

East Malvern Community  
Financial Services Limited

ABN 27 089 542 174



2019

*Annual Report*

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# Chairman's report

For year ending 30 June 2019

I am honoured to take over the Chairmanship of your company and the tremendous social enterprise asset, being the East Malvern **Community Bank**<sup>®</sup> Branch, that it operates.

As has been already communicated to shareholders, Peter Norman OAM retired from the Board as at 30 June 2019 after serving for 20 years as Chairman. Under Peter's stewardship the company completed its IPO, returning branch banking services to East Malvern on 6 May 2000 and then transforming itself into a long standing, highly successful social enterprise that now contributes to the positive wellbeing of thousands of individuals every year. This has been a remarkable achievement and Peter leaves behind a legacy that every shareholder, Board member, employee past and present can be proud to be associated with.

While a strong enduring legacy has been built, the last financial year was impacted by material one-off costs, the absence of a Branch Manager for over four months, the closure of the branch for two weeks due to flooding and the re-building of the branch team. When combined with the down turn in the housing market, extreme negative sentiment to the banking industry arising from the Hayne Royal Commission, very tough lending market, margin pressure on deposits and far greater restrictions on lending approvals, this created what is now regarded as a 'perfect storm'.

Under these conditions branch revenue fell by 8% with the decline accelerating into the second half, total lending fell by \$7.9 million or 13% including \$3.3 million transferred to other branches and \$298,000 in one-off costs were incurred. From a financial perspective this was a terrible year with the only highlight being a stand-out performance from the Investment Fund.

Financial metrics were as follows:

\$'000	2019	2018
Revenue	1,366	1,386
Operating profits before sponsorships and tax	250	629
Sponsorships and donations	331	392
Shareholder dividends (declared/paid)	110	110
Branch footings	176.4 million	183.4 million

Understanding the enduring strength of the business the Board kept sponsorships at a healthy level of \$331,000 and has chosen to maintain the level of dividends paid to shareholders.

Operating results (\$'000)	1H19	2H19	Total 2019	1H18	2H18	Total 2018
<b>Community banking</b>						
Branch revenue	632	581	1,213	654	663	1,317
Branch operating profit	24	58	82	264	296	560
Operating margin	4%	10%	7%	40%	45%	42%
<b>Investment income</b>						
Cash investment earnings	59	79	138	49	29	78
Mark-to-market adjustment	(57)	87	30	6	(15)	(9)
<b>Operating profit before sponsorships and tax</b>	<b>26</b>	<b>224</b>	<b>250</b>	<b>319</b>	<b>310</b>	<b>629</b>
Sponsorships			(331)			(392)
<b>Net profit/(loss) before tax</b>			<b>(81)</b>			<b>237</b>

# Chairman's report (continued)

In 2019 the branch operating profit fell \$478,000 compared to the prior year due to significant one-off costs for terminations and retirement benefits totalling \$298,000, a \$104,000 reduction in branch revenue which flowed directly from the lower footings and a \$79,000 increase in marketing expenses. Investment earnings were \$99,000 or 143% higher compared to the prior year as a consequence of realising profits on several investments, refocusing the portfolio to higher yielding stocks and improving financial markets.

With the successful re-building of the branch team and new Board committee structures now in place, the Board is very confident of returning the financial performance of the company to what has been the norm over recent years.

## Branch operations

Total branch footings decreased by \$7.0 million or 3.8% due almost entirely to the very tough environment for consumer lending, combined with the absence of a Branch Manager for four months and \$3.3 million in loans that were transferred to other branches in the Bendigo network.

Our business footings by product and total Branch revenues are as follows:

Product	2019 \$ million	2018 \$ million	2017 \$ million	2016 \$ million	2015 \$ million	2014 \$ million	2013 \$ million
Savings accounts	19.8	22.0	24.3	14.1	10.2	9.2	8.5
Term deposits/treasury	63.8	54.4	61.9	57.5	59.1	68.8	76.0
Statement accounts	29.9	35.6	35.8	34.4	30.3	21.8	19.3
Lending	55.0	62.9	60.1	58.4	44.3	41.6	41.2
Off balance sheet business	7.9	8.5	8.8	8.9	7.0	8.6	7.8
<b>Total</b>	<b>176.4</b>	<b>183.4</b>	<b>190.9</b>	<b>173.3</b>	<b>150.9</b>	<b>150.0</b>	<b>152.8</b>
<b>Branch revenue \$'000</b>	<b>1,213</b>	<b>1,317</b>	<b>1,266</b>	<b>1,151</b>	<b>1,073</b>	<b>1,078</b>	<b>1,153</b>
<b>Branch revenue margin</b>	<b>0.69%</b>	<b>0.72%</b>	<b>0.66%</b>	<b>0.66%</b>	<b>0.71%</b>	<b>0.72%</b>	<b>0.75%</b>

The company's branch revenue margin (branch revenue over business footings) declined by three basis points year on year to 0.69% due the customers moving from low yielding savings and statement accounts to the higher interest rates available in term deposits/treasury and the reduction in lending.

## Community sponsorships

Despite the disruption faced this past year it is worth recognising another key milestone was passed this year with cumulative sponsorships and donations reaching \$4.3 million since the inception of the business. As you would expect the East Malvern **Community Bank**® Branch has retained it's position as one of the top performers of all **Community Bank**® branches which now number more than 324 across Australia and have collectively returned more than \$205 million in community grants, donations and sponsorships.

The company provides grants to many partner groups throughout the year and this is outlined in more detail in our expanded Sponsorship Committee report. As always there remains a strong commitment to a wide spectrum of local sport across all age groups which is underpinned by our belief in encouraging all sectors of the community to stay involved and active through their life.

## Dividends

Looking through the large one-off costs and disruptions during the year, the Board has maintained the final dividend for the year taking full year dividends to 28 cents (28 cents 2018) fully franked. Dividends for the year have comprised of an interim dividend of 13 cents (13 cents 2018) and a final dividend of 15 cents per share (15 cents 2018), payable on 31 October 2019 to all shareholders as at 1 October 2019.

# Chairman's report (continued)

As always the Board strives to keep the balance right between all our stakeholders including shareholders while staying true to the spirit of **Community Bank**<sup>®</sup> programme. Since the business started through to the current year, the cumulative returns to the community and shareholders are as follows:

Sponsorships and donations	\$4,327,000	72%
Dividends paid/payable to shareholders	\$1,251,000	21%
Retained earnings	\$ 392,000	7%
<b>Total</b>	<b>\$5,970,000</b>	<b>100%</b>

The cumulative returns since the branch opened in May 2000 have now reached almost \$6 million including total dividends paid/payable to shareholders which now equals 3.3 times the original capital raised.

## Board of Directors

As mentioned above Peter Norman OAM retired on 30 June 2019 after 20 years of unstinting service as a Director and Chairman of the company. Building on the enduring legacy that Peter was instrumental in creating, he has accepted the ambassadorial role of Founding Chairman to assist with the transition to the new leadership team and to continue representing both East Malvern **Community Bank**<sup>®</sup> Branch and more broadly the **Community Bank**<sup>®</sup> concept across the wide network of community groups that we support.

The year was also marked by the sudden passing of one of founding Directors Cheryl Newsom. Cheryl was the driving force in the Waverley Road Traders that instigated the public meetings that ultimately led to the formation of the East Malvern **Community Bank**<sup>®</sup> Branch. She was a member of the original Steering Committee and then served for 17 years as a Director.

Reflecting the intense focus into compliance and governance across the financial services sector arising from the Hayne royal commission and industry regulators, the role and duties of the Board have significantly expanded to meet the requirements coming from Bendigo and Adelaide Bank Limited. I want to acknowledge the dedication and time they provide in guiding this company for the benefit of all its stakeholders. The Board comprises of:-

Stuart E. Martyn – Chairman  
Philip Williamson – Deputy Chairman  
Philip C. Carey  
Michael Arbon  
Anne Parsonson  
James Hayne

I want to thank those who are currently supporting our **Community Bank**<sup>®</sup> branch with their banking business and look forward to that support continuing in the future.



**Stuart Martyn**  
Chairman

# Manager's report

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For year ending 30 June 2019

After commencing in the role early September 2018, I have been fortunate to have a very welcoming staff and supportive Board for which I am grateful.

With many years of banking experience, mainly in Business and Commercial Banking, I am thrilled to have been provided the opportunity to take the leadership role at East Malvern **Community Bank**<sup>®</sup> Branch after the retiring Chairman, Board and staff have built fantastic foundations for us to work with. I see the way forward is to empower our staff and build stronger sustainable relationships with our community partners, which in turn will ensure footings growth and increase the bottom line.

Whilst this year has been challenging, I think we are in a good place to see much improved results in the coming year with the branch team having a renewed sense of purpose as well as the streetscape beginning to change with various new traders moving in coupled with some mixed use development sights either commencing construction or about to commence. This will see increased foot traffic in the area.

## Highlights

We have strengthened relationships with various amateur football club's by way of introducing them to a referral partnership that see's their members introduced to our products and services. With the committees and club members being strong advocates of the **Community Bank**<sup>®</sup> model we have experienced an increase in lending and deposit enquiries.

The most successful of these to date are Old Xaverian's Amateur Football Club that sees five lending introductions made and St Kevin's Old Boys Football Club that has seen three lending introductions made to date. Our staff members often attend club functions, giving us the opportunity to grow our brand awareness, strengthen our community relationships and discuss our products and services.

We helped fund a state-of-the-art scoreboard at Elsternwick Park which has greatly assisted both the Victorian Amateur Football Club and the Old Melburnian Amateur Football Club games.

Malvern Bowls Club invited us to present an insurance information evening to their members, which saw an increase in general insurance policies taken by their members.

## Achievements

Appointing a Customer Relationship Manager to assist with the ongoing servicing of our valued Home Loan customers and allow myself more freedom to build on growing the lending book via our community partners.

Building strong relationships with our existing community partners – this is imperative if we are to achieve our lending growth in the coming year.

We were able to have the branch reopen in eight days after a major flood due to heavy rain on Melbourne Cup eve. This needed many parties come together to have the branch space safely repatriated with new carpet, fresh paint and carpentry repaired. Our staff assisted neighbouring branches to ensure our customers who made use of these branches saw friendly known faces and the impact of increased foot traffic on these branches was minimised. We also managed to keep the ATM operational to ensure our customers and non-customers alike could have access to cash during closure.

# Manager's report (continued)

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## **Challenges**

Lending and deposit targets were not met this year due to:

- The branch not having a permanent Manager in place for the full year.
- Restrictions on business lending also had a negative impact on our lending growth.
- Property market contracting as well as tighter lending regulatory guidelines created a more challenging environment for approvals at times.
- Very strong competition in the deposit space.

Teller transactions have reduced during the year. This is mainly due to increased use of online banking platforms. We must continually manage our staffing in the face of declining face-to-face transactions.

Finding ways to attract a younger customer base whilst protecting our current customer base to ensure lending growth targets are met in the coming year.

Deposit retention due to a highly competitive market as well as self-funded retirees looking for alternatives to core banking products to ensure their income levels are maintained.



**Ruth Hall**  
**Senior Branch Manager**



# Sponsorship Committee report

For year ending 30 June 2019

An important part of our social enterprise business model is based upon being an active and substantial contributor to the health and well being of our community. The extensive array of assistance the company provides plays a significant role in our commercial success. Since the branch opened in 2000 our approved sponsorships together with donations have now exceeded \$4.3 million.

The quantum of support provided is significant although far more tangible is what our community partners actually do with these funds, and how better to explain but in their own words.

**\$4.3 million**

Sponsorships and donations since opening in 2000.

## Malvern Special Needs Playgroup

“ Malvern Special Needs Playgroup is a unique developmental respite program assisting 24 families with children who have special needs. Parents receive a much needed break, while their children receive therapy assistance and care in a stimulating and fun social setting under



the care of five staff and a carer volunteer for each child. The 2018/19 grant assisted install special soft rubber flooring to allow the children more floor playtime. The balance of the grant was put towards the cost of holding two annual Family Days. At the end-of-year party Santa Clause is also invited to share some very special gifts to the delight of the children.”



## Prahran Cricket Club

“ The shadow of the East Malvern **Community Bank**<sup>®</sup> Branch draws long at Toorak Park, the home of the Prahran Cricket Club.

Not only do all tenant clubs benefit from the electronic scoreboard that remains sponsored by the East Malvern **Community Bank**<sup>®</sup> Branch, the Prahran Cricket Club have also been fortunate enough to receive grants for special projects around the club.



Last season it was new covers, hessian and cover trolleys at our second ground, Righetti Oval. Covers are always an expensive item, and as a result the ground has in the past used the old covers from the main ground when they have been replaced.

Through the generosity of the East Malvern **Community Bank**<sup>®</sup> Branch, we have the very best of protection for our wickets in the club's history and that means providing excellent wickets for the teams Women's 2nd XI, Men's 3rd and 4th XI, that all call Righetti home. The difference it has made is amazing and we are in debt to the East Malvern **Community Bank**<sup>®</sup> Branch for their ongoing, amazing generosity.”



# Sponsorship Committee report (continued)

## East Malvern Combined Probus Club

“ Sponsorship by the East Malvern **Community Bank**<sup>®</sup> Branch has enabled the East Malvern Combined Probus Club to run a number of one-day coach excursions which would have otherwise been too expensive for some of our members. Destinations have included Walhalla, Maldon, the Sculpture Park at Point Leo and a trip around the bay.

The support from the East Malvern **Community Bank**<sup>®</sup> Branch has allowed our Probus Club to extend the range of benefits to its members and has contributed to the ongoing success and vitality of the club. ”



## Malvern Artists Society

“ The Malvern Artists Society has enjoyed a long relationship with East Malvern **Community Bank**<sup>®</sup> Branch. Grants have traditionally supported the annual arts show which provides a forum for local artists to exhibit their works.

In the past East Malvern **Community Bank**<sup>®</sup> Branch has come to the rescue with a special grant that assisted with the leaking roof on the gallery to be replaced, ensuring continuation of our gallery. ”



## The East Malvern RSL Anglers Club

“ The East Malvern RSL Anglers Club uses its annual grant funds to take some of its more senior members on day long fishing excursions, this ensures their club members are able to continue fishing safely long past when they would be able to on

their own. They wish the quality of the catch on the excursions was as reliable as the support from the East Malvern **Community Bank**<sup>®</sup> Branch. ”



# Sponsorship Committee report (continued)

## Prahran Junior Football Club

“ Prahran Junior Football Club have over 400 boys and girls learning great lessons from playing a team sport. Teams at the Prahran Juniors commence at under 8’s and progress through to under 16’s.

The East Malvern **Community Bank**® Branch support ensures all children have a uniform and can join in playing in an inclusive club. After finishing playing under 16’s they have a pathway to AFL Amateurs through affiliated club Prahran Assumption Amateur Football Club that is also supported by East Malvern **Community Bank**® Branch.”



As the selection of partner groups above demonstrates, the benefits of the sponsorship programme that the company runs are widespread through-out the fabric of our community covering all age groups and demographics. All up this year the company was proud to have supported 40 different organisations across the community funding a variety of initiatives with a total value of \$330,564 (\$392,470 (2018)).

We will continue to participate as actively as we can and respond to requests for sponsorship where benefits are available to significant sections of our community.

Listed below is the full list of community partners supported during the year.

Sport	Community	Education
Caulfield Cricket Club	Camp Quality	Central Park Childcare
Caulfield Grammarians Football Club	Central Park Food & Wine Festival	Lloyd Street School
Chadstone Bowls Club	Cystic Fibrosis	Sacre Coeur
Coatesville Bowls Club	East Malvern Combined Probus Club	Solway Primary School
Collegians Football Club	East Malvern Men’s Shed	St. Roch’s Primary School
De La Salle OC Football Club	East Malvern RSL Anglers Club	
East Malvern Tooronga Cricket Club	Fight MND	
Glendearg All Saints Malvern Tennis Club	Foodbank ( Victoria)	
Malvern Bowling Club	Golden Days Radio	
Malvern Cricket Club	Maddie Riewoldt Vision	
Melbourne Racing Club	Malvern Artists’ Society	
Old Melburnians Football Club	Malvern Special Needs Playgroup	
Old Xaverians Football Club	Mecwa	
Powerhouse Amateur Football Club	Phoenix Park Neighbourhood House	
Prahran Junior Football Club	Sleepbus	
St. Kevins Old Boys Football Club	Stonnington Symphony	
VAFA Umpires Association		
Victorian Amateur Football Association		
Victorian Sub District Cricket Association		

**Anne Parsonson**  
**Chair Sponsorship & Marketing Committee**

# Directors' report

For the financial year ended 30 June 2019

## Directors' meetings

Twelve Board meetings were conducted during the year. The attendance was:

Peter Norman OAM	10	Retired 30 June 2019
Stuart Martyn	10	
Cheryl Newsom	1	Valé 13 September 2018
Philip Williamson	12	
Philip Carey	11	
Michael Arbon	12	
Anne Parsonson	10	
James Hayne	11	

## Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank**<sup>®</sup> branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited. There has been no significant changes in the nature of these activities during the year.

## Review of operations

The net result of the company for the financial year after providing for income tax amounted to a loss of \$57,384 (\$163,871 profit (2018)).

## Dividends

Dividends paid during the year were, a final dividend for 2018 of 15 cents (fully franked), an interim dividend for 2019 of 13 cents (fully franked), and the Board has recommended a final dividend of 15 cents (fully franked) to be paid on 31 October 2019 to all shareholders as at 1 October 2019.

## Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

## Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

## Events subsequent to the end of the reporting period

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

## Likely developments

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

# Directors' report (continued)

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## **Environmental regulations**

The company is not subject to any significant environmental regulation.

## **Proceedings on behalf of company**

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

## **Auditor independence declaration**

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors 23 September 2019.



**Stuart Martyn**  
Chairman

# Auditor's independence declaration

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To: The Directors

East Malvern Community Financial Services Limited

As lead engagement auditor for the audit of the financial report of the East Malvern Community Financial Services Limited for the year ended 30 June 2019 I declare that, to the best of my knowledge and belief, there have been:

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



**John S Creffield**

**Registered Company Auditor - 8821**

9 September 2019



# Financial statements

## Balance Sheet at 30 June 2019

	Notes	2019 \$	2018 \$
<b>Current assets</b>			
Cash	17 (a)	198,468	414,815
Accounts receivable	5	86,184	106,550
Investments	6	-	22,029
<b>Total current assets</b>		<b>284,652</b>	<b>543,394</b>
<b>Non-current assets</b>			
Investments	7	669,859	592,264
Property, plant and equipment	8	-	27,909
Non current receivable	9	30,000	40,000
Intangibles	10	1,701	3,970
<b>Total non-current assets</b>		<b>701,560</b>	<b>664,143</b>
<b>Total assets</b>		<b>986,212</b>	<b>1,207,537</b>
<b>Current liabilities</b>			
Accounts payable	11	-	-
Provisions	12	51,763	145,284
Other	13	137,426	86,233
<b>Total current liabilities</b>		<b>189,189</b>	<b>231,517</b>
<b>Non-current liabilities</b>			
Provisions	14	11,133	22,342
<b>Total non-current liabilities</b>		<b>11,133</b>	<b>22,342</b>
<b>Total liabilities</b>		<b>200,322</b>	<b>253,859</b>
<b>Net assets</b>		<b>785,890</b>	<b>953,678</b>
<b>Shareholder's equity</b>			
Share capital	15	394,300	394,300
Accumulated profits	15	391,590	559,378
<b>Total shareholder's equity</b>		<b>785,890</b>	<b>953,678</b>

The accompanying notes form an integral part of this balance sheet.

# Financial statements (continued)

## Income Statement for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Margin income	2	1,109,906	1,197,604
Fee income		69,088	87,359
Commission income		33,990	31,700
Rent income		27,333	26,396
Interest income		7,056	7,230
Dividends and other investment income		132,596	35,272
Profit/(loss) on sale of fixed assets		-13,909	-
<b>Total income</b>		<b>1,366,060</b>	<b>1,385,561</b>
Personnel expenses		661,417	430,885
Building occupancy expenses		120,519	113,480
Depreciation and amortisation		10,146	8,918
Sponsorships and donations		330,564	392,470
Other office expenses		323,286	204,985
Bad debt expense	2	1,342	351
Interest expense	2	2	-
<b>Total expenses</b>		<b>1,447,276</b>	<b>1,151,089</b>
Operating profit/(loss)		(81,216)	234,472
Income tax expense/(credit)	3	(23,832)	70,601
<b>Operating profit/(loss) after income tax</b>		<b>(57,384)</b>	<b>163,871</b>
Dividends declared	4	(110,404)	(110,404)
Accumulated profits at the beginning of the financial year		559,378	505,911
<b>Accumulated profits at the end of the financial year</b>		<b>391,590</b>	<b>559,378</b>
<b>Earnings per share</b>		<b>-14.6 cents</b>	<b>41.6 cents</b>

The accompanying notes form an integral part of this income statement.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,354,648	1,443,715
Payments to suppliers, sponsors and employees		(1,549,464)	(1,231,370)
Dividends and other investment income		102,400	44,362
Interest received		7,056	7,230
Rent received		27,333	26,398
Income tax paid		(38,669)	(79,566)
<b>Net operating cash flows</b>	<b>17 (b)</b>	<b>(96,696)</b>	<b>210,769</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of motor vehicle		6,123	-
Fixed assets (acquired) / disposed		-	-
Net (investment) / disposal in sponsorship fund (ASX listed securities)		(47,399)	(229)
(Investment)/Redemption of term deposits		22,029	(443)
(Investment)/Repayment of loans to Sponsorship groups		10,000	15,000
<b>Net investing cash flows</b>		<b>(9,247)</b>	<b>14,328</b>
<b>Cash Flows from financing activity</b>			
Payment of dividends on ordinary shares		(110,404)	(106,461)
<b>Net financing cash flows</b>		<b>(110,404)</b>	<b>(106,461)</b>
Net increase/(decrease) in cash held		(216,347)	118,636
Cash at the beginning of the financial year		414,815	296,179
<b>Cash at the end of the financial year</b>	<b>17 (a)</b>	<b>198,468</b>	<b>414,815</b>

The accompanying notes form an integral part of this statement of cash flows.

# Financial statements (continued)

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

	Issued capital \$	Retained earnings \$	Total \$
At 30 June 2017	394,300	505,911	900,211
Profit/(loss) for the year		163,871	163,871
Dividends declared		(110,404)	(110,404)
<b>At 30 June 2018</b>	<b>394,300</b>	<b>559,378</b>	<b>953,678</b>
Profit/(loss) for the year		(57,384)	(57,384)
Dividends declared		(110,404)	(110,404)
<b>At 30 June 2019</b>	<b>394,300</b>	<b>391,590</b>	<b>785,890</b>

The accompanying notes form an integral part of this statement of changes in equity.

# Notes to the financial statements

For year ended 30 June 2019

These financial statements and notes represent those of East Malvern Community Financial Services Limited. East Malvern Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia. The financial statements were authorised for issue by the Directors on 23 September 2019.

## Note 1. Summary of significant accounting policies

### Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise. The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

### Economic dependency

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branch at Malvern East, Victoria. The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited. 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. Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**<sup>®</sup> branches 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 in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**<sup>®</sup> branches;
- Training for the Branch Managers 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; and
- Sale techniques and proper customer relations.



# Notes to the financial statements (continued)

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## Note 1. Summary of significant accounting policies (continued)

### **Impairment of assets**

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

### **Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

### **Comparative figures**

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

### **Critical accounting estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

#### Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

#### Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

#### Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

#### Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

### Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

### New and revised standards that are effective for these financial statements

There are no new and amended accounting policies that have been adopted by the company this financial year.

### New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set out on the proceeding pages

### AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019)

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The company is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

	Note	2019 \$	2018 \$
Margin income	2	1,109,906	1,197,604
Fee income		69,088	87,359
Commission income		33,990	31,700
Rent income		27,333	26,396
Interest income		7,056	7,230
Dividends and other investment income		132,596	35,272
Profit/(loss) on sale of fixed assets		-13,909	-
<b>Total income</b>		<b>1,366,060</b>	<b>1,385,561</b>

## Note 2. Profit and loss items

# Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 2. Profit and loss items (continued)		
Operating result is after charging the following expenses:		
<b>Depreciation:</b>		
Depreciation of :		
• Fixtures and fittings	-	-
• Motor vehicles	7,877	6,650
Amortisation of		
• Establishment fees	2,269	2,269
<b>Total depreciation and amortisation</b>	<b>10,146</b>	<b>8,919</b>
Bad debt expense	1,342	351
Interest expense	2	-
<b>Other operating expense items:</b>		
Provision for employee entitlements	(48,181)	13,789
Operating lease rentals	104,626	99,124

## Note 3. Income tax

### Income tax expense

The difference between the income tax benefit in the financial statements and the prima facie income tax benefit is reconciled as follows:

Operating profit/(loss)	(81,216)	234,472
Prima facie tax expense/(credit)	(22,334)	64,480
Tax effect of permanent and other differences:	(1,498)	6,121
<b>Total income tax expense/(credit) attributable to operating profit</b>	<b>(23,832)</b>	<b>70,601</b>

The value of franking credits as at 30 June 2019 was \$341,917 (\$345,125 (2018)).

## Note 4. Dividends Paid and Payable

### Dividends paid

Fully franked interim dividend (13 cents per share)	51,259	51,259
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### Dividends proposed

Fully franked final dividend (15 cents per share)	59,145	59,145
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<b>Total dividends paid and payable</b>	<b>110,404</b>	<b>110,404</b>
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# Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 5. Accounts receivable (current)</b>		
Accounts receivable	83,704	104,130
Sundry receivables	2,480	2,420
Provision for doubtful debts	-	-
<b>Total accounts receivable (current)</b>	<b>86,184</b>	<b>106,550</b>

## Note 6. Investments (current)

Term deposits	-	22,029
<b>Total investments (current)</b>	<b>-</b>	<b>22,029</b>

## Note 7. Investments (non-current)

Sponsorship Fund (ASX listed securities) at cost	543,502	496,103
Market value adjustment	126,357	96,161
<b>Total investments (non-current)</b>	<b>669,859</b>	<b>592,264</b>

## Note 8. Property, plant and equipment

Furniture and fittings at cost	-	-
Less accumulated depreciation	-	-
<b>Total fixtures and fittings, net</b>	<b>-</b>	<b>-</b>
Motor vehicles at cost	-	38,134
Less accumulated depreciation	-	(10,225)
<b>Total motor vehicles, net</b>	<b>-</b>	<b>27,909</b>
<b>Total property, plant and equipment, net</b>	<b>-</b>	<b>27,909</b>

## Note 9. Non current receivables

Loan to Toorak Park Users Group	30,000	40,000
<b>Total non current receivables</b>	<b>30,000</b>	<b>40,000</b>

## Note 10. Intangibles

Franchise fee at cost	11,343	11,343
Less accumulated depreciation	(9,642)	(7,373)
<b>Total Intangibles, net</b>	<b>1,701</b>	<b>3,970</b>

# Notes to the financial statements (continued)

	Note	2019 \$	2018 \$
<b>Note 11. Accounts payable (current)</b>			
Trade creditors – unsecured		-	-
<b>Total accounts payable (current)</b>		-	-

## Note 12. Provisions (current)

Employee entitlements		28,081	65,053
Dividends on ordinary shares		80,519	60,119
Income tax		(56,837)	20,112
<b>Total provisions (current)</b>		<b>51,763</b>	<b>145,284</b>

## Note 13. Other (current)

Net GST collected/(paid)		19,762	41,983
Accruals		111,414	38,000
Rental bond		6,250	6,250
<b>Total other liabilities (current)</b>		<b>137,426</b>	<b>86,233</b>

## Note 14. Provisions (non-current)s

Employee entitlements		11,133	22,342
<b>Total provisions (non-current)</b>		<b>11,133</b>	<b>22,342</b>

## Note 15. Share Capital

### Paid up capital

<b>Ordinary shares fully paid</b>		<b>394,300</b>	<b>394,300</b>
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### Movement in shares on issue

Beginning of the financial year		394,300	394,300
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<b>Ordinary shares fully paid</b>		<b>394,300</b>	<b>394,300</b>
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### Movement in Retained Earnings

Accumulated profits at the beginning of the financial year		559,378	505,911
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Operating profit after income tax expense		(57,384)	163,871
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Dividends paid / payable	4	(110,404)	(110,404)
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<b>Accumulated profits at the end of the financial year</b>		<b>391,590</b>	<b>559,378</b>
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# Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 16. Commitments</b>		
Operating lease expenditure contracted for is payable as follows:		
Not later than one year	104,626	99,124
Later than one year but not later than five years	-	186,333
	<b>104,626</b>	<b>285,457</b>

## Note 17. Notes to the Statement of Cash Flows

### (a) Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:

Cash at bank	198,468	414,815
	<b>198,468</b>	<b>414,815</b>

### (b) Reconciliation of net cash provided by operating activities to operating profit after income tax

Operating profit/(loss) after income tax	(57,384)	163,871
Adjustments for non-cash income and expense items:		
Depreciation	7,877	6,650
Amortisation	2,269	2,269
Loss/(Gain) on sale of motor vehicle	13,909	-
(Increase) / decrease in assets:		
Market value adjustment	(30,196)	9,090
Accounts receivable	20,366	2,194
(Decrease) / increase in liabilities:		
Accounts payable	-	(2,534)
Provisions and other liabilities	(53,537)	29,229
<b>Net cash from operating activities</b>	<b>(96,696)</b>	<b>210,769</b>

## Note 18. Directors' remuneration

The number of Directors who were paid, or were due to be paid remuneration (including brokerage, commissions, bonuses, retirement payments and salaries), directly or indirectly from the company or any related corporation, as shown in the following bands, were: 7 (7 in 2018).

<b>The aggregate remuneration of all Directors was:</b>	<b>73,500</b>	<b>51,000</b>
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# Notes to the financial statements (continued)

## Note 19. Financial instruments

### (a) Interest rate risk exposures

The company is exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the company, together with effective interest rates as at balance date.

2019	Floating interest rate (a)	Fixed Rate 1 year or less	Non-interest bearing	Total	Average interest rate	
					Floating	Fixed
<b>Financial assets</b>						
Cash (i)	198,468			198,468	0.5%	
Term Deposits		-		-		
Accounts receivables			86,184	86,184		
Non current receivables			30,000	30,000		
	<b>198,468</b>	<b>-</b>	<b>116,184</b>	<b>314,652</b>		
<b>Financial liabilities</b>						
Accounts payable			-	-		
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		

2018	Floating interest rate (a)	Fixed Rate 1 year or less	Non-interest bearing	Total	Average interest rate	
					Floating	Fixed
<b>Financial assets</b>						
Cash (i)	414,815			414,815	1.2%	
Term Deposits		22,029		22,029		2.0%
Accounts receivables			106,550	106,550		
Non current receivables			40,000	40,000		
	<b>414,815</b>	<b>22,029</b>	<b>146,550</b>	<b>583,394</b>		
<b>Financial liabilities</b>						
Accounts payable			-	-		
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		

(i) The floating interest rate represents the rate applicable to the instrument at balance date.

(ii) The fixed interest rate represents the contract rates in place at balance date.

# Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 20. Remuneration of Auditors</b>		
The following total remuneration was received, or is due and receivable, by the auditors of the company in respect of:		
- Auditing the financial statements	3,200	3,000
- Other services	-	-
<b>Total remuneration of Auditors</b>	<b>3,200</b>	<b>3,000</b>

## Note 21. Related party disclosures

Transactions undertaken on commercial terms and conditions

P Norman: Bookkeeping fee	6,000	6,000
Frontier Assets Pty Ltd (R Sykes): Accounting fee	7,800	7,200
<b>Total Related Party payments</b>	<b>13,800</b>	<b>13,200</b>

## Note 22. Subsequent events

There have been no events after balance date which are likely to have a significant effect on the operations of the company.

## Note 23. Segment information

The company operates predominantly in one industry, the financial services industry. All operations are carried out in East Malvern, Victoria.

## Note 24. Contingent liabilities

The company is not aware of any contingent liability as at the date of this financial report.

# Directors' declaration

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The Directors of the company declare that:

1. The financial statements and notes

(a) comply with applicable Accounting Standards and the Corporations Law; and

(b) give a true and fair view of the financial position at 30 June 2019 and performance for the year ended on that date of the company

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors



**Stuart Martyn**  
Chairman



**Rick Sykes**  
Company Secretary

Dated this 23 September 2019

# Independent audit report

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To the Members of the East Malvern Community Financial Services Limited.

## Scope

We have audited the financial report being the Director's Declaration, Profit & Loss Statement, Balance Sheet and Notes to the Financial Statements of East Malvern Community Financial Services Limited for the period 1 July 2018 to the 30 June 2019. The company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

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

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

## Audit opinion

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

(a) the Corporations Law including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2019 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations; and

(b) other mandatory professional reporting requirements

John Creffield  
202A Collins Street  
MENTONE Vic 3194  
Ph: (03) 9585 4837 Fax: (03) 9585 4837



**John Creffield**  
**Principal**

9 September 2019

East Malvern **Community Bank**<sup>®</sup> Branch  
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Franchisee: East Malvern Community Financial Services Limited  
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ABN: 27 089 542 174  
[www.bendigobank.com.au/east\\_malvern](http://www.bendigobank.com.au/east_malvern)

Share Registry: RSD Registry, Lead Advisory Group  
32 Garsed Street, Bendigo VIC 3550  
Postal Address: PO Box 30, Bendigo VIC 3552  
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