

Mooroolbark & District Financial Services Limited

ABN 45 098 234 354



2019 Annual Report



Mooroolbark **Community Bank** Branch

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Chairman's report

For year ending 30 June 2019

Again, I would like to thank our shareholders and supporters for another successful year. In a very stringent and rapidly changing economic environment our branch has demonstrated its underlying strength by returning good profits. As a direct result, more sponsorship and community support has been made possible. You will hear more of this at the AGM.

This excellent outcome is testament to the dedication and the hard work of our Branch Manager, Rowan Alexander and our branch staff. Many thanks for their good work this past year.

The Board is also a delight and pleasure to work with. The subcommittees work efficiently and professionally and I am proud of their efforts.

Mooroolbark **Community Bank** Branch is now coming towards 20 years old – a great milestone indeed and still loved by customers and the community. It has grown from a tiny venture into one of Mooroolbark's most visible and important businesses, making all kinds of community activities possible. It is thus truly worthy of the coveted title of **Community Bank** branch!



Peter McGowan
Chairman

Manager's report

For year ending 30 June 2019

I am pleased to report the branch experienced an overall successful 2018/19 financial year. Most of our performance indicators met or exceeded expectations. Our total deposits grew \$10.2 million against a budget of \$5.2 million, we had 189 General Insurance sales for the year against a budget of 144, the number of customers who bank with us remained stable and the number of products on average held by each customer increased upwards by 3.5%.

The one negative aspect of the year is our lending which declined by \$4.2 million. This is reflective of economic conditions throughout the financial year and new stricter lending guidelines introduced. Our result is not isolated to Mooroolbark **Community Bank** Branch and would appear to be reflected throughout the Melbourne metropolitan branches. With recent interest rate reductions and some easing of lending rules it is hoped we can return to positive lending growth.

As at 30 June 2019 our deposit base was \$145 million and our lending base was \$49 million.

We continue to proactively support many wonderful local not-for-profit community groups. Last financial year we delivered \$119,000 in sponsorship payments and \$32,435 in Community Grants. We continue to support approximately 60 not-for-profit groups each year. On top of this the Board paid \$50,336 in dividends to our shareholders last year.

Congratulations to the following recipients of our 2018 Community Grant scheme:

- Manchester Pre School – \$3,795 for security fencing
- St Vincent de Paul Society Victoria, Mooroolbark conference – \$5,000 supporting local children become involved in local sporting activities
- Bimbadeen Pre School \$6,449 – purchase IT equipment
- Spectrum Journey's Inc. \$2,198 – purchase IT equipment
- Mooroolbark & District Miniature Railway and Steam Club – \$4,912 to build a new shelter in their park
- Blair Gowrie House Playgroup – \$6,000 to assist renovate their premises
- Mooroolbark Mens Shed – \$4,081 to purchase an industrial dust collector.

It is obvious our financial support goes a long way to helping various local community groups. We continue to concentrate our marketing to increase the awareness of what we do. The more people who bank with us the more we can give back to our community.

Thank you to the various Bendigo and Adelaide Bank Limited staff who assist us in our daily operations, to our Board of Directors for the work they do in running our public company, to our wonderful and dedicated staff, our shareholders for their financial backing and finally to our wonderful customers who are the backbone of what we do.



Rowan Alexander
Branch Manager

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:

Peter Alan McGowan

Chairman

Occupation: Retired

Qualifications, experience and expertise: BE(Mech)Hons, PhD, GDipMatE, FIEAust, CPEng, NER, APEC Engineer, IntPE(Aus), MIMEA. Peter is a registered Mechanical Engineer and registered Pressure Vessel Design Verifier. Peter has over 40 years' experience as a professional engineer, retired as a Chief Mechanical Engineer of Orica. Peter is a member of Solve Disability Solutions, ASV, Chairman of Standards Australia Committee ME 1/3, Honorary Senior Fellow Dept. of Mech. & Industrial Engineering, University of Melbourne and a Committee member of Noah's Bark Dog Rescue.

Special Responsibilities: Nil

Interest in shares: 1,001

Anthony Michael Wright

Vice Chairman

Occupation: Lawyer

Qualifications, experience and expertise: Currently a member of the Footman Foundation and the Foundation's Board, Board member of the Footman Charitable Trust, member of the Croydon Rotary club for over 20 years, practicing lawyer in the Croydon area for over 35 years, and legal advisor to Croydon Main Street Traders. Past member of the Business Advisory Board and Audit Advisory Committee at Maroondah City Council, past President and Secretary of the Footman Foundation. Past President, Secretary, and Committee member of Croydon Rotary Club, past Committee member of the Croydon Chamber of Commerce.

Special Responsibilities: Nil

Interest in shares: Nil

Carolyn Anne Geyer

Treasurer (Appointed 26 September 2018)

Occupation: Accountant

Qualifications, experience and expertise: Carolyn is the proud mother of 3 amazing adult children and 6 even more amazing grandchildren. Carolyn is the Principal of Geyer Accountants in Croydon South. She acquired her degree in accounting and went on to do a Masters in Practising Accounting in 2004. Carolyn has been running her own business for approx. 15 years and has held previous roles as an accounting teacher and an assistant accountant with one of Australia's largest retailers.

Special Responsibilities: Nil

Interest in shares: 11,000

Directors' report (continued)

Directors (continued)

Richard Kim Nicholas

Secretary

Occupation: Real Estate Agent

Qualifications, experience and expertise: Member of A.R.E.I. and G.A.I.C.D. Licenced estate agent. Director of Coulter Nicholas Pty Ltd.

Special responsibilities: Chairman of the Sponsorship & Marketing Committee

Interest in shares: 500

Terence John Avery

Director

Occupation: Retired

Qualifications, experience and expertise: Holds a Diploma of Business Management and is a Councillor with Yarra Ranges Council.

Special Responsibilities: Marketing Committee

Interest in shares: Nil

David Lynton Wright

Director

Occupation: Certified Practicing Accountant

Qualifications, experience and expertise: David holds a Bachelor of Accounting and is member of CPA Australia (Financial Services), having being involved in public practice for over 30 years.

Special Responsibilities: Nil

Interest in shares: Nil

Richard Leigh Higgins

Director

Occupation: Police officer

Qualifications, experience and expertise: Richard is a local Mooroolbark Police Sergeant for the past seven years. He has been on various committees and boards over the years, and has acted as a Councillor on the local Council for four years, gaining valuable experience in many areas. Committee Member Mooroolbark Traders & Community Group. Strong Commitment to community and seeing Mooroolbark prosper.

Special Responsibilities: Nil

Interest in shares: Nil

Gregory Brian Green

Director (Appointed 3 May 2019)

Occupation: Retired

Qualifications, experience and expertise: Gregory has a Bachelor of Business (Banking & Finance) from the University of South Australia and spent 36 years with ANZ, the last 20 of which were principally in a risk (credit) roll specialising in commercial property. This included 2 years in New Zealand as Senior Credit Manager, Property Risk, 3 months in Port Moresby (2010) as Acting Head of Risk for ANZ Pacific North West Region. Gregory also has 8 years experience with NAB as a Credit Manager in Business Banking. He is a Life member of Croydon North Cricket Club, a member of the 39th Infantry Battalion (1941-43) Association Inc., a member of the Mount Evelyn RSL sub-branch and a member of the Adelaide Football Club.

Special Responsibilities: Nil

Interest in shares: 1000

Directors' report (continued)

Directors (continued)

Peter Paul Verhoef

Director (Resigned 3 May 2019)

Occupation: Veterinary Surgeon

Qualifications, experience and expertise: Peter has a Bachelor in Veterinary Science and is a veterinary surgeon and local business owner of Croydon Pet Hospital. He has owned and managed three veterinary clinics over a 39 year period.

Special Responsibilities: Nil

Interest in shares: 2,000

Joan Lesley Drew

Director (Resigned 12 November 2018)

Occupation: Accountant/Tax Agent

Qualifications, experience and expertise: Bachelor of Business with a major in Accounting and a minor in Law. Self-employed as a Public Accountant and Tax Agent since 1998.

Special responsibilities: Human Resources Committee, Audit Committee

Interest in shares: 2,051

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 Richard Kim Nicholas. Richard was appointed to the position of secretary on 15 August 2018.

Richard is a member of A.R.E.I. and G.A.I.C.D, licenced estate agent and a Director of Coulter Nicholas Pty Ltd.

Principal Activities

The principal activities of the company during the course of 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 of the company for the financial year after provision for income tax was:

Year ended 30 June 2019 \$	Year ended 30 June 2018 \$
69,461	141,598

Directors' report (continued)

Dividends

	Year ended 30 June 2019	
	Cents	\$
Dividends paid in the year	8	50,337

Significant changes in the state of affairs

The company passed a vote at their 2018 AGM to de-list from the National Stock Exchange (NSX) and apply to ASIC to operate a Low Volume Market (LVM) as the preferred trading framework for shares for the company. The company was officially delisted from the NSX on the 24 March 2019.

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 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' report (continued)

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					
			Audit		Marketing*		Human Resources*	
	A	B	A	B	A	B	A	B
Peter Alan McGowan	6	4	2	2	-	-	-	-
Carolyn Anne Geyer*	5	5	1	1	-	-	-	-
Richard Kim Nicholas	6	5	-	-	2	2	2	2
Terence John Avery	6	4	-	-	2	2	-	-
David Lynton Wright	6	3	-	-	-	-	-	-
Richard Leigh Higgins	6	3	-	-	-	-	-	-
Anthony Michael Wright	6	4	-	-	-	-	-	-
Gregory Brian Green**	1	1	-	-	-	-	-	-
Peter Paul Verhoef ^	5	-	-	-	-	-	-	-
Joan Lesley Drew ^^	2	2	1	1	-	-	1	1

A - eligible to attend

* - Appointed 26 September 2018

^ - Resigned 3 May 2019

B - number attended

** - Appointed 3 May 2019

^^ - Resigned 12 November 2018

* There are non director members of these committee meetings.

The Board has sub-committees for Audit, Human Resources and Marketing/Promotions and Sponsorship. The sub-committees met on an informal and as needed basis during the financial year and report to the Board meetings as required.

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 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*.

Directors' report (continued)

Non audit services (continued)

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 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 10.

Signed in accordance with a resolution of the board of directors at Mooroolbark, Victoria on 16 September 2019.



Peter Alan McGowan
Chairman

Auditor's independence declaration



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 Mooroolbark & District Financial Services Limited

As lead auditor for the audit of Mooroolbark & District Financial Services 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.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 16 September 2019

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

Joshua Griffin
Lead Auditor

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	1,240,194	1,294,338
Employee benefits expense		(669,953)	(655,118)
Charitable donations, sponsorship, advertising and promotion		(185,773)	(179,758)
Occupancy and associated costs		(85,704)	(87,934)
Systems costs		(20,565)	(20,529)
Depreciation and amortisation expense	5	(32,248)	(32,532)
Finance costs	5	(2,136)	(21)
General administration expenses		(146,901)	(123,138)
Profit before income tax expense		96,914	195,308
Income tax expense	6	(27,453)	(53,710)
Profit after income tax expense		69,461	141,598
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		69,461	141,598
Earnings per share		¢	¢
Basic earnings per share	22	11.04	22.50

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	1,393,986	1,347,926
Trade and other receivables	8	107,049	115,074
Total current assets		1,501,035	1,463,000
Non-current assets			
Property, plant and equipment	9	465,012	484,506
Intangible assets	10	31,895	43,449
Deferred tax asset	11	31,731	26,237
Total non-current assets		528,638	554,192
Total assets		2,029,673	2,017,192
LIABILITIES			
Current liabilities			
Current tax liabilities	11	25,351	45,376
Trade and other payables	12	52,303	34,712
Borrowings	13	5,654	3,808
Provisions	14	116,547	105,308
Total current liabilities		199,855	189,204
Non-current liabilities			
Trade and other payables	12	12,513	25,026
Borrowings	13	10,042	15,696
Provisions	14	24,946	24,073
Total non-current liabilities		47,501	64,795
Total liabilities		247,356	253,999
Net assets		1,782,317	1,763,193
EQUITY			
Issued capital	15	629,209	629,209
Retained earnings	16	1,153,108	1,133,984
Total equity		1,782,317	1,763,193

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2017		629,209	1,042,723	1,671,932
Total comprehensive income for the year		-	141,598	141,598
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(50,337)	(50,337)
Balance at 30 June 2018		629,209	1,133,984	1,763,193
Balance at 1 July 2018		629,209	1,133,984	1,763,193
Total comprehensive income for the year		-	69,461	69,461
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(50,337)	(50,337)
Balance at 30 June 2019		629,209	1,153,108	1,782,317

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		1,343,544	1,352,453
Payments to suppliers and employees		(1,202,422)	(1,154,838)
Interest received		26,766	26,177
Interest paid		(2,136)	(21)
Income taxes (paid)/refunded		(52,972)	16,945
Net cash provided by operating activities	17	112,780	240,716
Cash flows from investing activities			
Payments for property, plant and equipment		(1,200)	(2,241)
Payments for intangible assets		(11,375)	(1,008)
Net cash used in investing activities		(12,575)	(3,249)
Cash flows from financing activities			
Repayment of borrowings		(3,808)	(5,891)
Dividends paid	21	(50,337)	(50,337)
Net cash used in financing activities		(54,145)	(56,228)
Net increase in cash held		46,060	181,239
Cash and cash equivalents at the beginning of the financial year		1,347,926	1,166,687
Cash and cash equivalents at the end of the financial year	7(a)	1,393,986	1,347,926

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.

Compliance with IFRS

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

Critical accounting estimates

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.

Historical cost convention

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.

Comparative figures

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

Application of new and amended accounting standards

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (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 \$574,867.

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 Mooroolbark, 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.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

For those products and services on which margin is paid, 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.

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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.

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 unpaid (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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

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

- buildings 40 years
- leasehold improvements 5 - 15 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 years
- motor vehicle 3 - 5 years

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

Recognition and initial measurement

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.

Classification and subsequent measurement

(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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

(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 principal amount outstanding on specified dates.

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 principal 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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 or 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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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.

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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

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.

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%.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(vi) Capital management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the 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

Expected credit loss assessment for other customers (continued)

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.

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.

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	1,023,141	1,084,966
- services commissions	86,970	72,897
- fee income	67,561	73,718
- market development fund	10,000	10,000
Total revenue from operating activities	1,187,672	1,241,581
Non-operating activities:		
- interest received	22,392	29,884
- rental revenue	22,798	22,689
- profit on sale of motor vehicle	-	184
- other revenue	7,332	-
Total revenue from non-operating activities	52,522	52,757
Total revenues from ordinary activities	1,240,194	1,294,338

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	947	576
- buildings	2,884	2,884
- leasehold improvements	1,937	1,937
- furniture and fittings	4,982	5,637
- motor vehicles	9,944	9,944

Amortisation of non-current assets:

- franchise agreement	2,311	2,311
- franchise renewal fee	9,243	9,243
	32,248	32,532

Finance costs:

- interest paid	2,136	21
Bad debts	526	1,202

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 6. Income tax expense		
The components of tax expense comprise:		
- Current tax	32,946	52,830
- Movement in deferred tax	(5,493)	880
	27,453	53,710
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	96,914	195,308
Prima facie tax on loss from ordinary activities at 27.5% (2018: 27.5%)	26,651	53,710
Add tax effect of:		
- timing difference expenses	802	(880)
- other deductible expenses	5,493	-
	32,946	52,830
Movement in deferred tax	(5,493)	880
	27,453	53,710

Note 7. Cash and cash equivalents

Cash at bank and on hand	43,673	74,060
Term deposits	1,350,313	1,273,866
	1,393,986	1,347,926

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	43,673	74,060
Term deposits	1,350,313	1,273,866
	1,393,986	1,347,926

Note 8. Trade and other receivables

Trade receivables	83,712	87,363
Prepayments	12,947	12,947
Other receivables and accruals	10,390	14,764
	107,049	115,074

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 9. Property, plant and equipment		
Land and buildings		
Freehold land		
At cost	296,657	296,657
Buildings		
At cost	115,366	115,366
Less accumulated depreciation	(12,824)	(9,940)
	102,542	105,426
Leasehold improvements		
At cost	213,540	213,540
Less accumulated depreciation	(178,968)	(177,031)
	34,572	36,509
Plant and equipment		
At cost	46,531	46,531
Less accumulated depreciation	(44,431)	(43,484)
	2,100	3,047
Motor vehicles		
At cost	39,776	39,776
Less accumulated depreciation	(26,073)	(16,129)
	13,703	23,647
Furniture and fittings		
At cost	52,604	51,404
Less accumulated depreciation	(37,166)	(32,184)
	15,438	19,220
Total written down amount	465,012	484,506
Movements in carrying amounts:		
Land		
At carrying amount	296,657	296,657
Buildings		
Carrying amount at beginning	105,426	108,310
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,884)	(2,884)
Carrying amount at end	102,542	105,426

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 9. Property, plant and equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	36,509	38,446
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,937)	(1,937)
Carrying amount at end	34,572	36,509
Plant and equipment		
Carrying amount at beginning	3,047	1,382
Additions	-	2,241
Disposals	-	-
Less: depreciation expense	(947)	(576)
Carrying amount at end	2,100	3,047
Motor vehicles		
Carrying amount at beginning	23,648	33,592
Additions	-	-
Disposals	-	-
Less: depreciation expense	(9,944)	(9,944)
Carrying amount at end	13,704	23,648
Furniture and fittings		
Carrying amount at beginning	19,219	24,856
Additions	1,200	-
Disposals	-	-
Less: depreciation expense	(4,982)	(5,637)
Carrying amount at end	15,437	19,219
Total written down amount	465,012	484,506

Note 10. Intangible assets

Franchise fee		
At cost	122,746	122,746
Less: accumulated amortisation	(116,364)	(114,053)
	6,382	8,693

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 10. Intangible assets (continued)		
Renewal processing fee		
At cost	90,983	90,983
Less: accumulated amortisation	(65,470)	(56,227)
	25,513	34,756
Total written down amount	31,895	43,449

Note 11. Tax

Current:

Income tax payable	25,351	45,376
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Non-Current:

Deferred tax assets		
- accruals	1,073	1,073
- employee provisions	38,910	35,580
	39,983	36,653
Deferred tax liability		
- accruals	2,857	4,061
- property, plant and equipment	5,395	6,355
	8,252	10,416
Net deferred tax asset	31,731	26,237
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(5,494)	880

Note 12. Trade and other payables

Current:

Trade creditors	16,833	1,076
Other creditors and accruals	35,470	33,636
	52,303	34,712

Non Current:

Other creditors and accruals	12,513	25,026
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Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 13. Borrowings		
Current:		
Chattel mortgage	5,654	3,808
Non Current:		
Chattel mortgage	10,042	15,696

The company entered into a chattel mortgage with the final installment due in November 2020. Interest is recognised at an implicit rate of 4.79%. The Loan is secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:		
Provision for annual leave	59,607	57,003
Provision for long service leave	56,940	48,305
	116,547	105,308
Non-Current:		
Provision for long service leave	24,946	24,073

Note 15. Issued capital

629,209 ordinary shares fully paid (2018: 629,209)	629,209	629,209
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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).

Notes to the financial statements (continued)

Note 15. Issued capital (continued)

Rights attached to shares (continued)

(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 389. As at the date of this report, the company had 394 shareholders.

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

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

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

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not, as a result the base number clause does not operate whilst the company remains listed on the NSX.

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 16. Retained earnings		
Balance at the beginning of the financial year	1,133,984	1,042,723
Net profit from ordinary activities after income tax	69,461	141,598
Dividends provided for or paid	(50,337)	(50,337)
Balance at the end of the financial year	1,153,108	1,133,984

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 17. Statement of cash flows		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	69,461	141,598
Non cash items:		
- depreciation	20,694	20,978
- amortisation	11,554	11,554
Changes in assets and liabilities:		
- (increase)/decrease in receivables	8,025	1,753
- (increase)/decrease in other assets	(5,494)	25,279
- increase/(decrease) in payables	16,453	(9,101)
- increase/(decrease) in provisions	12,112	3,279
- increase/(decrease) in tax liabilities	(20,025)	45,376
Net cash flows provided by operating activities	112,780	240,716

Note 18. Leases

Finance lease commitments

Payable - minimum lease payments:

- not later than 12 months	6,320	5,991
- between 12 months and 5 years	10,671	16,562
Minimum lease payments	16,991	22,553
Less future finance charges	(1,295)	(3,049)
Present value of minimum lease payments	15,696	19,504

The finance lease is chattel mortgage for a Mazda CX-5. The contract is held with Bendigo & Adelaide Bank Limited and is a four year lease with 48 equal monthly repayments and a final balloon payment of \$8,671.27. The final payment is due in November 2020. Interest is recognised at an implicit rate of 4.79%. The chattel mortgage is secured by a fixed and floating charge over the company's assets.

	2019 \$	2018 \$
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	45,088	45,084
- between 12 months and 5 years	78,903	56,355
	123,991	101,439

Notes to the financial statements (continued)

Note 18. Leases (continued)

The operating lease is a non-cancellable lease with a ten-year term, with rent payable monthly in advance. Lease was entered into 1 April 2012 and has a further 10 year option to extend the lease.

	2019 \$	2018 \$
--	------------	------------

Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	5,700	5,500
- share registry services	4,244	5,183
- non audit services	4,120	2,930
	14,064	13,613

Note 20. Director and related party disclosures

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

Peter Alan McGowan
Richard Kim Nicholas
Terence John Avery
David Lynton Wright
Richard Leigh Higgins
Anthony Michael Wright
Carolyn Anne Geyer (Appointed 26 September 2018)
Gregory Brian Green (Appointed 3 May 2019)
Peter Paul Verhoef (Resigned 3 May 2019)
Joan Lesley Drew (Resigned 12 November 2018)

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.

	2019 \$	2018 \$
--	------------	------------

Transactions with Key Management Personnel:

Mooroolbark & District FSL used the accounting services offered by Joan L Drew during the financial year.	-	2,074
Mooroolbark & District FSL sub leases a board room and offices from Coulter Nicholas Pty Ltd a company Richard Nicholas has a majority shareholding in at \$500pm + GST. Total \$6,600.00 per annum.	6,600	6,600

Notes to the financial statements (continued)

Note 20. Director and related party disclosures (continued)

Directors' Shareholdings	2019	2018
Peter Alan McGowan	1,001	1,001
Richard Kim Nicholas	500	500
Terence John Avery	-	-
David Lynton Wright	-	-
Richard Leigh Higgins	-	-
Anthony Michael Wright	-	-
Carolyn Anne Geyer (Appointed 26 September 2018)	11,000	-
Gregory Brian Green (Appointed 3 May 2019)	1,000	-
Peter Paul Verhoef (Resigned 3 May 2019)	2,000	2,000
Joan Lesley Drew (Resigned 12 November 2018)	2,051	2,051

	2019 \$	2018 \$
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Note 21. Dividends paid or provided

a. Dividends provided for or paid

Current year dividend		
100% (2018: 100%) franked dividend - 8 cents (2018: 8 cents) per share	50,337	50,337
The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).		

b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	545,785	511,905
- franking credits that will arise from payment of income tax as at the end of the financial year	25,351	45,376
- 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:	571,136	557,281
- 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	571,136	557,281

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 22. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	69,461	141,598
<hr/>		
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	629,209	629,209

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

The entity has one contingent liability at the end of the financial year. They have agreed to sponsor Mooroolbark Fire Brigade up to \$15,000 per year for 5 years starting the year ended 2016, depending on how much the Fire Brigade raises themselves each year. The maximum liability over the 5 years is \$75,000, and the maximum liability for the next financial year is \$15,000.

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank** services in Mooroolbark, Victoria 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

Geyer Accountants Shop 4B
476 Dorset Road
Croydon South VIC 3136

Principal Place of Business

Shop 19 Mooroolbark Shop Centre
66-74 Brice Avenue
Mooroolbark VIC 3138

Notes to the financial statements (continued)

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.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 %	2018 %
Financial assets												
Cash and cash equivalents	43,673	74,060	1,350,313	1,273,866	-	-	-	-	-	-	2.48	2.33
Receivables	-	-	-	-	-	-	-	-	83,712	87,363	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	5,654	3,808	10,042	15,696	-	-	-	-	0.09	0.09
Payables	-	-	-	-	-	-	-	-	16,833	1,076	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.

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.

Notes to the financial statements (continued)

Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

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%	13,783	13,284
Decrease in interest rate by 1%	(13,783)	(13,284)
Change in equity		
Increase in interest rate by 1%	13,783	13,284
Decrease in interest rate by 1%	(13,783)	(13,284)

Directors' declaration

In accordance with a resolution of the directors of Mooroolbark & District Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 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.



Peter Alan McGowan
Chairman

Signed on the 16th of September 2019.

Independent audit report



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 Mooroolbark & District Financial Services Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Mooroolbark & District Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

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

What we have audited

Mooroolbark & District Financial Services 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: 16 September 2019



Joshua Griffin
Lead Auditor

Mooroolbark **Community Bank** Branch
Shop 19, Mooroolbark Terrace,
66-74 Brice Avenue, Mooroolbark VIC 3138
Phone: (03) 9726 5388 Fax: (03) 9726 7388

Franchisee: Mooroolbark & District Financial Services Limited
PO Box 360, Mooroolbark VIC 3138
ABN: 45 098 234 354

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