

# Annual Report 2020

Murrumboola Financial  
Services Limited

Community Bank  
Harden Murrumburrah and Grenfell

ABN 12 118 357 467



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# Chairman's report

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For year ending 30 June 2020

The final four months of the financial year have presented problems the likes of which none of us have ever seen. Spanish Flu ravaged the world a century ago and we are confronted with a pandemic of similar devastating consequences. Overseas travel has all but stopped. Even crossing state borders has been severely curtailed. Personal health has been scrutinized like never before and daily life, both personal and business, has been thrown challenges that will take years to fully resolve and repair.

The challenges our Bank has faced have been met with such even hands that we are still growing despite all the issues triggered by COVID-19. Interest rates are at such traditionally low levels that people have identified opportunity within our community. Rural land values have continued to climb with compound annual growth figures running at 7.5% across Australia. The COVID-19 transformation of working from home has made areas such as ours an attractive place in which to live and work. In response, our team at the bank have been able to progress these opportunities for customers, and the community is being nourished as it grows.

Our Bank has continued sponsorship support for organisations and events that have not been suspended due to COVID-19. We took the pro-active step of assisting with the Kruger Trust and Rotary an HRDC-administered stimulus package to assist local businesses most severely affected by shutdown and restrictions. Results of this stimulus have been very positive both for the community and our Bank.

Our new Region 233 Manager, Brendan Hendry, who has occupied the position since August, already has shown enthusiasm for what he has seen in our branch, the staff, our premises and our community.

Through careful and hard work, the Bank has delivered a 40% higher profit this past financial year since the 2018/19 financial year while maintaining a dividend for shareholders and continuing our sponsorship in the Harden and Grenfell communities. Please read the financial report for a more comprehensive explanation of the results.



**Hugh Pavitt**  
Chairman

# Manager's report

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For year ending 30 June 2020

It is my pleasure to reflect on the past 12 months of our business achievements. Although the advent of COVID-19 combined with a very competitive market presented many opportunities and challenges, we should be proud of our achievements.

In line with our values and commitment to the local community, it is time to feel good about our Community Bank. Our Community Bank, The Kruger Trust and Rotary assisted the Harden Murrumburrah community along with the Harden Murrumburrah Regional Development Corporation in offering a stimulus package for local businesses in need due to the initial COVID-19 outbreak.

We have been able to be part of a great project that injected much needed funds into our community and have still been able to deliver a strong return to our shareholders.

These abnormal times have been challenging, however with the strength of the Community Bank model and the point of difference that our local branch provides we have been able to maintain a steady position in the last financial year.

We continue to build stronger, deeper relationships with our customers, by always being ready to listen and to have relevant conversations to assist them achieve their financial goals and objectives. With the support and efforts of our shareholders, Directors and staff we continue to make a real difference to our customers and to the local Harden Murrumburrah community.

Our Directors are essential to the ongoing success of our Community Bank branch. They volunteer many hours of their time and energy to provide stability, guidance and leadership to an enterprise that ultimately benefits the whole community. I sincerely thank the Board for their considerable contribution.

The very biggest thanks of all goes to our shareholders and customers for continuing to support and do business with the Community Bank Harden Murrumburrah.

Last but not least, I thank my team Janelle, Sarah, Caron and Gale for your dedication and commitment to ensuring our customers receive the best outcomes every time they visit our branch or contact us.

The year ahead will certainly present many challenges and opportunities for us to continue to build and grow our business in the local Harden Murrumburrah and Grenfell Communities and local districts. It will give us the opportunity to promote the great work that we do in helping our community become an even better place in which to live, work and play. The growth achieved will flow directly back into the community in the form of sponsorship and benefits to the local economy as well as in shareholder returns.

The level of growth is entirely dependent on the level of support from the community. I would encourage all customers, shareholders, Board members and staff to talk about and recommend our Community Bank branch to their family, friends and colleagues. With this continued support I look forward to a prosperous and enjoyable 2020/21.

Kind regards,



**Lisa Dean**  
**Branch Manager**

# Directors' report

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The Directors present their report on Murrumboola Financial Services Limited for the financial year ended 30 June 2020.

## 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	11 years as a Director, 8 years as Chairman
Special responsibilities	Chairman Duties
John McFadyen	Deputy Chairman
Experience	5 years as a Director
Special responsibilities	Human Resources, Business Development & Collaborative Cluster Committees
Evelyn Shea	Secretary
Experience	11 years as a Director, 4 years as Corporate Secretary
Special responsibilities	Human Resources, Governance & Audit Committees
Susan McCarthy	Treasurer
Experience	13 years as a Director and Treasurer
Special responsibilities	Governance & Audit, Budget & Finance, Events & Newsletter, Marketing & Sponsorship Committees
Geoffrey Orchison	Director
Experience	4 years as a Director
Special responsibilities	Business Development, Events & Newsletter, Marketing & Sponsorship Committees
Michael Bickford	Director
Experience	3 years as a Director
Special responsibilities	Marketing & Sponsorship, Property, Budget & Finance Committees
Janice Ryan	Director
Experience	3 years as a Director
Special responsibilities	Business & Development, Governance & Audit, Budget & Finance Committees
Gregory Sanderson	Director
Experience	2 years as a Director
Special responsibilities	Governance & Audit, People & Culture Committees

# Directors' report (continued)

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## Information on Directors

Roselyn Bickford	Director
Experience	Appointed as Director 28 May 2020
Special responsibilities	Assistant Secretary, Governance & Audit Committee

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 Murrumbidgee 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 \$140,298 (2019: \$100,599).

## Review of operations

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

- Employee benefits were equivalent to 46% of revenue (2019: 44%);
- As at 30 June 2020, current assets exceeded current liabilities by \$355,753 (2019: \$200,934);
- Revenue decreased by \$43,225 (2019 increased: \$8,384);
- Cash flow boost received from the Australian Taxation Office as a result of the Coronavirus amounted to \$29,607; and
- The profit before income tax remained consistent to 2019.

## 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 2020 as recommended by the Board in the half-year ended 31 December 2019 financial report.

## Directors' report (continued)

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### 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	10
Susan McCarthy	12	11
Geoffrey Orchison	12	11
Michael Bickford	12	11
Janice Ryan	12	8
Gregory Sanderson	12	10
Roselyn Bickford	6	5

### 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 2020 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:   
Hugh Pavitt

Director:   
Susan McCarthy

Dated 27 August 2020

# Auditor's independence declaration

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## MURRIMBOOLA FINANCIAL SERVICES LIMITED

ABN: 12 118 357 467

### AUDITOR'S INDEPENDENCE DECLARATION

FOR THE YEAR ENDED 30 JUNE 2020

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2020, 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

A handwritten signature in black ink, appearing to read 'DNye', is positioned above the name of the auditor.

Danielle Nye  
Registered Company Auditor

Dated 27 August 2020

Wagga Wagga

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# Financial statements

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
Note	\$	\$
Revenue	805,491	848,716
Other income	37,673	-
	<u>843,164</u>	<u>848,716</u>
<b>Less: Expenses</b>		
Agent commission	73,028	73,015
Amortisation	15,076	15,076
Auditor's remuneration	10,500	9,250
Bank charges	596	410
Depreciation	4,798	4,475
Donations and sponsorships	35,987	30,056
Employee expenses	371,915	375,358
Finance expenses	247	668
Freight, cartage and delivery	8,849	9,972
Insurance	16,563	15,833
Interest expense	-	3,225
IT expenses	21,829	20,520
Land and water rates	3,485	2,637
Other expenses	64,855	71,713
Postage, printing and stationery	12,495	13,157
Repairs and maintenance	7,604	6,804
Telephone and internet	5,267	5,922
Utilities	7,580	8,300
	<u>182,490</u>	<u>182,325</u>
<b>Profit before income tax</b>		
Income tax expense	(42,192)	(81,726)
	<u>140,298</u>	<u>100,599</u>
<b>Profit for the year</b>		
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u>140,298</u>	<u>100,599</u>
Earnings per share (EPS)	\$0.20	\$0.15

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	384,454	264,265
Trade and other receivables	8	72,557	73,909
Prepayments		9,715	6,746
<b>TOTAL CURRENT ASSETS</b>		<u>466,726</u>	<u>344,920</u>
<b>NON-CURRENT ASSETS</b>			
Intangible assets	9	15,077	30,153
Property, plant and equipment	10	127,336	116,585
Deferred tax assets		30,136	72,328
<b>TOTAL NON-CURRENT ASSETS</b>		<u>172,549</u>	<u>219,066</u>
<b>TOTAL ASSETS</b>		<u>639,275</u>	<u>563,986</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	59,619	98,624
Employee benefits	12	51,354	45,362
<b>TOTAL CURRENT LIABILITIES</b>		<u>110,973</u>	<u>143,986</u>
<b>NON-CURRENT LIABILITIES</b>			
Employee benefits	12	9,461	7,052
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>9,461</u>	<u>7,052</u>
<b>TOTAL LIABILITIES</b>		<u>120,434</u>	<u>151,038</u>
<b>NET ASSETS</b>		<u>518,841</u>	<u>412,948</u>
<b>EQUITY</b>			
Issued capital	13	688,108	688,108
Accumulated losses		(169,267)	(275,160)
<b>TOTAL EQUITY</b>		<u>518,841</u>	<u>412,948</u>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
<b>ACCUMULATED LOSSES</b>		
<b>Accumulated losses at the beginning of the year</b>	(275,160)	(341,354)
Profit for the year	140,298	100,599
Ordinary dividends paid during the year	(34,405)	(34,405)
<b>Accumulated losses at the end of the year</b>	<u>(169,267)</u>	<u>(275,160)</u>
<b>ISSUED CAPITAL</b>		
Issued capital at the beginning of the year	688,108	688,108
Net movement in issued capital during the year	-	-
<b>Issued capital at the end of the year</b>	<u>688,108</u>	<u>688,108</u>
<b>TOTAL EQUITY</b>	<u>518,841</u>	<u>412,948</u>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	849,034	933,775
Payments to suppliers and employees	(716,565)	(731,565)
Cash flow boost (COVID-19)	29,607	-
Interest paid	-	(3,225)
<b>Net cash provided by operating activities</b>	<u>162,076</u>	<u>198,985</u>
14		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(7,482)	(11,978)
<b>Net cash used in investing activities</b>	<u>(7,482)</u>	<u>(11,978)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of borrowings	-	(60,580)
Dividends paid to shareholders	(34,405)	(34,405)
<b>Net cash used in financing activities</b>	<u>(34,405)</u>	<u>(94,985)</u>
<b>Net increase in cash and cash equivalents held</b>	120,189	92,022
Cash and cash equivalents at beginning of year	264,265	172,243
<b>Cash and cash equivalents at end of financial year</b>	<u>384,454</u>	<u>264,265</u>
7		

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2020

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

The functional and presentation currency of Murrumboola 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 August 2020.

## 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 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.

# Notes to the financial statements (continued)

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (b) Revenue and other income

#### Revenue from contracts with customers

The core principle of AASB 15 *Revenue from Contracts with Customers* 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 revenue

Other revenue 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.

# Notes to the financial statements (continued)

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## 2 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	5% - 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

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.

# Notes to the financial statements (continued)

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## 2 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.



# Notes to the financial statements (continued)

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## 2 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 comprises trade payables and overdraft facilities when in use.

### (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 (5) 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 year ended 30 June 2017, the Company renewed its franchise fee for a further five year period, which commenced on 1 July 2016. The licence is due to expire during the year ended 30 June 2021.

### (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.

# Notes to the financial statements (continued)

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (i) Employee benefits

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.

### (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 2020, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company.

## 3 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.

## Notes to the financial statements (continued)

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

#### *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.

#### *Key judgements - Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

	2020	2019
	\$	\$
<b>4 REVENUE AND OTHER INCOME</b>		
Revenue from contracts with customers		
- Profit share revenue	789,785	836,353
- Other revenue	15,706	12,363
	<u>805,491</u>	<u>848,716</u>
Other income		
- Cash flow boost (COVID-19)	29,607	-
- Solar panel rebate	8,066	-
<b>Total revenue and other income</b>	<u><u>843,164</u></u>	<u><u>848,716</u></u>

### 5 AUDITOR'S REMUNERATION

Remuneration of the auditor National Audits Group Pty Ltd, for the:

- audit and preparation of the financial statements	10,500	9,250
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The auditor's remuneration represents the audit and preparation of financial statements for both half-year and full-year engagements.

## Notes to the financial statements (continued)

	2020 \$	2019 \$
<b>6 INCOME TAX EXPENSE</b>		
Income tax expense	42,192	81,726
<b>Reconciliation of income tax to accounting profit:</b>		
Prima facie tax payable from ordinary activities before income tax at 27.5% (2019: 27.5%)	50,185	50,139
Net tax effect of:		
- non-deductible/non-assessable items	(4,810)	3,522
Taxable profit at 27.5% (2019: 27.5%)	45,375	53,661
Net tax effect of:		
- temporary differences	3,183	(28,065)
Income tax expense	42,192	81,726
<b>Movement in carried forward tax losses</b>		
Carried forward tax losses at the beginning of the year	(203,518)	(398,652)
Taxable income for the year	165,000	195,134
<b>Carried forward tax losses at the end of the year</b>	<b>(38,518)</b>	<b>(203,518)</b>
<b>7 CASH AND CASH EQUIVALENTS</b>		
CURRENT		
Cash at bank	384,454	264,265

Bendigo and Adelaide Bank Limited have approved a bank overdraft limit of \$100,000 (2019: \$250,000). This amount is secured by a Registered First Mortgage Debenture and was not exceeded during the year.

## Notes to the financial statements (continued)

	2020	2019
	\$	\$
<b>8 TRADE AND OTHER RECEIVABLES</b>		
CURRENT		
Profit share receivable	65,686	73,909
ATO receivable	6,871	-
	<u>72,557</u>	<u>73,909</u>
<b>9 INTANGIBLE ASSETS</b>		
NON-CURRENT		
Franchise fee		
At cost	75,381	75,381
Accumulated amortisation	(60,304)	(45,228)
	<u>15,077</u>	<u>30,153</u>
<b>10 PROPERTY, PLANT AND EQUIPMENT</b>		
NON-CURRENT		
Freehold land		
At cost	30,000	30,000
Buildings		
At cost	332,635	332,635
Accumulated depreciation	(252,364)	(248,757)
	<u>80,271</u>	<u>83,878</u>
Plant and equipment		
At cost	49,997	34,449
Accumulated depreciation	(32,932)	(31,742)
	<u>17,065</u>	<u>2,707</u>
<b>Total property, plant and equipment</b>	<u>127,336</u>	<u>116,585</u>

## Notes to the financial statements (continued)

### 10 PROPERTY, PLANT AND EQUIPMENT

#### *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 \$
<b>Year ended 30 June 2020</b>				
Balance at the beginning of year	30,000	83,878	2,707	116,585
Additions	-	-	15,549	15,549
Depreciation expense	-	(3,607)	(1,191)	(4,798)
<b>Balance at the end of the year</b>	<b>30,000</b>	<b>80,271</b>	<b>17,065</b>	<b>127,336</b>
<b>Year ended 30 June 2019</b>				
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)
<b>Balance at the end of the year</b>	<b>30,000</b>	<b>83,878</b>	<b>2,707</b>	<b>116,585</b>

2020 \$	2019 \$
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### 11 TRADE AND OTHER PAYABLES

#### CURRENT

Accrued expenses	10,257	7,081
ATO payable	-	4,826
Franchise fee payable	30,153	45,229
Trade and profit share payables	19,209	41,488
	<u>59,619</u>	<u>98,624</u>

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

## Notes to the financial statements (continued)

	2020	2019
	\$	\$
<b>12 EMPLOYEE BENEFITS</b>		
CURRENT		
Annual leave	24,711	17,942
Long service leave	26,643	27,420
	<u>51,354</u>	<u>45,362</u>
NON-CURRENT		
Long service leave	<u>9,461</u>	<u>7,052</u>
<b>13 ISSUED CAPITAL</b>		
	<u>688,108</u>	<u>688,108</u>
<b>Ordinary shares</b>		
<p>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.</p> <p>The Company does not have authorised capital or par value in respect of its shares.</p>		
<b>14 CASH FLOW INFORMATION</b>		
Reconciliation of result for the year to net cash provided by operating activities:		
Profit for the year	140,298	100,599
Non-cash flows in profit:		
- amortisation	15,076	15,076
- depreciation	4,798	4,475
- Solar panel rebate	(8,066)	-
Changes in assets and liabilities:		
- (increase)/decrease in trade and other receivables	1,351	3,231
- (increase)/decrease in prepayments	(2,969)	(326)
- (increase)/decrease in deferred tax asset	42,192	81,726
- increase/(decrease) in trade and other payables	(39,005)	(17,173)
- increase/(decrease) in employee benefits	8,401	11,377
Cashflows provided by operating activities	<u>162,076</u>	<u>198,985</u>

## Notes to the financial statements (continued)

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### 15 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)
- Roslyn Bickford (Director, appointed: 28 May 2020)
- Lisa Dean (Branch Manager)

For details of remuneration disclosures relating to key management personnel, refer to Note 16: 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.

Transactions with other related parties during the year were as follows:

- Evelyn Shea held the position of Match Committee Member for the Harden Country Club Limited which received a sponsorship donation of \$4,000; and
- Roslyn Bickford held the position of Committee Member for the Harden Country Womens Association which received a sponsorship donation of \$5,000.

#### **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.

### 16 KEY MANAGEMENT REMUNERATION

The total remuneration paid to key management personnel of the Company during the year was \$98,550 (2019: \$93,075).



## Notes to the financial statements (continued)

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### 17 CONTINGENCIES

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The impact of the pandemic is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions, economic sanctions imposed, and additional economic stimulus which may be provided. The Directors are also unable to reasonably predict the short-term and long-term impact the pandemic has, and will have, on consumer behaviour and confidence, which may effect the Company's current and future financial performance.

In the opinion of the Directors, the Company did not have any other contingencies at 30 June 2020 (30 June 2019: None).

### 18 EVENTS OCCURRING AFTER THE REPORTING DATE

The financial report was authorised for issue on 27 August 2020 by the Board of Directors.

No matters or circumstances (other than those disclosed under Note 17 Contingencies) 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.

### 19 COMPANY DETAILS

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

Murrumbula Financial Services Limited  
23 Neill Street  
HARDEN NSW 2587

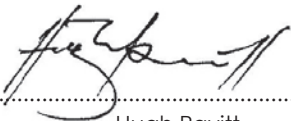
# Directors' declaration

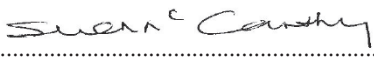
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The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 24, 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 2020 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 .....  
  
Hugh Pavitt

Director .....  
  
Susan McCarthy

Dated 27 August 2020

# Independent audit report

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## MURRIMBOOLA FINANCIAL SERVICES LIMITED ABN: 12 118 357 467

### INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 30 JUNE 2020

#### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of Murrumbolla Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2020, 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 2020 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.

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## MURRIMBOOLA FINANCIAL SERVICES LIMITED

ABN: 12 118 357 467

### INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2020

#### 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.

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## MURRIMBOOLA FINANCIAL SERVICES LIMITED

ABN: 12 118 357 467

### INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 30 JUNE 2020

#### 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

A handwritten signature in black ink, appearing to read 'Danielle Nye'.

Danielle Nye  
Registered Company Auditor

Dated 27 August 2020

Wagga Wagga

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Email: hardenmurrumburrahmailbox@bendigoadelaide.com.au  
Web: bendigobank.com.au/harden\_murrumburrah

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

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

 /HardenMurrumburrahCommunityBankBranch

