, but niche, ideas to more widely accepted mainstream propositions.

Special responsibilities: Member of Community Engagement and Finance, Governance & Audit Committees

Interests in shares: Nil

Katherine Esther Kennedy

Director

Occupation: Strategy Manager, Social Traders Ltd

Board member since: 24 January 2013

Why I chose to become a Community Bank Director:
I am interested in ensuring that banking choice exists, as it is in decline in Australia. The Community Bank model offers real choice for consumers and business, as well as investing in grass roots community organisations. I want to ensure that this level of choice continues and also that community organisations continue to strengthen our community.

Experience I bring to this role:
I am a Clifton Hill resident living a stone's throw from the branch, with 25+ year's experience in senior management, business analysis, business strategy and planning, coaching, workshop facilitation, technology commercialisation and consulting across a broad range of industries in Australia and overseas, working from brands such as Digital, Coles Myer, Telstra, The Woolmark Company and University of Melbourne. I currently work in the social enterprise sector; with a focus on strategic planning, impact measurement and new opportunity assessment and development for Social Traders Limited. Social Traders is a specialist social enterprise development organisation focused on connecting social enterprises to business and government procurement opportunities. I also manage a specialist medical practice currently servicing the northern suburbs of Melbourne. I hold a Bachelor of Science in Applied Mathematics (University of Limerick), a Masters of Management Technology (Melbourne Business School) and I am a graduate of the Australian Institute of Company Directors, and for seven years I was a non-executive director of an non-government organisation, focusing on the prevention of child sexual abuse.

My general philosophy:
A vibrant and inclusive community requires its members to get involved. By joining the Clifroy Limited Board I hope I can continue to contribute to creating a strong & vibrant community in Clifton Hill.

Special responsibilities: Chair of Business Development & Marketing Committee, Member of Structure & Resources Committee

Interests in shares: Nil

Directors' report (continued)

Directors (continued)

Benjamin David Hubbard

Director

Occupation: Chief Strategy Officer, Maurice Blackburn Lawyers

Board member since: 4 June 2014

Why I chose to become a Community Bank Director:
My wife and I have been long term customers of the Community Bank branch and I had also been looking to be part of something local that was giving back to our community. To be invited on the Board was an ideal opportunity.

Experience I bring to this role:
Ben Hubbard is the Chief Strategy Officer at Maurice Blackburn Lawyers. He has significant experience in risk, strategy, governance, public policy and public administration. Ben's previous professional roles include appointments as Chief of Staff to Australia's 27th Prime Minister, Chief Executive Officer of the Victoria Bushfire Reconstruction and Recovery Authority, Chief of Staff to the Deputy Prime Minister and Principal Adviser to the Premier of Victoria. He has also been principal of his own consulting company, a university lecturer and worked in the biotechnology sector. Ben holds a Bachelor of Commerce in economics and a Masters of Public Policy and Management from the University of Melbourne. He is a Fellow of the Australian Institute of Company Directors, a graduate of its Company Directors Course and a member of the Institute's Victorian Council. As well as being a Director of Clifroy Ltd, he is a Director of both YMCA Victoria and YMCA Australia. He is also a member of the Advisory Board of the Melbourne School of Government.

My general philosophy:
I have had some great opportunities in my short life. I'd like to help others get plenty in theirs too.

Special responsibilities: Member of Community Engagement and Sponsorship Assessment Committees.

Interests in shares: 5,000

Amelia Jane Collins

Director

Occupation: Brand and Marketing Executive Manager

Board member since: 5 August 2015

Why I chose to become a Community Bank Director:
Several years ago I joined the Murrumbeena Community Bank Branch as director specialising in brand, marketing, communications, sponsorships and partnerships and served the board for two years. I'm now living in Alphington, so I approached the Clifroy board, expressed my interest and began my tenure as a Board Associate before being nominated as director in 2015. I believe the Community Bank model is full of opportunity for those who work in it, the customers that choose it and the communities who benefit from it.

Experience I bring to this role:
Amelia is an accomplished marketing and professional communications strategist specialising in creative and engaging integrated corporate and consumer communications and media programs in competitive service and retail markets. Amelia works privately, consulting with medium and large organisations who require strategic guidance and support with implementation on programs for both internal and external audiences. Before joining the Clifroy Board, Amelia served as a Director on the Murrumbeena Community Bank Branch board for two years. Amelia and her family live in Alphington, where her son attends the local primary school.

My general philosophy:
People run business. Create meaningful connections with people, and you'll make meaningful progress in business.

Special responsibilities: Member of Structure & Resources and Business Development & Marketing Committees

Interests in shares: 3,500

Directors' report (continued)

Directors (continued)

Rosalyn Mary Roberts

Director (Appointed 5 September 2018)

Occupation: Policy Research Officer

Board member since: 5 September 2018.

Why I chose to become a Community Bank Director:
After leaving 21 years of service at the City of Yarra in early 2017, I wanted to do more to be part of the local community's capacity to share its financial resources and benefit community well-being. Finding a Community Bank company that represents these values was a great delight. The Clifroy catchment is an area of great cultural and socio-economic diversity, and I am committed to applying my extensive knowledge of diversity planning for a more inclusive and accessible community to the role of Director.

Experience I bring to this role:
Qualifications: BA(Hons)/DipSoc Stud, MSW DSW. Occupations: University Lecturer, Coordinator in Local Government, Researcher/Policy Officer. Membership of several local community groups: community choirs, neighbourhood houses. Employment skills: research, operational management, teaching and coaching, policy planning, project management.

My general philosophy:
Social justice, inclusion, a strong community which is supportive and shares resources, integrated planning where social, financial, cultural and environmental sectors work together. And last but not least - the power of innovation.

Special responsibilities: Member of Community Engagement Committee

Interests in shares: Nil

Daisy Chiumburu

Director (Appointed 5 June 2019)

Occupation: Strategy & Product Manager

Board member since: 5 June 2019.

Why I chose to become a Community Bank Director:
Through my studies at Deakin University, an opportunity arose where Bendigo Bank sought students to become engaged as non-executive directors on community boards. I have always been intrigued about the Community Bank model and how it delivers both financial and non-financial benefits to the community, so I jumped on the opportunity. I applied and was placed on the Clifroy Board.

Experience I bring to this role:
Daisy joined the Clifroy Board in February 2018 as a Non-Executive Director through the Deakin University and Bendigo Bank partnership. This partnership provides Deakin students the opportunity to be placed on Boards where they obtain practical business skills, and the Boards benefit from the increased diversity of their composition. Daisy has since graduated from Deakin University with an MBA and became a Director of Clifroy in June 2019. She has over 8 years' experience in the superannuation industry and currently manages the Strategy and Product functions of an Industry SuperFund. Daisy is passionate about ensuring people are educated and engaged with their superannuation options.

My general philosophy:
The best difference I can make is to create an opportunity for someone else.

Special responsibilities: Business Development and Marketing Committee

Interests in shares: Nil

Directors (continued)

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

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

Company Secretary

The Company Secretary is Adrian Howard Nelson, who was appointed the position on the 3 July 2013.

Adrian has experience in sales, marketing and strategic business management.

Principal Activities

The principal activities of the company during the financial year were facilitating Community Bank services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating results

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

Year ended 30 June 2019 $	Year ended 30 June 2018 $
62,831	(923)

Dividends

	Year ended 30 June 2019	
	Cents	$
Dividends paid in the year:	6.00	52,021

Significant changes in the state of affairs

The company delisted from the National Stock Exchange on 31 May 2019 and moved to a Low Volume Market to facilitate the trading of its shares.

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' report (continued)

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 19 and 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended									
			Structure & Resources		Finance, Governance & Audit		Community Engagement		Sponsorship Assessment		Business Development & Marketing	
	A	B	A	B	A	B	A	B	A	B	A	B
Jenny Maree Farrar	11	11	3	3	2	2	-	-	2	-	-	-
Peter Raymond Hille***	11	5	3	3	-	-	-	-	2	-	8	1
Andrew Blair Minogue	11	9	-	-	2	2	-	-	-	-	-	-
Adrian Howard Nelson	11	9	3	1	2	2	-	-	-	-	-	-
Lauren Mary Zoric	11	10	-	-	2	2	5	5	2	2	-	-
Katherine Esther Kennedy	11	7	3	3	-	-	-	-	-	-	8	8
Benjamin David Hubbard	11	10	-	-	-	-	5	5	2	2	-	-
Amelia Jane Collins	11	11	3	2	-	-	-	-	-	-	8	7
Rosalyn Mary Roberts*	9	8	-	-	-	-	4	3	2	2	-	-
Daisy Chiumburu**	2	1	-	-	-	-	-	-	-	-	-	-
	99	81	15	12	8	8	14	13	10	6	24	16

A - eligible to attend
B - number attended
* Appointed 5 September 2018
** Appointed 5 June 2019
*** Leave of absence approved during the period

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the finance, governance, and audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes 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 finance, governance, and audit committee to ensure they do not impact on the impartiality 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, including 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 on page 15.

Signed in accordance with a resolution of the board of directors at Clifton Hill, Victoria on 6 September 2019.

Jenny Maree Farrar,
Chair

Auditor’s independence declaration

AFS
Partners in success
Chartered Accountants

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

Lead auditor’s independence declaration under section 307C of the *Corporations Act 2001* to the directors of Clifroy Limited

As lead auditor for the audit of Clifroy Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 6 September 2019

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services
Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	1,384,271	1,365,110
Employee benefits expense		(512,276)	(522,602)
Charitable donations, sponsorship, advertising and promotion		(427,181)	(469,803)
Occupancy and associated costs		(144,774)	(139,770)
Systems costs		(34,024)	(32,408)
Depreciation and amortisation expense	5	(38,947)	(40,855)
Finance costs	5	(38)	-
General administration expenses		(138,141)	(159,760)
Profit/(loss) before income tax expense		**88,890**	**(88)**
Income tax expense	6	(26,059)	(835)
Profit/(loss) after income tax expense		**62,831**	**(923)**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**62,831**	**(923)**
Earnings per share		**¢**	**¢**
Basic earnings/(loss) per share	22	7.25	(0.11)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet
as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	504,814	533,915
Trade and other receivables	8	102,578	128,556
Current tax asset	11	-	8,570
Total current assets		**607,392**	**671,041**
Non-current assets			
Property, plant and equipment	9	203,172	224,914
Intangible assets	10	21,464	35,020
Total non-current assets		**224,636**	**259,934**
Total assets		**832,028**	**930,975**
LIABILITIES			
Current liabilities			
Trade and other payables	12	86,369	198,880
Current tax liabilities	11	15,503	-
Provisions	13	14,873	34,152
Total current liabilities		**116,745**	**233,032**
Non-current liabilities			
Deferred tax liability	11	12,127	9,554
Provisions	13	7,372	3,415
Total non-current liabilities		**19,499**	**12,969**
Total liabilities		**136,244**	**246,001**
Net assets		**695,784**	**684,974**
EQUITY			
Issued capital	14	753,928	753,928
Accumulated losses	15	(58,144)	(68,954)
Total equity		**695,784**	**684,974**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2019

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2017		753,928	(16,010)	737,918
Total comprehensive income for the year		-	(923)	(923)
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(52,021)	(52,021)
Balance at 30 June 2018		**753,928**	**(68,954)**	**684,974**
Balance at 1 July 2018		753,928	(68,954)	684,974
Total comprehensive income for the year		-	62,831	62,831
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(52,021)	(52,021)
Balance at 30 June 2019		**753,928**	**(58,144)**	**695,784**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,536,672	1,494,502
Payments to suppliers and employees		(1,514,942)	(1,387,048)
Interest received		4,290	5,393
Interest paid		(38)	-
Income taxes refunded/(paid)		587	(38,377)
Net cash provided by operating activities	**16**	**26,569**	**74,470**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,649)	(4,261)
Net cash used in investing activities		**(3,649)**	**(4,261)**
Cash flows from financing activities			
Dividends paid	20	(52,021)	(52,021)
Net cash used in financing activities		**(52,021)**	**(52,021)**
Net increase/(decrease) in cash held		**(29,101)**	**18,188**
Cash and cash equivalents at the beginning of the financial year		533,915	515,727
Cash and cash equivalents at the end of the financial year	**7(a)**	**504,814**	**533,915**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

<u>Compliance with IFRS</u>

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

<u>Critical accounting estimates</u>

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates which are significant to the financial statements are disclosed in note 3.

<u>Historical cost convention</u>

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

<u>Comparative figures</u>

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

<u>Application of new and amended accounting standards</u>

There are two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k).

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 Leases and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its branch. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

No significant impact is expected for the company's finance leases.

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of 698,117.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Clifton Hill/North Fitzroy, Victoria.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, 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 and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

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

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited 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 and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank branch 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 branch
- 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.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group 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.

Margin

Margin is arrived at through the following calculation:

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

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

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.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

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

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited 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 and Adelaide Bank Limited earns revenue.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between Community Bank companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the Community Bank model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is payable (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or gain from a bargain purchase.

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 5 - 15 years
- plant and equipment 2.5 - 40 years
- computers and software 4 years
- motor vehicles 3 - 5 years

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial instruments

<u>Recognition and initial measurement</u>

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

<u>Classification and subsequent measurement</u>

(i) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

Derecognition

(i) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit of loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses 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, all discounted at the original effective interest rate of the financial instrument.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment (continued)

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

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

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

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

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not 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 expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. 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 entity. The entity does not use derivative instruments.

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

(i) Market risk

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

(ii) 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.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

Note 2. Financial risk management (continued)

Expected credit loss assessment for Bendigo and Adelaide Bank Limited (continued)

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo and Adelaide Bank Limited receivable as at 30 June 2019.

Expected credit loss assessment for other customers

The company has performed a historical assessment of the revenue collected from other customers and found no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2019.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2019 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 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Note 3. Critical accounting estimates and judgements (continued)

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from carried-forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of 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 that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Notes to the financial statements (continued)

	2019 $	2018 $

Note 4. Revenue from ordinary activities

	2019 $	2018 $
Operating activities:		
- gross margin	1,251,663	1,249,820
- services commissions	36,082	19,151
- fee income	82,833	80,688
- market development fund	10,000	10,000
Total revenue from operating activities	**1,380,578**	**1,359,659**
Non-operating activities:		
- interest received	3,693	5,451
Total revenue from non-operating activities	**3,693**	**5,451**
Total revenues from ordinary activities	**1,384,271**	**1,365,110**

Note 5. Expenses

	2019 $	2018 $
Depreciation of non-current assets:		
- plant and equipment	7,655	8,475
- leasehold improvements	10,639	11,728
- computers and software	1	-
- motor vehicles	7,096	7,096
Amortisation of non-current assets:		
- franchise agreement	2,259	2,259
- franchise renewal fee	11,297	11,297
	38,947	**40,855**
Finance costs:		
- interest paid	**38**	**-**
Bad debts	**1,452**	**4,188**

Note 6. Income tax expense

	2019 $	2018 $
The components of tax expense comprise:		
- Current tax	23,486	4,394
- Movement in deferred tax	2,573	(3,460)
- Under/over provision in respect to prior years	-	(99)
	26,059	**835**

Notes to the financial statements (continued)

	2019 $	2018 $

Note 6. Income tax expense (continued)

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit/(loss)	88,890	(88)
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2018: 27.5%)	24,446	(24)
Add tax effect of:		
- non-deductible expenses	1,613	958
- timing difference expenses	(2,573)	3,460
	23,486	**4,394**
Movement in deferred tax	2,573	(3,460)
Under/(over) provision of income tax in the prior year	-	(99)
	26,059	**835**

Note 7. Cash and cash equivalents

Cash at bank and on hand	238,901	272,311
Term deposits	265,913	261,604
	504,814	**533,915**

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	238,901	272,311
Term deposits	265,913	261,604
	504,814	**533,915**

Note 8. Trade and other receivables

Trade receivables	91,631	107,467
Prepayments	10,947	19,854
Other receivables and accruals	-	1,235
	102,578	**128,556**

Note 9. Property, plant and equipment

	2019 $	2018 $
Leasehold improvements		
At cost	303,812	303,812
Less accumulated depreciation	(146,041)	(135,402)
	157,771	**168,410**
Plant and equipment		
At cost	97,494	94,447
Less accumulated depreciation	(65,973)	(58,318)
	31,521	**36,129**
Computer and software		
At cost	15,602	15,000
Less accumulated depreciation	(15,001)	(15,000)
	601	**-**
Motor vehicles		
At cost	28,385	28,385
Less accumulated depreciation	(15,106)	(8,010)
	13,279	**20,375**
Total written down amount	**203,172**	**224,914**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	168,410	180,138
Additions	-	-
Disposals	-	-
Less: depreciation expense	(10,639)	(11,728)
Carrying amount at end	**157,771**	**168,410**
Plant and equipment		
Carrying amount at beginning	36,129	40,343
Additions	3,047	4,261
Disposals	-	-
Less: depreciation expense	(7,655)	(8,475)
Carrying amount at end	**31,521**	**36,129**

Notes to the financial statements (continued)

	2019 $	2018 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts (continued):

	2019 $	2018 $
Computer and software		
Carrying amount at beginning	-	-
Additions	602	-
Disposals	-	-
Less: depreciation expense	(1)	-
Carrying amount at end	**601**	**-**
Motor vehicles		
Carrying amount at beginning	20,375	(914)
Additions	-	28,385
Disposals	-	-
Less: depreciation expense	(7,096)	(7,096)
Carrying amount at end	**13,279**	**20,375**
Total written down amount	**203,172**	**224,914**

Note 10. Intangible assets

	2019 $	2018 $
Franchise fee		
At cost	32,867	32,867
Less: accumulated amortisation	(29,289)	(27,030)
	3,578	**5,837**
Renewal processing fee		
At cost	114,337	114,337
Less: accumulated amortisation	(96,451)	(85,154)
	17,886	**29,183**
Total written down amount	**21,464**	**35,020**

Note 11. Tax

	2019 $	2018 $
Current:		
Income tax payable/(refundable)	**15,503**	**(8,570)**
Non-current:		
Deferred tax assets		
- accruals	1,925	1,100
- employee provisions	6,117	10,331
	8,042	**11,431**

	2019 $	2018 $
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	-	164
- property, plant and equipment	20,169	20,821
	20,169	**20,985**
Net deferred tax liability	**(12,127)**	**(9,554)**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**2,573**	**(3,460)**

Note 12. Trade and other payables

Current:		
Trade creditors	62,287	173,009
Other creditors and accruals	24,082	25,871
	86,369	**198,880**

Note 13. Provisions

Current:		
Provision for annual leave	14,873	30,581
Provision for long service leave	-	3,571
	14,873	**34,152**
Non-current:		
Provision for long service leave	**7,372**	**3,415**

Note 14. Issued capital

867,013 ordinary shares fully paid (2018: 867,013)	867,013	867,013
Less: equity raising expenses	(26,384)	(26,384)
Less: return of capital (2008)	(43,351)	(43,351)
Less: return of capital (2010)	(43,350)	(43,350)
	753,928	**753,928**

Note 14. Issued capital (continued)

Rights attached to shares

(a) 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.

(b) 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 and Adelaide Bank Limited 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).

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- 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 276. As at the date of this report, the company had 294 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.

Note 14. Issued capital (continued)

Prohibited shareholding interest (continued)

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.

	2019 $	2018 $

Note 15. Accumulated losses

	2019 $	2018 $
Balance at the beginning of the financial year	(68,954)	(16,010)
Net profit/(loss) from ordinary activities after income tax	62,831	(923)
Dividends provided for or paid	(52,021)	(52,021)
Balance at the end of the financial year	**(58,144)**	**(68,954)**

Note 16. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

	2019 $	2018 $
Profit/(loss) from ordinary activities after income tax	62,831	(923)
Non cash items:		
- depreciation	25,391	27,299
- amortisation	13,556	13,556
Changes in assets and liabilities:		
- (increase)/decrease in receivables	25,978	(13,759)
- (increase)/decrease in other assets	8,570	-
- increase/(decrease) in payables	(112,511)	69,757
- increase/(decrease) in provisions	(15,322)	16,082
- increase/(decrease) in current tax liabilities	18,076	(37,542)
Net cash flows provided by operating activities	**26,569**	**74,470**

Notes to the financial statements (continued)

	2019 $	2018 $

Note 17. Leases

Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	104,717	99,672
- between 12 months and 5 years	87,265	182,731
- greater than 5 years	-	-
	191,982	**282,403**

The branch property lease is a non-cancellable lease with a five-year term and rent payable monthly in advance. The current lease was renewed in February 2016 for a further five years and has one further option of five years.

Note 18. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,700	5,400
- non audit services	3,310	3,720
	9,010	**9,120**

Note 19. Director and related party disclosures

The names of directors who have held office during the financial year are:

Jenny Maree Farrar
Peter Raymond Hille
Andrew Blair Minogue
Adrian Howard Nelson
Lauren Mary Zoric
Katherine Esther Kennedy
Benjamin David Hubbard
Amelia Jane Collins
Rosalyn Mary Roberts (Appointed 5 September 2018)
Daisy Chiumburu (Appointed 5 June 2019)

Note 19. Director and related party disclosures (continued)

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

	2019 $	2018 $
Transactions with related parties:		
Peter Raymond Hille is the Chair of Youth Enterprise Hub (sub-committee of the Inner North Local Learning and Employment Network). The company contributes sponsorships towards program. The total amount was:	110,000	165,000

Directors' Shareholdings	**2019**	**2018**
Jenny Maree Farrar	2,001	2,001
Peter Raymond Hille	2,000	2,000
Andrew Blair Minogue	-	-
Adrian Howard Nelson	15,002	15,002
Lauren Mary Zoric	-	-
Katherine Esther Kennedy	-	-
Benjamin David Hubbard	5,000	5,000
Amelia Jane Collins	3,500	3,500
Rosalyn Mary Roberts (Appointed 5 September 2018)	-	-
Daisy Chiumburu (Appointed 5 June 2019)	-	-

There was no movement in directors' shareholdings during the year.

Note 20. Dividends provided for or paid

	2019 $	2018 $
a. Dividends paid during the year		
Current year dividend		
Fully franked dividend - 6 cents (2018: 6 cents) per share	**52,021**	**52,021**

The tax rate at which dividends have been franked is 27.5% (2018: 30%).

	2019 $	2018 $
Note 20. Dividends provided for or paid (continued)		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	13,248	33,567
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	15,503	(8,570)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**28,751**	**24,997**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**28,751**	**24,997**

Note 21. Earnings per share

No director of the company receives remuneration for services as a company director or committee member.

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

Community Bank Directors' Privileges Package

The board has adopted the Community Bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community Bank branch at Clifton Hill/North Fitzroy, Victoria. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are $nil for the year ended 30 June 2019 (2018: $nil).

Note 22. Earnings per share

	2019 $	2018 $
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	62,831	(923)

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	867,013	867,013

Note 23. Events occurring after the reporting date

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates Community Bank services in Clifton Hill, North Fitzroy pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office
101-103 Queens Parade
Clifton Hill VIC 3068

Principal Place of Business
101-103 Queens Parade
Clifton Hill VIC 3068

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 $**	**2018 $**	**2019 %**	**2018 %**
Financial assets												
Cash and cash equivalents	238,901	272,311	265,913	261,604	-	-	-	-	-	-	0.74	1.01
Receivables	-	-	-	-	-	-	-	-	91,631	107,467	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	62,287	173,009	N/A	N/A

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019 **$**	**2018** **$**
Change in profit/(loss)		
Increase in interest rate by 1%	5,048	5,339
Decrease in interest rate by 1%	(5,048)	(5,339)
Change in equity		
Increase in interest rate by 1%	5,048	5,339
Decrease in interest rate by 1%	(5,048)	(5,339)

Directors' declaration

In accordance with a resolution of the directors of Clifroy Limited, we state that:

In the opinion of the directors:

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

   (i) giving a true and fair view of the company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

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

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

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Jenny Maree Farrar
Chair

Signed on the 6th of September 2019.

Independent audit report

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

Independent auditor's report to the members of Clifroy Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Clifroy Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2019 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards.

What we have audited
Clifroy Limited's (the company) financial report comprises the:

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

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

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

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

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

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Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 6 September 2019

Joshua Griffin
Lead Auditor

Clifton Hill/North Fitzroy Community Bank® Branch
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