Annual Report 2019

Murrumbeena Community Financial Services Limited

ABN 47 104 667 361

Murrumbeena **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2019

In 2019 the Bendigo Community Bank shared value model celebrated its 21st year. The shared value journey has been a successful one with the Bendigo and Adelaide Bank being recognised at number 13 in the world on the "Fortune Change the World" list, and in the recent win as the "Corporate Organisation Leading through Shared Value" at the shared value awards. Closer to home, the Bendigo and Adelaide Bank was again recognised by Roy Morgan Research as having the most satisfied customers of the top 10 largest Banks. With the media and public spotlight regularly on all financial institutions now, it is pleasing to see the Bendigo and Adelaide Bank at the forefront of consumer bank satisfaction ratings. This underlines how important it is to put our customers at the centre of all we do.

The well publicised tough banking conditions prevailed in 2018/19. Murrumbeena is a busy branch and is at the forefront of lending however loan discharges and amortisation continue to be a challenge whilst consumers take advantage of low interest rates to downsize and pay down their mortgages.

We recognise that shareholders have been the backbone of our success and with that in mind have proudly declared an $0.11 cent fully franked dividend for the 2018/19 year. Given that interest rates are at their lowest ever, margins are squeezed and profitability is lower this is a good result for investors. Through good governance and tailored expenses we have been able to allocate over $460.000 back into community investment. In our 15 years we have given $2.740.000 back to the community in the form of sponsorships, donations, grants and dividends.

We are firmly customer focused and to achieve excellence we need to have a staff that are dedicated and passionate in their work and community. Despite losing three key staff at the beginning of the year we have rebuilt even stronger and now have an amazing team working together toward success.

In November 2018 we lost Elpis Korosidis as a director due to ill health and thank her for the contribution she made towards our success and wish her well. We have two new directors who joined early this year who bring great credentials and skills to an already strong board. Mili Thurgood is the Manager of Community Central at Bendigo Bank and has immense experience. Andrew Watts was formerly an Executive of Bendigo Bank and brings extensive knowledge, experience and skills to the board. We now have the strongest board in our history and they bring a diversity of skills, age and gender. I thank them for volunteering their knowledge and passionate dedication to the community.

We thank Bendigo Bank for their ongoing support and assistance and providing a banking model that feeds into the community and not off it.

All of us at the Murrumbeena Community Bank continue to tell our unique story. We take pride in what we do and set ourselves apart in demonstrating every day how banking can and should be done, but we need your help. Please consider us for your banking needs, tell your family and friends so that we can continue to grow this business and make a positive change in our community.

Dennis Tarrant
Chairman

Manager's report

For year ending 30 June 2019

Melbourne is changing. Everywhere you travel there is evidence of our expanding population and the changing demographics of our city. Nowhere is change more evident than right here in Murrumbeena.

Our village has been the epicentre of one of the more ambitious public transport projects in recent times. The Skyrail project has fractured the community, caused disruption to normal traffic flows, and is the primary reason for the closure of several local businesses and relocation of families out of the area.

It has been a challenging two years for our community but as the removal of the crossing has completed many are now looking optimistically toward the rejuvenation of our village and surrounds.

Our Community Bank has been heavily involved with helping the community through the many highs and lows of the last few years by collaborating across the many stakeholders and interest groups as well as being an information hub to help promote community concerns to the relevant parties.

Like many business' in the area we too have felt the effect of lack of parking and general access to the area and foot traffic to our business has fallen significantly prompting the board to reassess its opening hours with a decision taken to move to 9.30am opening time from 1 October 2018 and the closure of the branch on Saturday mornings from 1 July 2018. To date there has been no discernible negative reaction from our customer base. The later opening time allows our staff to undertake training across a number of important areas such as risk and compliance, products, services, sales and general self-development. Previously staff had to attend the branch prior to or after work for such training opportunities and it is considered valuable to all concerned to incorporate the upskilling of our staff into the working day instead.

With the backdrop of this changing and developing landscape the branch has also experienced significant change within the 18/19 financial year. Once again staffing has proven challenging with three experienced staff electing to take up opportunities within the wider community bank network. The loss of that level of experience in a short period of time could have had a significant negative impact on our branch's ability to meet our budgeted growth. I am pleased to say that the remaining staff truly stepped up and shouldered the extra duties or took ownership and our historically excellent service levels remain unchanged.

A special thanks to Chris English (Customer Relationship Officer), Karen Dewberry (Supervisor) and Lorraine Crabb (Casual Customer Service Officer) for going above and beyond during the year, for working extra hours and for facing each challenge with good humour and an understanding that their efforts ensured our business remained viable and our customer's needs were satisfied.

With three vacant roles to fill the Board and Senior Manager revisited the branch structure and agreed that the two Customer Relationship Roles were to be filled by applicants from our local area and so we were thrilled to welcome Yolande Bouten and Carmel Fenton to our team. Both Yolande and Carmel were new to banking but bring with them valuable skills, local knowledge and enthusiasm to learn. The Branch Managers role was re-advertised and we are proud to announce the appointment of Cheryl Gaston from Glenelg in Adelaide as our new Manager. Cheryl has vast experience and has proven herself to be a great asset to the team. Kerrie Wyer came on board as a Customer Relationship Officer bringing 12 years' experience in the community bank network and is now integral to our team.

Across our Key Performance Area the branch met all targets with the exception of the lending growth budget. The bank had set some stretch targets in terms of the number of loans settled which was more than achieved by the branch and in fact the branch wrote $23m in settled loans which was nearly eight times the budgeted growth of $3m but increased amortisation took its toll on growth. This is the result of customers taking advantage of low interest rates to repay their loans at a faster rate resulting in large amortisation figures for Murrumbeena and indeed across the bank as a whole.

Murrumbeena Community Bank, through the strong leadership of the Board of Directors, the support of its Shareholders and the hard work of the Staff, has proven its ability to thrive in difficult times as well as the good times and is well positioned to take advantage of the coming year which will see the finalisation of the Skyrail project and the renewal of our village bringing enormous business and community opportunities.

It is my privilege to be part of a business which provides true leadership and is a local asset which partners with State and Local government and numerous community organisations to generate investment, employment and successful outcomes for Murrumbeena and surrounds.

Susan Foley
Senior Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2019

As a bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our Community Bank partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent Community Bank branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 Community Bank company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your Community Bank company local board of directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your Community Bank branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local Community Bank business. All it takes is a referral to your local branch manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your Community Bank branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and directors in developing your business and supporting the communities that you live and work in.

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Director’s report

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

Directors

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

Dennis Keith Tarrant
Chair
Occupation: Chief Executive Officer
Qualifications, experience and expertise: Chairman and CEO with experience in banking, finance and administration. Dennis has previously worked in hospitality management, consulting and wholesale distribution.
Special responsibilities: Member of the Community Investment, Marketing and Strategic Planning Committees
Interest in shares: 501

Russell James Harper
Secretary
Occupation: Senior Operations Account Manager
Qualifications, experience and expertise: Bachelor of Business (Business Administration). Senior account manager and manager financial services, with experience in corporate change management and risk management.
Special responsibilities: Compliance Committee
Interest in shares: Nil

John Charles Coulson
Director
Occupation: Education Consultant – Part Time
Qualifications, experience and expertise: College Principal - Retired, Education Consultant - Part Time, President of Lions Club, Governor of the Shrine of Remembrance.
Special responsibilities: Member of the Community Investment, Marketing and Strategic Planning Committees
Interest in shares: Nil

Anthony Gerard Lee
Director
Occupation: Director - Real Estate Agent
Qualifications, experience and expertise: Local business owner and estate agent. Director Thomson Real Estate. Licensed Real Estate Agent with local property experience.
Special responsibilities: Deputy Chair, Property Committee, Share Liaison Officer
Interest in shares: 1,001

Suzanne Paynter
Director
Occupation: Consultant
Qualifications, experience and expertise: Bachelor of Law (Hons), Bachelor of International Studies, Diploma in Languages, Ministerial Advisor with South Australian State Government, criminal defence solicitor, major event consultant.
Special responsibilities: Minute secretary
Interest in shares: Nil

Mili Thurgood
Director *(Appointed 25 March 2019)*
Occupation: Manager, Community Central (BEN)
Qualifications, experience and expertise: Human Resource Management roles for 6 years (HR Advisor role for 6 years prior). 5 years working for non-profit organisations in Malaysia & Afghanistan. Also worked professionally in Indonesia and South Korea. Final semester of my MBA with LaTrobe University (tbc 2020).
Special responsibilities: Human Resources Committee
Interest in shares: Nil

Director’s report (continued)

Directors *(continued)*

Andrew Craig Watts
Director *(Appointed 24 May 2019)*
Occupation: Retired
Qualifications, experience and expertise: A seasoned finance industry executive, with extensive experience in technology, retail/marketing, organisational change, merger and acquisitions. 23 years with Bendigo & Adelaide Bank Limited including 10 years on its Executive Committee. Former director of Bendigo Telco Ltd, Strategic Payment Services Pty Ltd, and TicToc Online Pty Ltd. Bach. Eng (Civil), Grad Dip Mgt. GAICD.
Special responsibilities: Marketing Committee
Interest in shares: Nil

Elpis Korosidis
Director *(Resigned 22 November 2018)*
Occupation: Lawyer
Qualifications, experience, expertise: Bachelor of Law. Bachelor of Arts. Advanced Diploma of Family Law. Banking and Finance Law.
Special responsibilities: Human Resources Committee
Interest in shares: Nil

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

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

Company Secretary

The company secretary is Russell Harper. Russell was appointed to the position of secretary on 17 February 2014.

Russell has a Bachelor of Business with skills in operations management strategic planning and execution, risk management and compliance. He also has more than 25 years financial services experience.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2019 $	Year ended 30 June 2018 $
33,591	11,836

	Year ended 30 June 2019	
Dividends	Cents	$
Dividends paid in the year:	11	65,434

Director's report (continued)

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	Attended
Dennis Keith Tarrant	12	12
Russell James Harper	12	10
John Charles Coulson	12	9
Anthony Gerard Lee	12	10
Suzanne Paynter	12	12
Mili Thurgood *(Appointed 25 March 2019)*	4	2
Andrew Craig Watts *(Appointed 24 May 2019)*	2	2
Elpis Korosidis* *(Resigned 22 November 2019)*	5	-

* Elpis Korosidis was granted a leave of absence from the board from 30 April 2018 - 22 November 2018.

Director’s report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor’s own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

Signed in accordance with a resolution of the board of directors at Murrumbeena, Victoria on 9 August 2019.

Dennis Keith Tarrant, Chair

Auditor's independance declaration

Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Murrumbeena Community Financial Services Ltd

As lead auditor for the audit of Murrumbeena Community Financial Services Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 9 August 2019

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2019

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	1,242,942	1,301,526
Employee benefits expense		(575,595)	(634,838)
Charitable donations, sponsorship, advertising and promotion		(407,808)	(412,078)
Occupancy and associated costs		(69,807)	(71,840)
Systems costs		(27,319)	(27,277)
Depreciation and amortisation expense	5	(18,675)	(22,626)
General administration expenses		(93,539)	(113,594)
Profit before income tax expense		50,199	19,273
Income tax expense	6	(16,608)	(7,437)
Profit after income tax expense		33,591	11,836
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		33,591	11,836
Earnings per share		¢	¢
Basic earnings per share	22	5.65	1.99

The accompanying notes form part of these financial statements

Financial statements (continued)

Balance sheet as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	393,038	313,326
Trade and other receivables	8	110,644	125,095
Current tax asset	11	7,228	646
Total current assets		510,910	439,067
Non-current assets			
Property, plant and equipment	9	75,187	76,933
Intangible assets	10	61,524	9,162
Deferred tax asset	11	4,327	13,163
Total non-current assets		141,038	99,258
Total assets		651,948	538,325
LIABILITIES			
Current liabilities			
Trade and other payables	12	156,208	49,313
Provisions	13	47,081	51,340
Total current liabilities		203,289	100,653
Non-current liabilities			
Trade and other payables	12	44,414	-
Provisions	13	6,873	8,457
Total non-current liabilities		51,287	8,457
Total liabilities		254,576	109,110
Net assets		397,372	429,215
EQUITY			
Issued capital	14	565,517	565,517
Accumulated losses	15	(168,145)	(136,302)
Total equity		397,372	429,215

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2019

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2017		565,517	(82,704)	482,813
Total comprehensive income for the year		-	11,836	11,836
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(65,434)	(65,434)
Balance at 30 June 2018		565,517	(136,302)	429,215
Balance at 1 July 2018		565,517	(136,302)	429,215
Total comprehensive income for the year		-	33,591	33,591
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	20	-	(65,434)	(65,434)
Balance at 30 June 2019		565,517	(168,145)	397,372

Financial statements (continued)

Statement of cashflows for the year ended 30 June 2017

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,373,034	1,462,242
Payments to suppliers and employees		(1,220,383)	(1,413,854)
Interest received		10,220	9,909
Income taxes paid		(14,354)	(9,291)
Net cash provided by operating activities	16	**148,517**	**49,006**
Cash flows from investing activities			
Payments for property, plant and equipment		(3,371)	(2,731)
Net cash used in investing activities		**(3,371)**	**(2,731)**
Cash flows from financing activities			
Dividends paid	20	(65,434)	(65,434)
Net cash used in financing activities		**(65,434)**	**(65,434)**
Net increase/(decrease) in cash held		**79,712**	**(19,159)**
Cash and cash equivalents at the beginning of the financial year		313,326	332,485
Cash and cash equivalents at the end of the financial year	7(a)	**393,038**	**313,326**

Notes to the financial statements

For the Year Ended 30 June 2019

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

AASB 15 Revenue from Contracts with Customers

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

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

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

AASB 9 Financial Instruments

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

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

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

a) Basis of preparation (*continued)*

Application of new and amended accounting standards (continued)

AASB 9 Financial Instruments (continued)

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

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

AASB 16 Leases

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

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

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

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

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

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $432,888.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branch at Murrumbeena, Victoria.

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

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

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

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

a) Basis of preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank® branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- design, layout and fit out of the Community Bank® branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

b) Revenue

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

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

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

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

b) Revenue *(continued)*

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Discretionary financial contributions

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

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

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

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

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

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

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

b) Revenue *(continued)*

Ability to change financial return (continued)

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

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

Notes to the financial statements (continued)

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements	5 - 15	years
- plant and equipment	2.5 - 40	years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

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

k) Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

(i) Financial liabilities

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

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

(ii) Financial assets

Financial assets are subsequently measured at:

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

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

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

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

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

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

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

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

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

k) Financial instruments *(continued)*

Derecognition

(i) Derecognition of financial liabilities

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

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

(ii) Derecognition of financial assets

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

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

Impairment

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

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

Loss allowance is not recognised for:

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

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

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

l) Leases

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

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

m) Provisions

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

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

n) Issued capital

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings per share

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

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

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

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

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

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

(i) Market risk

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

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

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

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

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

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

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

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

Expected credit loss assessment for other customers

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

Note 2. Financial risk management *(continued)*

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2019 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Note 3. Critical accounting estimates and judgements *(continued)*

Estimation of useful lives of assets

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

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

Note 4. Revenue from ordinary activities

	2019	2018
	$	$
Operating activities:		
- gross margin	1,056,278	1,102,401
- services commissions	90,836	82,426
- fee income	76,785	97,748
- market development fund	10,000	10,000
Total revenue from operating activities	1,233,899	1,292,575
Non-operating activities:		
- interest received	9,043	8,951
Total revenue from non-operating activities	9,043	8,951
Total revenues from ordinary activities	1,242,942	1,301,526

Note 5. Expenses	2019	2018
	$	$
Depreciation of non-current assets:		
- plant and equipment	3,278	4,141
- leasehold improvements	1,840	4,743
Amortisation of non-current assets:		
- franchise agreement	2,259	2,291
- franchise renewal fee	11,298	11,451
	18,675	22,626
Bad debts	428	441

Note 6. Income tax expense		
The components of tax expense comprise:		
- Current tax	7,772	14,354
- Movement in deferred tax	8,836	(6,917)
	16,608	7,437
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	50,199	19,273
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	13,804	5,300
Add tax effect of:		
- non-deductible expenses	2,804	2,137
- timing difference expenses	(8,836)	6,917
	7,772	14,354
Movement in deferred tax	8,836	(6,917)
	16,608	7,437

Note 7. Cash and cash equivalents		
Cash at bank and on hand	143,038	63,326
Term deposits	250,000	250,000
	393,038	313,326

Note 7.(a) Reconciliation to cash flow statement	2019	2018
	$	$
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	143,038	63,326
Term deposits	250,000	250,000
	393,038	313,326

Note 8. Trade and other receivables		
Trade receivables	97,562	110,180
Prepayments	10,862	11,518
Other receivables and accruals	2,220	3,397
	110,644	125,095

Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	102,527	102,527
Less accumulated depreciation	(60,529)	(58,689)
	41,998	43,838
Plant and equipment		
At cost	93,979	90,607
Less accumulated depreciation	(60,790)	(57,512)
	33,189	33,095
Total written down amount	75,187	76,933
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	43,838	48,581
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,840)	(4,743)
Carrying amount at end	41,998	43,838
Plant and equipment		
Carrying amount at beginning	33,095	34,504
Additions	3,372	2,732
Disposals	-	-
Less: depreciation expense	(3,278)	(4,141)
Carrying amount at end	33,189	33,095
Total written down amount	75,187	76,933

Note 10. Intangible assets

	2019	2018
	$	$
Franchise fee		
At cost	93,917	82,930
Less: accumulated amortisation	(83,662)	(81,403)
	10,255	1,527
Renewal processing fee		
At cost	169,577	114,645
Less: accumulated amortisation	(118,308)	(107,010)
	51,269	7,635
Total written down amount	61,524	9,162

Note 11. Tax

Current:		
Income tax refundable	(7,228)	(646)
Non-current:		
Deferred tax assets		
- accruals	798	743
- employee provisions	18,275	21,944
	19,073	22,687
Deferred tax liability		
- accruals	528	852
- property, plant and equipment	14,218	8,672
	14,746	9,524
Net deferred tax asset	4,327	13,163
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	8,836	(6,917)

Note 12. Trade and other payables

Current:		
Trade creditors	103,546	22,494
Other creditors and accruals	52,662	26,819
	156,208	49,313
Non-current:		
Trade creditors	44,414	-

Note 13. Provisions	2019	2018
	$	$
Current:		
Provision for annual leave	32,382	42,793
Provision for long service leave	14,699	8,547
	47,081	51,340
Non-current:		
Provision for long service leave	6,873	8,457

Note 14. Issued capital		
594,857 ordinary shares fully paid (2018: 594,857)	594,857	594,857
Less: equity raising expenses	(29,340)	(29,340)
	565,517	565,517

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank® branch have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) *Transfer*

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

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

Note 14. Issued capital *(continued)*

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

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

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

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

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 15. Accumulated losses

	2019 $	2018 $
Balance at the beginning of the financial year	(136,302)	(82,704)
Net profit from ordinary activities after income tax	33,591	11,836
Dividends paid	(65,434)	(65,434)
Balance at the end of the financial year	(168,145)	(136,302)

Note 16. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	33,591	11,836
Non cash items:		
- depreciation	5,118	8,884
- amortisation	13,557	13,742
Changes in assets and liabilities:		
- (increase)/decrease in receivables	14,450	(22,680)
- (increase)/decrease in other assets	2,254	(1,854)
- increase in payables	85,390	15,387
- (increase)/decrease in provisions	(5,843)	23,691
Net cash flows provided by operating activities	148,517	49,006

Note 17. Leases	2019	2018
	$	$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	52,084	28,636
- between 12 months and 5 years	120,384	28,096
	172,468	56,732

The company has entered into two lease agreements:

The branch at 436 Neerim Road is a non-cancellable lease with a five-year term. Rent is payable in advance. The lease is due to expire March 2022 and has one further option of five years.

The Meeting Hub/Community Room at 438 Neerim Road is a non-cancellable lease with a five-year term. Rent is payable in advance. The lease is due to expire March 2024 and has one further option of five years.

Note 18. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,400
- non audit services	2,430	2,430
- share registry services	3,233	3,589
	10,263	10,419

Note 19. Director and related party disclosures

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

Dennis Keith Tarrant
Russell James Harper
John Charles Coulson
Anthony Gerard Lee
Suzanne Paynter
Mili Thurgood *(Appointed 25 March 2019)*
Andrew Craig Watts *(Appointed 24 May 2019)*
Elpis Korosidis *(Resigned 22 November 2019)*

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Note 19. Director and related party disclosures *(continued)*

Directors Shareholdings	2019	2018
Dennis Keith Tarrant	501	501
Russell James Harper	-	-
John Charles Coulson	-	-
Anthony Gerard Lee	1,001	1,001
Suzanne Paynter	-	-
Mili Thurgood *(Appointed 25 March 2019)*	-	-
Andrew Craig Watts *(Appointed 24 May 2019)*	-	-
Elpis Korosidis *(Resigned 22 November 2019)*	-	-

Note 20. Dividends provided for or paid

	2019 $	2018 $
a. Dividends paid during the year		
Fully franked dividend - 11 cents (2018: 11 cents) per share	65,434	65,434

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

	2019	2018
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	61,258	71,724
- franking debits that will arise from refund of income tax as at the end of the financial year	(7,228)	(646)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year		
Franking credits available for future financial reporting periods:	54,030	71,078
Net franking credits available	54,030	71,078

Note 21. Key management personnel disclosures

Key Management Personnel Remuneration

The directors received remuneration including superannuation, as follows:

	2019	2018
Dennis Keith Tarrant	81,316	81,316
Russell James Harper	-	-
John Charles Coulson	-	-
Anthony Gerard Lee	-	-
Suzanne Paynter	-	-
Mili Thurgood *(Appointed 25 March 2019)*	-	-
Andrew Craig Watts *(Appointed 24 May 2019)*	-	-
Elpis Korosidis *(Resigned 22 November 2019)*	-	-
	81,316	81,316

Dennis Tarrant was appointed to the staff position of Chief Executive Officer of Murrumbeena Community Financial Services Limited on 1 October 2013.

Note 21. Key management personnel disclosures *(continued)*

Dennis Tarrant's remuneration is based on key performance indicators that relate to growth of footings, profit growth, staff engagement, development and retention, growth of community investment and appropriate allocation to strategic community partners, increased depth of community relationships and partnerships, community investment program return on investment, appropriate financial control for the business, good governance and compliance, succession planning and board engagement, development and retention. Dennis reports to the board of Murrumbeena Community Financial Services Limited. The position is 0.7 fulltime equivalent.

No other director of the company receives remuneration for services as a company director or committee member. No director's fees have been paid as the positions are held on a voluntary basis.

Community Bank® Directors' Privileges Package

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

Note 22. Earnings per share

		2019	2018
		$	$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	33,591	11,836
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	594,857	594,857

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Commitments

Estimates of the potential financial effect of commitments which may become payable are as follows:

The company has entered into a funding agreement with Oakleigh Bowling Club to contribute $6,000 to the organisation over two years. As at 30 June 2019, $3,000 has been paid.

All of the above commitments are expected to be paid as follows:

2020	$3,000

Note 26. Segment reporting

The economic entity operates in the service sector where it facilitates Community Bank® services in Murrumbeena, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
436 Neerim Road Murrumbeena VIC 3163	436 Neerim Road Murrumbeena VIC 3163

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 %	2018 %
Financial assets												
Cash and cash equivalents	142,538	62,826	250,000	250,000	-	-	-	-	500	500	1.89	2.09
Receivables	-	-	-	-	-	-	-	-	97,562	110,180	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	103,546	22,494	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2019 $	2018 $
Change in profit/(loss)		
Increase in interest rate by 1%	3,925	3,128
Decrease in interest rate by 1%	(3,925)	(3,128)
Change in equity		
Increase in interest rate by 1%	3,925	3,128
Decrease in interest rate by 1%	(3,925)	(3,128)

Directors' declaration

In accordance with a resolution of the directors of Murrumbeena Community Financial Services Limited, we state that:

In the opinion of the directors:

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

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

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

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

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

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

Dennis Keith Tarrant, Chair

Signed on the 9th of August 2019.

Independant audit report

Partners in success

Chartered Accountants

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

Independent auditor's report to the members of Murrumbeena Community Financial Services Ltd

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Murrumbeena Community Financial Services Ltd, is in accordance with the *Corporations Act 2001*, including:

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

What we have audited
Murrumbeena Community Financial Services Ltd's (the company) financial report comprises the:

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

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

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

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

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

Taxation | Audit | Business Services

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 9 August 2019

Joshua Griffin
Lead Auditor

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