Murrimboola Financial Services Limited

ABN 12 118 357 467

2019 Annual Report

Harden Murrumburrah **Community Bank** Branch
Grenfell Agency

Contents

Chairman’s report

For year ending 30 June 2019

As this is written the only constant in our lives has been the lack of rain slowly turning a severe drought into one equalling the ‘millennium drought’.

In our bank, however, there have been significant changes. Lisa Dean is now closing on a year as Branch Manager. She has been swept up in these changes making her position challenging and rewarding.

We are now part of Canberra Region 233, as Wagga Wagga Region 236 has been split due to branches opening and new agencies developing. At the time of preparing this report, Regional Management positions are being filled with Acting Managers; by the AGM there will be a new management hierarchy in place.

Alice Adelaide Cantrell was born in May meaning Caron has taken maternity leave and, along with staff long service leave requirements, it has taken some juggling for the branch to retain its regular opening hours. The Board shares my appreciation of the effort Lisa and the team have devoted to the bank over the past year.

I express a sadness which the Board also feels at the departure of Kellie Forsyth from our ranks. Her attention to detail and the energy she devoted to our marketing and sponsorship has set the bar very high.

The staff and Board gathered in July to both farewell Kellie and appoint both Cathy Sanderson and Geoff Buckland as ambassadors for the bank in recognition of their years of service.

I commend to you the financial information contained in this report. We are in a healthy position, having paid out our mortgage which means shareholders wholly own the building in which we operate.

We have reduced our overdraft yet again in line with Bendigo and Adelaide Bank Limited’s request to reflect our current requirements. We have also increased sponsorship to the communities of both Grenfell and Harden-Murrumburrah and increased the last dividend paid in January 2019.

Hugh Pavitt
Chair

Manager's report

For year ending 30 June 2019

It's true that once a Harden Murrumburrah **Community Bank** Branch customer, always a Harden Murrumburrah **Community Bank** Branch customer. We value each and every one of our customers who entrusts us with their banking.

The move to digital banking is exciting and Bendigo and Adelaide Bank Limited has committed to making this a priority. We are already ahead when it comes to our online offerings. For those customers who don't want to step into a traditional bank branch, that's great news and we're looking forward to the advances in this area by Bendigo and Adelaide Bank Limited. As you aware we have installed a new digital TV recently in the branch facing the street for all to see our great deals on offer and community notices.

For those people who want to continue the tradition of coming into the branch – we're not going anywhere. We're committed to helping you over the counter with all your banking needs.

We remain focused on delivering exceptional customer services and we are very positive of maintaining the momentum for a successful 2019/20. I encourage our shareholders to come and discuss their banking needs and to better understand when you support your local **Community Bank** branch you are supporting your local community.

With every new customer and account opening, more is available to be paid back to the community and in dividends back to our shareholders.

Please continue to support your local **Community Bank** branch and tell your family, friends and colleagues about how they can be part of something bigger, simply by banking with us.

I look forward to the year ahead, able to grow our ongoing support to our local community. I would like to thank all our customers, shareholders, staff and board for welcoming me to their local community and continued support the coming year.

Kind regards,

Lisa Dean
Branch Manager

Directors' report

For the financial year ended 30 June 2019

The Directors present their report on Murrimboola Financial Services Limited for the financial year ended 30 June 2019.

Information on Directors

The names, qualifications, experience and special responsibilities of each person who has been a Director during the year and to the date of this report are:

Hugh Pavitt	Chairman
Experience	10 years as a Director, 7 years as Chairman
Special responsibilities	Chairman Duties
John McFadyen	Deputy Chairman
Experience	4 years as a Director
Special responsibilities	Human Resources, Business Development & Collaborative Cluster Committees
Evelyn Shea	Secretary
Experience	10 years as a Director, 3 years as Corporate Secretary
Special responsibilities	Human Resources, Governance & Audit Committees
Susan McCarthy	Treasurer
Experience	12 years as a Director and Treasurer
Special responsibilities	Governance & Audit, Budget & Finance, Events & Newsletter, Marketing & Sponsorship Committees
Geoffrey Orchison	Director
Experience	3 years as a Director
Special responsibilities	Business Development, Events & Newsletter, Marketing & Sponsorship Committees
Kellie Forsyth	Director
Experience	3 years as a Director (Resigned: 25 June 2019)
Special responsibilities	Events & Newsletter, Marketing & Sponsorship Committees
Michael Bickford	Director
Experience	2 years as a Director
Special responsibilities	Marketing & Sponsorship, Property, Budget & Finance Committees
Janice Ryan	Director
Experience	2 years as a Director
Special responsibilities	Business & Development, Governance & Audit, Budget & Finance Committees
Gregory Sanderson	Director
Experience	1 year as a Director
Special responsibilities	Governance & Audit, People & Culture Committees

Information on Directors

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal activity

The principal activity of Murrimboola Financial Services Limited during the financial year was providing community bank services under management rights to operate a franchised branch of the Bendigo and Adelaide Bank Limited.

No significant changes in the nature of the Company's activity occurred during the financial year.

Operating results

The profit of the Company after providing for income tax amounted to $100,599 (2018: $153,222).

Review of operations

A review of the operations of the Company during the financial year identified the following:

- Employee benefits were equivalent to 44% of revenue (2018: 43%);
- As at 30 June 2019, current assets exceeded current liabilities by $200,934 (2018: $40,629);
- Revenue increased by $8,384 (2018: $125,126); and
- The profit before income tax remained relatively consisent to 2018.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Company during the year.

Matters or circumstances arising after the end of the year

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Future developments and results

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Dividends paid or recommended

An unfranked dividend of $ 34,405 ($0.05 per share) was paid to shareholders in January 2019 as recommended by the Board in the half-year ended 31 December 2018 financial report.

Meetings of Directors

During the financial year, 12 meetings of Directors were held. Attendances by each Director during the year were as follows:

	Number eligible to attend	Number attended
Hugh Pavitt	12	11
John McFadyen	12	11
Evelyn Shea	12	12
Susan McCarthy	12	12
Geoffrey Orchison	12	11
Kellie Forsyth	11	9
Michael Bickford	12	10
Janice Ryan	12	8
Gregory Sanderson	12	8

Indemnification

The Company has paid premiums to insure the Directors against liabilities for cost and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2019 has been received and can be found on page 7 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: .... Director: ....

Hugh Pavitt Susan McCarthy

Dated: 27 September 2019

Auditor's independence declaration

National Audits Group
Authorised Audit Company No: 325055

MURRIMBOOLA FINANCIAL SERVICES LIMITED
ABN: 12 118 357 467

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2019

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2019, there have been:

(i) no contraventions of the auditor independence requirements as set out in 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.

National Audits Group Pty Ltd
Authorised Audit Company

Steven J Watson
Managing Director

Dated: 27 September 2019

Wagga Wagga

10/32-36 Martin Place SYDNEY NSW 2000 | PO Box Q188 QVB SYDNEY NSW 1230 | 1/185 Morgan Street WAGGA WAGGA NSW 2650 | PO Box 5545 WAGGA WAGGA NSW 2650 | T: 1300 734 707 E: info@audits.com.au

ADELAIDE | BRISBANE | CANBERRA | GOLD COAST | MELBOURNE | NEWCASTLE | SYDNEY | WAGGA WAGGA www.audits.com.au

Financial statements

MURRIMBOOLA FINANCIAL SERVICES LIMITED

ABN: 12 118 357 467

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
Revenue	5	848,716	840,332
Agent commission		(73,015)	(57,556)
Amortisation		(15,076)	(15,076)
Auditor's remuneration	6	(9,250)	(8,500)
Bank charges		(410)	(142)
Depreciation		(4,475)	(5,940)
Donations and sponsorships		(30,056)	(24,664)
Employee expenses		(375,358)	(363,808)
Finance expenses		(668)	(872)
Freight, cartage and delivery		(9,972)	(11,217)
Insurance		(15,833)	(16,060)
Interest expense		(3,225)	(4,193)
IT expenses		(20,520)	(20,101)
Land and water rates		(2,637)	(3,830)
Other expenses		(71,713)	(69,833)
Postage, printing and stationery		(13,157)	(17,642)
Repairs and maintenance		(6,804)	(17,860)
Telephone and internet		(5,922)	(6,231)
Utilities		(8,300)	(6,957)
Profit before income tax		182,325	189,850
Income tax expense	3(a), 7	(81,726)	(36,628)
Profit for the year		100,599	153,222
Other comprehensive income		-	-
Total comprehensive income for the year		100,599	153,222
Earnings per share (EPS)		$0.15	$0.22

The Company has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations.

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement.

The accompanying notes form part of these financial statements.

MURRIMBOOLA FINANCIAL SERVICES LIMITED

ABN: 12 118 357 467

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	264,265	172,243
Trade and other receivables	9	73,909	77,140
Other assets	10	6,746	6,420
TOTAL CURRENT ASSETS		344,920	255,803
NON-CURRENT ASSETS			
Intangible assets	11	30,153	45,229
Property, plant and equipment	12	116,585	109,082
Deferred tax assets		72,328	154,054
TOTAL NON-CURRENT ASSETS		219,066	308,365
TOTAL ASSETS		563,986	564,168
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	98,624	115,797
Borrowings	14	-	60,580
Employee benefits	15	45,362	38,797
TOTAL CURRENT LIABILITIES		143,986	215,174
NON-CURRENT LIABILITIES			
Employee benefits	15	7,052	2,240
TOTAL NON-CURRENT LIABILITIES		7,052	2,240
TOTAL LIABILITIES		151,038	217,414
NET ASSETS		412,948	346,754
EQUITY			
Issued capital	16	688,108	688,108
Accumulated losses		(275,160)	(341,354)
TOTAL EQUITY		412,948	346,754

The Company has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations.

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement.

The accompanying notes form part of these financial statements.

MURRIMBOOLA FINANCIAL SERVICES LIMITED

ABN: 12 118 357 467

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	2019 $	2018 $
ACCUMULATED LOSSES		
Accumulated losses at the beginning of the year	(341,354)	(467,052)
Profit for the year	100,599	153,222
Ordinary dividends paid during the year	(34,405)	(27,524)
Accumulated losses at the end of the year	(275,160)	(341,354)
ISSUED CAPITAL		
Issued capital at the beginning of the year	688,108	688,108
Net movement in issued capital during the year	-	-
Issued capital at the end of the year	688,108	688,108
TOTAL EQUITY	412,948	346,754

The Company has initially applied AASB 15 using the cumulative effect method and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118 and related interpretations.

The Company has not restated comparatives when initially applying AASB 9, the comparative information has been prepared under AASB 139 Financial Instruments: Recognition and Measurement.

The accompanying notes form part of these financial statements.

MURRIMBOOLA FINANCIAL SERVICES LIMITED

ABN: 12 118 357 467

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		933,775	867,656
Payments to suppliers and employees		(731,565)	(672,445)
Interest paid		(3,225)	(4,193)
Net cash provided by operating activities	17	198,985	191,018
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(11,978)	-
Net cash used in investing activities		(11,978)	-
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(60,580)	(4,909)
Dividends paid to shareholders		(34,405)	(27,524)
Net cash used in financing activities		(94,985)	(32,433)
Net increase in cash and cash equivalents held		92,022	158,585
Cash and cash equivalents at beginning of year		172,243	13,658
Cash and cash equivalents at end of financial year	8	264,265	172,243

The accompanying notes form part of these financial statements.

Notes to the financial statements

The financial report covers Murrimboola Financial Services Limited as an individual entity. Murrimboola Financial Services Limited is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The functional and presentation currency of Murrimboola Financial Services Limited is Australian dollars ($AUD) and the amounts presented have been rounded to the nearest dollar.

The financial report was authorised for issue by the Directors on 27 September 2019.

1 BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

These financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical costs.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 CHANGE IN ACCOUNTING POLICY

FINANCIAL INSTRUMENTS - ADOPTION OF AASB 9

The Company has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2017.

As part of the adoption of AASB 9, the Company adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. In the comparative year, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, this disclosures have been provided for the current year.

The key changes to the Company's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except the Company has not restated any amounts relating to classification and measurement requirements including impairment which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of the Company have been reclassified on adoption of AASB 9 based on primarily the business model in which a financial asset is managed and its contractual cash flow characteristics, being measured at amortised cost.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost, contract assets and fair value through other comprehensive income. This has resulted in the earlier recognition of credit loss (bad debt provisions).

2 CHANGE IN ACCOUNTING POLICY

REVENUE FROM CONTRACTS WITH CUSTOMERS - ADOPTION OF AASB 15

The Company has adopted AASB 15 *Revenue from Contracts with Customers* for the first time in the current year with a date of initial application of 1 July 2018.

The Company has applied AASB 15 using the cumulative effect method which means the comparative information has not been restated and continues to be reported under AASB 111, AASB 118 and related interpretations. All adjustments on adoption of AASB 15 have been taken to retained earnings at 1 July 2018.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Income Tax

The Company qualifies as a base rate entity and is eligible for the lower tax rate of 27.5%.

The income tax benefit recognised in the statement of profit or loss and other comprehensive income comprises of current income tax plus deferred tax.

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

(b) Revenue and other income

For comparative year

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Company and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

Bendigo and Adelaide Bank Limited is the Australian Financial Services Licence (AFSL) holder which Murrimboola Financial Services Limited operates under. The Company's main source of revenue is generated from the services they provide under the licence in the form of commissions. All revenue is stated net of the amount of goods and services tax (GST) and recognised on accrual basis when the Company is entitled to it.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) Revenue and other income

Revenue from contracts with customers

For current year

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

Specific revenue streams

The Company is a franchise (branch) of Bendigo and Adelaide Bank Limited (the Bank) trading as, Harden Murrumburrah Community Bank of Bendigo Bank. In accordance with the franchise agreement, the Company operates under the Bank's Australian Financial Services Licence (AFSL) and subsequently receives a profit share of the following revenue streams:

- Fee income;
- Gross margin income;
- Market development fund income;
- Trailer product commission; and
- Upfront product commission.

Profit share revenue

The Company receives a net profit share (income and expenses) from the Bank on a monthly basis. The net profit share is contingent on the Company's monthly performance as outlined in the franchise agreement. The net profit share is received within one (1) month from month end and recognised as revenue within the month to which the profit share performance obligations were satisfied, on a gross basis.

Other income

Other income is recognised on an accruals basis when the Company has satisfied its performance obligations.

(c) Goods and services tax (GST)

Revenue, 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 Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Buildings	2.5%
Plant and Equipment	10% - 20%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

(e) Financial instruments

For comparative year

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

Financial assets are categories as loans and receivables which are described in detail below.

Financial assets are assigned to different categories on initial recognition, depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant to the way it is measured and whether any resulting income and expenses are recognised in profit or loss or in other comprehensive income.

All income and expenses relating to financial assets are recognised in the statement of profit or loss and other comprehensive income in the 'finance income' or 'finance costs' line item respectively.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers but also incorporate other types of contractual monetary assets.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss.

The Company's trade and other receivables fall into this category of financial instruments.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Financial instruments

Financial assets

In some circumstances, the Company renegotiates repayment terms with customers which may lead to changes in the timing of the payments, the Company does not necessarily consider the balance to be impaired, however assessment is made on a case-by-case basis.

Financial liabilities

The Company's financial liabilities include borrowings and trade and other payables, which are measured at amortised cost using the effective interest rate method.

Impairment of Financial Assets

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance accounts, all other impairment losses on financial assets at amortised cost are taken directly to the asset.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

For current year

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Company classifies its financial assets as those measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Financial instruments

Financial assets

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial assets has increased significant since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Financial instruments

Financial assets

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables, bank and other loans.

(f) Impairment of non-financial assets

At the end of each reporting period the Directors determine whether there is evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss.

(g) Intangible assets - franchise fees

Franchise fees are initially recognised at cost when acquired. Franchise fees have a finite useful life of five years and are subsequently recognised and measured at cost less accumulated amortisation. Franchise fees are amortised over their useful life of five (5) years.

During the prior year ended 30 June 2017, the Company renewed its franchise fee for a further five year period, which commenced on 1 July 2016.

(h) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank which is readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

Bank overdrafts also form part of cash equivalents for the purpose of the statement of cash flows and are presented within current liabilities on the statement of financial position to the extent they have been utilised at year end.

(i) Employee benefits

A liability is made for the Company's employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(j) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(k) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(m) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time at 30 June 2019, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates. The significant estimates and judgements made have been described below.

Key estimates - impairment of property, plant and equipment

The Company assesses impairment at the end of each reporting period by evaluating conditions 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.

Key estimates - provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best available information at the reporting date.

Key judgments - taxes

Determining income tax provisions involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable revenues being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

		2019	2018
		$	$

5 REVENUE AND OTHER INCOME

	2019 $	2018 $
Profit share revenue	836,353	837,032
Other income	12,363	3,300
	848,716	840,332

6 AUDITOR'S REMUNERATION

	2019 $	2018 $
Remuneration of the auditor National Audits Group Pty Ltd, for the:		
- audit and preparation of the financial statements	9,250	8,500

The auditor's remuneration represents the audit and preparation of financial statements for both half-year and full-year engagements.

7 INCOME TAX EXPENSE

	2019 $	2018 $
Income tax expense	81,726	36,628
Reconciliation of income tax to accounting profit:		
Prima facie tax payable from ordinary activities before income tax at 27.5% (2018: 27.5%)	50,139	52,209
Net tax effect of:		
- non-deductible/non-assessable items	3,522	154
Taxable profit at 27.5% (2018: 27.5%)	53,661	52,363
Net tax effect of:		
- temporary differences	(28,065)	15,735
Income tax expense	81,726	36,628
Movement in carried forward tax losses		
Carried forward tax losses at the beginning of the year	(398,652)	(589,063)
Taxable income for the year	195,134	190,411
Carried forward tax losses at the end of the year	(203,518)	(398,652)

	2019 $	2018 $
8 CASH AND CASH EQUIVALENTS		
CURRENT		
Cash at bank	264,265	172,243

Bendigo and Adelaide Bank Limited have approved a bank overdraft limit of $250,000. This amount was not exceeded during the year.

9 TRADE AND OTHER RECEIVABLES

	2019 $	2018 $
CURRENT		
Trade debtors	73,909	77,140

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

10 OTHER ASSETS

	2019 $	2018 $
CURRENT		
Prepayments	6,746	6,420

11 INTANGIBLE ASSETS

	2019 $	2018 $
NON-CURRENT		
Franchise fee		
At cost	75,381	75,381
Accumulated amortisation	(45,228)	(30,152)
	30,153	45,229

	2019	2018
	$	$
12 PROPERTY, PLANT AND EQUIPMENT		
NON-CURRENT		
Freehold land		
At cost	30,000	30,000
Buildings		
At cost	332,635	323,635
Accumulated depreciation	(248,757)	(245,498)
	83,878	78,137
Plant and equipment		
At cost	34,449	31,471
Accumulated depreciation	(31,742)	(30,526)
	2,707	945
Total property, plant and equipment	116,585	109,082

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land	Buildings	Plant and Equipment	Total
	$	$	$	$
Year ended 30 June 2019				
Balance at the beginning of year	30,000	78,137	945	109,082
Additions	-	9,000	2,978	11,978
Depreciation expense	-	(3,259)	(1,216)	(4,475)
Balance at the end of the year	30,000	83,878	2,707	116,585
Year ended 30 June 2018				
Balance at the beginning of year	30,000	80,845	4,177	115,022
Depreciation expense	-	(2,708)	(3,232)	(5,940)
Balance at the end of the year	30,000	78,137	945	109,082

	2019 $	2018 $
13 TRADE AND OTHER PAYABLES		
CURRENT		
Trade payables	41,488	44,377
Franchise fee payable	45,229	60,305
Other payables	11,907	11,115
	98,624	115,797

All amounts are short term and the carrying values are considered to be a reasonable approximation of fair value.

	2019 $	2018 $
14 BORROWINGS		
CURRENT		
Bendigo mortgage loan	-	60,580
	-	60,580

The Bendigo mortgage loan was a building loan secured by the following mortgages:

- Registered all Monies Mortgage over the property known as 23 Neill Street Harden NSW 2587 in the name of Murrimboola Financial Services Limited, being the whole of the land described in Folio Identifier 1/554340 and Folio Identifier 2/736833; and
- Registered First Company Debenture Mortgage from Murrimboola Financial Services Limited in its own right and as Trustee for any Trust of which it acts as Trustee to secure the facilities.

	2019	2018
	$	$

15 EMPLOYEE BENEFITS

	2019 $	2018 $
CURRENT		
Annual leave	17,942	15,147
Long service leave	27,420	23,650
	45,362	38,797
NON-CURRENT		
Long service leave	7,052	2,240

16 ISSUED CAPITAL

	2019 $	2018 $
	688,108	688,108

Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

17 CASH FLOW INFORMATION

Reconciliation of result for the year to net cash provided by operating activities:

	2019 $	2018 $
Profit for the year	100,599	153,222
Non-cash flows in profit:		
- amortisation	15,076	15,076
- depreciation	4,475	5,940
- Other non-cash items	-	273
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	3,231	(9,304)
- (increase)/decrease in prepayments	(326)	(4,756)
- (increase)/decrease in deferred tax asset	81,726	36,628
- increase/(decrease) in trade and other payables	(17,173)	(8,061)
- increase/(decrease) in employee benefits	11,377	2,000
Cashflows provided by operating activities	198,985	191,018

18 RELATED PARTIES

Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity are considered key management personnel. Key management personnel of the Company during the year were as follows:

- Hugh Pavitt (Chairman)
- John McFadyen (Deputy Chairman)
- Evelyn Shea (Company Secretary)
- Susan McCarthy (Treasurer)
- Geoffrey Orchison (Director)
- Michael Bickford (Director)
- Janice Ryan (Director)
- Gregory Sanderson (Director)
- Kellie Forsyth (Director, resigned: June 2019)
- Lisa Dean (Branch Manager, appointed: November 2018)

For details of remuneration disclosures relating to key management personnel, refer to Note 19: Key Management Remuneration. Other transactions with KMP and their related entities are shown below.

Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(a) Transactions with related parties

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

19 KEY MANAGEMENT REMUNERATION

The total remuneration paid to key management personnel of the Company during the year was $93,075 (2018: $74,559).

20 CONTINGENCIES

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2019 (30 June 2018: None).

21 CAPITAL COMMITMENTS

In the opinion of the Directors, the Company did not enter into any significant capital commitments before or since the end of the financial year.

22 EVENTS OCCURRING AFTER THE REPORTING DATE

The financial report was authorised for issue on 27 September 2019 by the Board of Directors.

No matters or circumstances have arisen since the end of the financial year which 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 financial years.

23 COMPANY DETAILS

The registered office and principal place of business of the Company is:

Murrimboola Financial Services Limited
23 Neill Street
HARDEN NSW 2587

Directors' declaration

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 26, are in accordance with the *Corporations Act 2001* and:

    a. comply with Australian Accounting Standards and the *Corporations Regulations 2001*; and

    b. give a true and fair view of the financial position as at 30 June 2019 and of the performance of the Company for the year then ended.

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.

Director	Director ....
Hugh Pavitt	Susan McCarthy

Dated: 27 September 2019

Independent audit report

National Audits Group
Authorised Audit Company No: 325055

MURRIMBOOLA FINANCIAL SERVICES LIMITED
ABN: 12 118 357 467

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Murrimboola Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company 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 then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

Other Information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report is included in the annual report, (but does not include the financial report and our auditor's report thereon).

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

In connection with our audit of the financial report, our responsibility is to read the other information 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, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

10/32-36 Martin Place SYDNEY NSW 2000 | PO Box Q188 QVB SYDNEY NSW 1230 | 1/185 Morgan Street WAGGA WAGGA NSW 2650 | PO Box 5545 WAGGA WAGGA NSW 2650 | T: 1300 734 707 E: info@audits.com.au

ADELAIDE | BRISBANE | CANBERRA | GOLD COAST | MELBOURNE | NEWCASTLE | SYDNEY | WAGGA WAGGA www.audits.com.au

National Audits Group
Authorised Audit Company No: 325055

MURRIMBOOLA FINANCIAL SERVICES LIMITED

ABN: 12 118 357 467

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Responsibilities of Directors for the Financial Report

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

In preparing the financial report, the Directors are responsible for assessing the 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 to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an independent 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 Australian Auditing Standards will always detect a material misstatement when it exists.

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

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

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

10/32-36 Martin Place SYDNEY NSW 2000 | PO Box Q188 QVB SYDNEY NSW 1230 | 1/185 Morgan Street WAGGA WAGGA NSW 2650 | PO Box 5545 WAGGA WAGGA NSW 2650 | T: 1300 734 707 E: info@audits.com.au

ADELAIDE | BRISBANE | CANBERRA | GOLD COAST | MELBOURNE | NEWCASTLE | SYDNEY | WAGGA WAGGA www.audits.com.au

National Audits Group
Authorised Audit Company No: 325055

MURRIMBOOLA FINANCIAL SERVICES LIMITED

ABN: 12 118 357 467

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2019

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

National Audits Group Pty Ltd
Authorised Audit Company

Steven J Watson
Managing Director

Dated: 27 September 2019

Wagga Wagga

10/32-36 Martin Place SYDNEY NSW 2000 | PO Box Q188 QVB SYDNEY NSW 1230 | 1/185 Morgan Street WAGGA WAGGA NSW 2650 | PO Box 5545 WAGGA WAGGA NSW 2650 | T: 1300 734 707 E: info@audits.com.au

ADELAIDE | BRISBANE | CANBERRA | GOLD COAST | MELBOURNE | NEWCASTLE | SYDNEY | WAGGA WAGGA www.audits.com.au

Harden Murrumburrah **Community Bank** Branch
23 Neill Street, Harden NSW 2587
Phone: (02) 6386 5083 Fax: (02) 6386 5110

Grenfell Agency
Aston & Joyce, 124 Main Street, Grenfell NSW 2810
Phone: (02) 6343 1500

Franchisee: Murrimboola Financial Services Limited
23 Neill Street, Harden NSW 2587
Phone: (02) 6386 5083 Fax: (02) 6386 5110
ABN: 12 118 357 467

www.bendigobank.com.au/harden_murrumburrah

(BNPAR19039) (10/19)

Bendigo Bank
Bigger than a bank.

bendigobank.com.au