HENTY COMMUNITY FINANCIAL SERVICES LIMITED

ABN 20 084 864 835

2018 Annual Report

Henty and District
Community Bank® Branch Bendigo Bank

Notice of Meeting

Henty Community Financial Services Limited
A.B.N. 20 084 864 835

Annual General Meeting

The Annual General Meeting of Shareholders of Henty Community Financial Services Limited will be held Wednesday 9th November 2018 at 11.00am at the Henty B & B, 20 Allan Street, Henty.

Ordinary Business

Notice of Meeting

Confirmation of Minutes of A.G.M. 29th November 2017

Proxies

Chairman's Report

Manager's Report

Appointment of Auditor – RSD Audit

Two Directors must retire in rotation at the Annual General Meeting but are eligible for re-election. They are:

Alison Campbell

Leigh Eulenstein

Contents

Chairperson's report

For year ending 30 June 2018

This year we saw another satisfactory result for your company, in a very difficult year for the banking industry.

We continue to consolidate and build reserves with consistent figures while battling a maturing loan portfolio, the new business we are writing is only managing to replace mature business which is a product of the maturity in our business.

The board and staff are continually exploring ways to grow our business, with some new ideas hopefully coming to fruition in the not too distant future .New avenues of income such as insurance are bolstering our profitability. We are also working hard with Rural Bank to grow this side of our business.

A sub-committee of your board has been working tirelessly with other community members to plan a street party to help celebrate our 20th Birthday on the 9th of November with official ceremony at 4pm.

Jane Whitlock stood down from the board late last year after relocating to wagga and we thank her for contribution to the board.

We are delighted to welcome Rachelle Roulston to the board. Her strong community involvement and energy she brings will be valuable to the board moving into the future.

Finally a big thankyou to the staff, shareholders, customers and directors for your work and support and look forward to the opportunities of the future.

John Ellis
Chairperson
Henty Community Financial Services Ltd.

Declaration of Dividend

Dividends paid or declared in the financial year ended 30 June 2017:

A fully franked final dividend of 10.0 cents per share was declared and paid during the year for the year ended 30 June 2017.

No dividend has been declared or paid for the year ended 30 June 2018 as yet.

Manager’s report

For year ending 30 June 2018

It is with great pleasure that I present my report for the financial year ending 2018 on behalf of Henty & District **Community Bank**® branch.

Our total portfolio is currently $108.9 million which is continuing to grow at a steady pace even through these difficult financial periods. This result is in part due to many new customers coming to our branch, which shows more and more people see the benefits to both themselves and their community.

Our results this year would certainly not have been achieved without our wonderful dedicated team of branch staff; Sharon Gardiner, Jan Wheeler, Stephanie Bedggood, Jacinda Singe and Michelle David. They each deserve congratulations for their efforts in helping our branch achieve such wonderful growth results this year, along with providing exceptional service to our customers.

Thank you also to our team at Holbrook, Vicki Schuur, Rebecca Henry and Hope Mackinlay. Our Holbrook Agency is proving to be a successful way of servicing our ever increasing Holbrook customers.

Our branch continues to receive the excellent support of Business Banker, Anthony McGettigan and Rural Bank Agribusiness Managers John Walton and Trent Bullock. We are fortunate to have Trent based in our Henty Office to service our local customers.

Sincere thanks also to our Chairman John Ellis and the Board of Directors who continue to work diligently on a volunteer basis to make sure that the business remains strong and that it can continue to provide benefits to our local communities.

Our investors, supporters and customers are our greatest advocates in encouraging others to come join and share in the **Community Bank**® branch success in our area. Please continue to share our success as the greater support our branch receives, the more our local community will benefit.

G. McLeish

Gaynor McLeish
Branch Manager – Henty Community Bank® Branch

Director’s report

For year ending 30 June 2018

The Directors present their report of the Company for the financial year ended 30 June 2018.

Directors

The following persons were Directors of Henty Community Financial Services Limited during or since the end of the financial year up to the date of this report:

Name and position held	Professional	Experience and Expertise
John Bruce Ellis Chairperson Board member since June 1998	Nil	Field Marketing Agronomist, Director/Partner of Small Business
Alison Campbell Director/Secretary Board member since April 2011	BD Dip ED	School Teacher, Current Farming Business Partner/Director
Hugh Thomas Clancy Director/Treasurer Board member since June 2009	Nil	Qualified Motor Mechanic, Current Farming Business Partner
Helen Margaret McRorie Director Board member since June 2009	Licensed Conveyer, JP	Legal Experience, Current Farming Business Partner
Jane Whitlock Director Board Member since June 2015 **Resigned December 2017**	Nil	Small Business Owner
Leigh Eulenstein Director Board member since Sept 2013	Nil	Current Farming Business Partner
Graham Charles Booth Director Board member since June 1998 **Resigned November 2017**	BD	Retired Small Business Owner
Dennis Kane Director Board Member since February 2017	Nil	General Manager/Director
Rachelle Roulston Director Board member since March 2018	Nil	Director

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

No Directors have material interests in contracts or proposed contracts with the Company.

Director’s report 30 June 2018 continued

Directors meetings
Attendances by each director during the year were as follows:

Director	Board Meetings	
	A	**B**
John Bruce Ellis	11	11
Alison Campbell	10	11
Hugh Thomas Clancy	11	11
Helen Margaret McRorie	9	11
Jane Whitlock - Resigned December 2017	1	5
Leigh Eulenstein	10	11
Graham Charles Booth - Resigned November 2017	1	4
Dennis Kane	9	11
Rachelle Roulston - Appointed March 2018 November	3	4

A *- The number of meetings eligible to attend*
B *- The number of meetings attended*

Company secretary

Alison Campbell has been the Company Secretary of Henty Community Financial Services Limited since June 2011. Alison is a farmer and has been on many local community organisation committees over many years.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** branch 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.

Review of operations

The profit of the company for the financial year after provision for income tax was $46,489 (2017 profit: $62,360), which is a 25.5% decrease as compared with the previous year.

Dividends

A fully franked final dividend of 10.0 cents per share was declared and paid during the year for the year ended 30 June 2017.

No dividend has been declared or paid for the year ended 30 June 2018 as yet.

Options

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

Director’s report 30 June 2018 continued

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

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

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer’s liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer’s duties.

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 9 of this financial report. No officer of the company is or has been a partner of the auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Henty on
27 September 2018.

John Ellis
Director

Auditor’s Independence Declaration

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3552

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Auditor’s Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Henty Community Financial Services Limited

I declare that to the best of my knowledge and belief, during the year ended 30 June 2018 there have been no contraventions of:

(i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 27th September 2018

Financial Statements For year ending 30 June 2018

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	2	710,873	681,756
Expenses			
Employee benefits expense	3	(274,821)	(240,625)
Depreciation and amortisation	3	(22,833)	(22,401)
Bad and doubtful debts expense	3	(169)	(290)
Administration and general costs		(76,710)	(67,640)
IT expenses		(14,185)	(14,923)
Promotion and advertising costs		(184,002)	(156,356)
Other expenses		(68,563)	(71,302)
		(641,283)	(573,537)
Operating profit before charitable donations & sponsorship		**69,590**	**108,219**
Charitable donations and sponsorships		-	(10,165)
Profit before income tax		**69,590**	**98,054**
Income tax expense	4	(23,101)	(35,694)
Profit for the year after income tax		**46,489**	**62,360**
Other comprehensive income		-	-
Total comprehensive income for the year		**46,489**	**62,360**
Profit attributable to members of the company		46,489	62,360
Total comprehensive income attributable to members of the company		**46,489**	**62,360**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	17.37	23.30

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2018

	Note	2018 $	2017 $
Assets			
Current assets			
Cash and cash equivalents	5	115,640	90,329
Trade and other receivables	6	71,315	73,039
Financial assets	7	208,174	169,768
Other assets	8	6,932	8,783
Total current assets		**402,061**	**341,919**
Non-current assets			
Property, plant and equipment	9	120,570	128,987
Intangible assets	10	5,016	19,432
Deferred tax assets	4	34,734	31,084
Total non-current assets		**160,320**	**179,503**
Total assets		**562,381**	**521,422**
Liabilities			
Current liabilities			
Trade and other payables	12	12,782	9,890
Current tax liability	4	22,849	13,218
Borrowings	13	2,162	1,142
Provisions	14	67,786	60,674
Total current liabilities		**105,579**	**84,924**
Non-current liabilities			
Provisions	14	394	-
Total non-current liabilities		**394**	**-**
Total liabilities		**105,973**	**84,924**
Net assets		**456,408**	**436,498**
Equity			
Issued capital	15	267,585	267,585
Retained earnings	16	188,823	168,913
Total equity		**456,408**	**436,498**

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the year ended 30 June 2018

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2017		267,585	168,913	436,498
Comprehensive income for the year				
Profit for the year		-	46,489	46,489
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(26,579)	(26,579)
Balance at 30 June 2018		**267,585**	**188,823**	**456,408**
Balance at 1 July 2016		267,585	133,312	400,897
Comprehensive income for the year				
Profit for the year		-	62,360	62,360
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(26,759)	(26,759)
Balance at 30 June 2017		**267,585**	**168,913**	**436,498**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		768,045	709,705
Payments to suppliers and employees		(675,188)	(629,659)
Dividends received		6,301	5,844
Interest received		4,537	2,863
Income tax paid		(14,419)	(23,148)
Net cash flows provided by operating activities	19b	**89,276**	**65,605**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(29,818)
Purchase of investments		(38,406)	(86,810)
Net cash flows used in investing activities		**(38,406)**	**(116,628)**
Cash flows from financing activities			
Proceeds from borrowings		1,020	1,142
Dividends paid		(26,579)	(26,759)
Net cash flows used in financing activities		**(25,559)**	**(25,617)**
Net increase/(decrease) in cash held		**25,311**	**(76,640)**
Cash and cash equivalents at beginning of financial year		90,329	166,969
Cash and cash equivalents at end of financial year	19a	**115,640**	**90,329**

The accompanying notes form part of these financial statements

The financial statements and notes represent those of Henty Community Financial Services Ltd.

Henty Community Financial Services Ltd ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 27 September 2018.

1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic Dependency

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

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” the logo and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** 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:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the Branch Managers and other employees in banking, systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

Employee benefits provision

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

Income tax

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

Impairment

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

(f) New and revised standards that are effective for these financial statements

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

(g) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set out on the proceeding pages.

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:
   (i) the objective of the entity's business model for managing the financial assets; and
   (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

1. Summary of significant accounting policies (continued)

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018) (continued)

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

1. Summary of significant accounting policies (continued)

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

AASB 16:
- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

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

2. Revenue

	2018 $	2017 $
Revenue		
- service commissions	686,555	653,828
	686,555	653,828
Other revenue		
- interest received	4,537	2,863
- dividends received	9,002	8,348
- other revenue	10,779	16,717
	24,318	27,928
Total revenue	**710,873**	**681,756**

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.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services
The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest, dividend and other income
Interest income is recognised on an accrual basis using the effective interest rate method.

Dividend and other revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

3. Expenses

	2018 $	2017 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	244,548	219,558
- superannuation costs	22,767	21,436
- other costs	7,506	(369)
	274,821	240,625
Depreciation and amortisation		
Depreciation		
- buildings	3,914	3,856
- plant and equipment	4,503	4,129
	8,417	7,985
Amortisation		
- franchise fees	14,416	14,416
	14,416	14,416
Total depreciation and amortisation	22,833	22,401
Bad and doubtful debts expenses	169	290
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	4,940	5,650

Operating expenses
Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation
The depreciable amount of all fixed assets, including buildings, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use.

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

Class of asset	Rate	Method
Buildings	3%	SL
Plant and equipment	5-33%	SL

Gains/losses upon disposal of non-current assets
Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

4. Income Tax

	2018 $	2017 $
a. The components of tax expense comprise:		
Current tax expense	26,751	29,473
Deferred tax expense	(3,650)	4,415
Under+ provision of prior years	-	1,806
	23,101	**35,694**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	19,137	26,965
Add tax effect of:		
- Change in company tax rates	-	2,958
- Under provision of prior years	-	1,807
- Non-deductible expenses	3,964	3,964
Income tax attributable to the entity	**23,101**	**35,694**
The applicable weighted average effective tax rate is:	33.20%	36.40%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	13,218	4,631
Income tax paid	(14,419)	(23,148)
Franking credits utilised	(2,701)	(2,504)
Current tax	26,751	29,473
Under / (over) provision prior years	-	4,766
	22,849	**13,218**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Property, plant & equipment	17,890	16,814
Employee provisions	18,750	16,685
	36,640	33,499
Deferred tax liabilities comprise:		
Prepayments	1,906	2,415
	1,906	2,415
Net deferred tax asset	**34,734**	**31,084**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	3,141	4,957
(Decrease) / increase in deferred tax liabilities	509	2,415
Under / (over) provision prior years	-	(2,958)
	3,650	**4,414**

4. Income Tax (continued)

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

5. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and on hand	11,811	11,854
Short-term bank deposits	103,829	78,475
	115,640	**90,329**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and credit card balances. Credit card balances are reported within short-term borrowings in current liabilities in the statement of financial position.

The effective interest rate on short-term bank deposits was 2.00% (2017: 2.05%); these deposits have an average maturity of 92 days.

6. Trade and other receivables

	2018 $	2017 $
Current		
Trade receivables	65,921	68,718
Other receivables	5,394	4,321
	71,315	**73,039**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

6. Trade and other receivables (continued)

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2018	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	65,921	65,921	-	-	-	-
Other receivables	5,394	5,394	-	-	-	-
Total	**71,315**	**71,315**	**-**	**-**	**-**	**-**
2017						
Trade receivables	68,718	68,718	-	-	-	-
Other receivables	4,321	4,321	-	-	-	-
Total	**73,039**	**73,039**	**-**	**-**	**-**	**-**

7. Financial assets

	2018 $	2017 $
Held to maturity financial assets		
Term deposits	113,071	80,959
Available for sale financial assets		
Listed investments	90,103	83,809
Unlisted investments	5,000	5,000
	208,174	169,768

The effective interest rate on the bank deposit was 2.1% (2017: 2.2%). This deposit has a term of 6 months, maturing in September 2018.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The entity classifies investments as held-to-maturity if:
- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the entity intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

7. Financial assets (continued)

(a) Classification of financial assets (continued)
Available for sale financial asset
Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(b) Measurement of financial assets
At initial recognition, the entity measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the *effective interest method* .

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method.*

Available-for-sale financial assets subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised in Other Comprehensive Income.

7. Financial assets (continued)

(c) Impairment of financial assets
The entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets classified as available for sale
If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(d) Derecognition
Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

8. Other assets

	2018 $	2017 $
Prepayments	6,932	8,783
	6,932	**8,783**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

9. Property, plant and equipment

	2018			2017		
	$			$		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Land	4,800	-	4,800	4,800	-	4,800
Buildings	156,543	(65,054)	91,489	156,543	(61,140)	95,403
Plant and equipment	115,721	(91,440)	24,281	115,721	(86,937)	28,784
Total property, plant & equipment	**277,064**	**(156,494)**	**120,570**	**277,064**	**(148,077)**	**128,987**

Land and buildings

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

9. Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(a) Capital expenditure commitments
The entity does not have any capital expenditure commitments at 30 June 2018 (2017: None)

(b) Movements in carrying amounts of PP&E

2018	Opening written down value	Additions	Depreciation	Closing written down value
Land	4,800	-	-	4,800
Buildings	95,403	-	(3,914)	91,489
Plant and equipment	28,784	-	(4,503)	24,281
Total property, plant and equipment	**128,987**	**-**	**(8,417)**	**120,570**

2017	Opening written down value	Additions	Depreciation	Closing written down value
Land	4,800	-	-	4,800
Buildings	81,981	17,278	(3,856)	95,403
Plant and equipment	20,373	12,540	(4,129)	28,784
Total property, plant and equipment	**107,154**	**29,818**	**(7,985)**	**128,987**

10. Intangible assets

	2018 $			2017 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	149,280	(144,264)	5,016	149,280	(129,848)	19,432
Total intangible assets	**149,280**	**(144,264)**	**5,016**	**149,280**	**(129,848)**	**19,432**

Franchise fees and establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

Movements in carrying amounts

2018	Opening written down value	Amortisation	Closing written down value
Franchise fees	19,432	(14,416)	5,016
Total intangible assets	**19,432**	**(14,416)**	**5,016**

2017	Opening written down value	Amortisation	Closing written down value
Franchise fees	33,848	(14,416)	19,432
Total intangible assets	**33,848**	**(14,416)**	**19,432**

11. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

12. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	8,962	6,360
Other creditors and accruals	3,820	3,530
	12,782	**9,890**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

The average credit period on trade and other payables is one month.

13. Borrowings

	2018 $	2017 $
Current		
Unsecured liabilities		
Credit Card	2,162	1,142
Total borrowings	**2,162**	**1,142**

(a) Credit card facility
The company has a credit card facility of $5,000 which is subject to normal commercial terms and conditions.

14. Provisions

	2018 $	2017 $
Current		
Employee benefits	67,786	60,674
Non-current		
Employee benefits	394	-
Total provisions	**68,180**	**60,674**

Short-term employee benefits
Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits
Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

15. Share capital

	2018 $	2017 $
267,585 Ordinary shares fully paid	267,585	267,585
	267,585	**267,585**

Ordinary shares are classified as equity.

(a) Movements in share capital

Fully paid ordinary shares:		
At the beginning of the reporting period	267,585	267,585
At the end of the reporting period	**267,585**	**267,585**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

15. Share capital (continued)
(b) 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 Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:
(a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in
(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; and
(ii) 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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

16. Retained earnings

	2018 $	2017 $
Balance at the beginning of the reporting period	168,913	133,312
Profit for the year after income tax	46,489	62,360
Dividends paid	(26,579)	(26,759)
Balance at the end of the reporting period	**188,823**	**168,913**

17. Dividends paid or provided for on ordinary shares

	2018 $	2017 $
Dividends paid or provided for during the year		
Interim and/or final fully franked ordinary dividend of 10 cents per share (2017:10) franked at the tax rate of 27.5% (2017: 27.5%).	26,579	26,759

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

18. Earnings per share

	2018 $	2017 $
Basic earnings per share (cents)	17.37	23.30
Earnings used in calculating basic earnings per share	46,489	62,360
Weighted average number of ordinary shares used in calculating basic	267,585	267,585

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

19. Statement of cash flows

	2018 $	2017 $

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2018 $	2017 $
Cash and cash equivalents (Note 5)	115,640	90,329
As per the Statement of Cash Flow	**115,640**	**90,329**

(b) Reconciliation of cash flow from operations with profit after income tax

	2018 $	2017 $
Profit for the year after income tax	46,489	62,360
Non-cash flows in profit		
- Depreciation and amortisation	22,833	22,401
- Bad debts	169	290
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	1,555	(20,024)
- (increase) / decrease in prepayments and other assets	1,851	(5,644)
- (Increase) / decrease in deferred tax asset	(3,650)	1,456
- Increase / (decrease) in trade and other payables	2,892	(3,452)
- Increase / (decrease) in current tax liability	9,631	8,587
- Increase / (decrease) in provisions	7,506	(369)
Net cash flows from operating activities	**89,276**	**65,605**

20. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company.

The totals of remuneration paid to key management personnel of the company during the year are as follows:

	2018 $	2017 $
Short-term employee benefits	1,250	1,400
Total key management personnel compensation	**1,250**	**1,400**

20. Key management personnel and related party disclosures (continued)

Short-term employee benefits
These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits, expense allowances and cash bonuses awarded to Executive Directors and other key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods / services provided	Value $
H T Clancy	Bookkeeping	5,000

The Henty Community Financial Services Limited has accepted the Bendigo and Adelaide Bank Limited's **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 branch. There is no requirement to own Bendigo and Adelaide Bank Limited 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 Directors have estimated the total benefits received from the Directors Privilege Package to be $Nil for the year ended 30 June 2018.

20. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings

The number of ordinary shares in Henty Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2018	2017
John Ellis	1,000	1,000
Alison Campbell	9,000	9,000
Hugh Clancy	1,150	1,150
Helen McRorie	100	100
Jane Whitlock - Resigned December 2017	-	-
Leigh Eulenstein	-	-
Graham Booth - Resigned November 2017	-	-
Dennis Kane	-	-
R Roulston - Appointed March 2018	-	-
	11,250	**11,250**

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

21. Events after the reporting period

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

22. Contingent liabilities and contingent assets

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

23. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in two areas being Henty and Holbrook, NSW. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 97% of the revenue (2017: 96%).

24. Commitments

Operating lease commitments

	2018 $	2017 $
Payable:		
- no later than 12 months	3,503	3,503
- between 12 months and five years	7,882	11,385
Minimum lease payments	11,385	14,888

The company has a five year lease commitment in respect of ATM usage. The agreement requires the Company to contribute 50% of the monthly lease costs to Bendigo & Adelaide Bank, the primary lessor.

Non-cancellable operating leases contracted for are not capitalised in the Statement of Financial Position.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

25. Company details

The registered office and principle place of business is 8 Sladen Street, Henty, NSW, 2658.

26. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* as detailed in the accounting policies are as follows:

	Note	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	115,640	90,329
Trade and other receivables	6	71,315	73,039
Financial assets	7	208,174	169,768
Total financial assets		**395,129**	**333,136**
Financial liabilities			
Trade and other payables	12	12,782	9,890
Borrowings	13	2,162	1,142
Total financial liabilities		**14,944**	**11,032**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

26. Financial instrument risk (continued)

(a) Credit risk (continued)

None of the assets of the company are past due (2017: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2018	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.80%	115,640	115,640	-	-
Trade and other receivables		71,315	71,315	-	-
Financial assets	2.10%	208,174	208,174	-	-
Total anticipated inflows		395,129	395,129	-	-
Financial liabilities					
Trade and other payables		12,782	12,782	-	-
Borrowings	13.99%	2,162	2,162	-	-
Total expected outflows		14,944	14,944	-	-
Net inflow / (outflow) on financial instruments		**380,185**	**380,185**	**-**	**-**

26. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.78%	90,329	90,329	-	-
Trade and other receivables		73,039	73,039	-	-
Financial assets	2.13%	169,768	169,768	-	-
Total anticipated inflows		333,136	333,136	-	-
Financial liabilities					
Trade and other payables		9,890	9,890	-	-
Borrowings	13.99%	1,142	1,142	-	-
Total expected outflows		11,032	11,032	-	-
Net inflow / (outflow) on financial instruments		**322,104**	**322,104**	**-**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company is exposed to other price risk through its listed investments.The company has no exposure to fluctuations in foreign currency.

The financial instruments that primarily expose the company to interest rate risk are borrowings and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	2018		2017	
	Profit $	**Equity $**	**Profit $**	**Equity $**
+/- 1% in interest rates (interest income)	2,287	2,287	1,713	1,713
+/- 1% in interest rates (interest expense)	(128)	(128)	(99)	(99)
+ 1% in listed equity prices	901	901	839	839
- 1% in listed equity prices	(901)	(901)	(839)	(839)
	2,159	2,159	1,614	1,614

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

Director’s Declaration

for the year ending 30 June 2018

In accordance with a resolution of the Directors of Henty Community Financial Services Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 6 to 35 are in accordance with the Corporations Act 2001 and:

    i. comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

    ii. give a true and fair view of the company's financial position as at 30 June 2018 and of the performance for the year ended on that date;

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 resolution is made in accordance with a resolution of the Board of Directors.

John Ellis
Director

Signed at Henty, New South Wales on 27 September 2018.

Independent Audit Report

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo,
VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

AUDITOR'S REPORT
TO THE MEMBERS OF HENTY COMMUNITY FINANCIAL SERVICES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Henty Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2018, 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:

(a) the financial report of Henty Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year then ended; and

  (ii) complying with Australian Accounting Standards & the *Corporations Regulations 2001;* &

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the entity 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.

Director's Responsibility 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 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 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 ability of the Company 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 Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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. Misstatements 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.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We 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.

We 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.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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.

Auditor's Responsibility (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company’s annual report for the year ended 30 June 2018, 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. On 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, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 27 September 2018

Management Representation Letter

Henty
Community Financial Services Limited

Kathie Teasdale
RSD Audit
41A Breen Street
Bendigo Vic 3550

28 September 2018

Dear Kathie,

This representation letter is provided in connection with your review of the financial report of Henty Community Financial Services Limited for the period ended 30 June 2018, for the purpose of you expressing a conclusion as to whether you became aware of any matter in the course of the review that makes you believe that the half-year financial report is not in accordance with the *Corporations Act 2001*.

We confirm that, to the best of our knowledge and belief, the representations we make below are based on information available to us, having made such enquiries as we considered necessary to appropriately inform ourselves on these matters.

We acknowledge our responsibility for ensuring that the half-year financial report is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the entity's financial position as at 30 June 2018, and of its performance for the period ended on that date; and
ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

We confirm that the half-year financial report is prepared and presented in accordance with the *Corporations Act 2001* and is free of material misstatements, including omissions.

1. We have made available to you:
    a. all financial records and related data, other information, explanations and assistance necessary for the conduct of the review; and
    b. minutes of all meetings of directors and committees.

2. All transactions have been recorded in the accounting records and are reflected in the financial report.

3. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.

4. There:
    a. has been no fraud or suspected fraud, error or non-compliance with laws and regulations involving management or employees who have a significant role in the internal control structure;
    b. has been no fraud or suspected fraud, error or non-compliance with laws and regulations that could have a material effect on the financial report; and
    c. have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.

5. We are responsible for an adequate internal control structure to prevent and detect fraud and error and to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. There are no material transactions that have not been recorded properly in the accounting records underlying the financial report.

6. We have no plans or intentions that may affect materially the carrying values, or classification, of assets and liabilities.

7. We have considered the requirements of Accounting Standard AASB 136 Impairment of Assets, when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.

8. We believe the effects of all uncorrected misstatements as detailed in attachment A are immaterial, both individually and in the aggregate, to the financial report taken as a whole.

9. The following have been recorded and/or disclosed properly in the half-year financial report:
   a. related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral);
   b. share options, warrants, conversions or other requirements;
   c. arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements;
   d. agreements to repurchase assets previously sold;
   e. material liabilities or contingent liabilities or assets including those arising under derivative financial instruments;
   f. unasserted claims or assessments that our lawyers has advised us are probable of assertion; and
   g. losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.

10. There are no violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial report or as a basis for recording an expense.

11. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.

12. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.

13. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.

14. We believe that the significant assumptions and judgements we have used in making accounting estimates for inclusion in the financial report are reasonable, appropriately supported and, where required, disclosed.

15. The financial report discloses all significant accounting policies used in the preparation of the financial report. We considered the substance of the underlying transactions as well as their legal form in selecting the appropriate accounting policies and related disclosures for the financial report.

16. We consider the measurement methods, including related assumptions, used to determine fair values relating to assets and liabilities to be appropriate based on the nature and purpose of the asset/liability. These have been consistently applied and appropriately disclosed in the financial report.
In addition, we have considered the requirements of AASB 13 *Fair Value Measurement* relating to the fair value of property, plant and equipment. These assets have been valued on the basis that the highest and best use of the asset is obtained from its current use, taking into consideration what is physically possible, legally permissible and financially feasible. Our fair value assessment did not identify any internal or external events that would trigger a reassessment of the assets' highest and best use.

17. No events have occurred subsequent to the balance sheet date through to the date of this letter that would require adjustment to, or disclosure in, the financial report.

18. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

We understand that your examination was made in accordance with the Auditing Standards and was, therefore, designed primarily for the purpose of expressing a conclusion on the financial report of Henty Community Financial Services Limited and that your procedures were limited to those which you considered necessary for that purpose.

Yours faithfully,

Hugh Clancy
Director

Attachment A - Schedule of Unadjusted Audit Differences

Details	Assets	Liabilities	Equity	Revenue	Expenses
Journal to recognise accrued and prepaid salaries	-	-	-	$4,277	-$4,277
Journal to accrue for bookkeeping services for Apr – Jun	-	-$1,250	-	-	$1,250
Journal to recognise unrealised gain on Investment (Recognise at fair value)	$10,169	-	-	-$10,169	-
Journal to recognise on-costs on annual leave	-	-$4,890	-	-	$4,980
Journal to accrue audit fees	-	-$3,600	-	-	$3,600
Journal to account for LSL in line with AASB119		-$1,470			$1,470
TOTAL DIFFERENCES	**$10,169**	**-$11,210**	**-**	**-$5,892**	**$7,023**

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Proxy Form

Henty Community Financial Services Limited

(Mark boxes with an X as shown $\boxed{\textbf{X}}$)

A.B.N. 20 084 864 835

I/We ……………………..…………………………………….
(Print Name)

…..……………………….……………………………………….
(Signature)

being a registered shareholder of
Henty Community Financial Services Limited
hereby appoint:

☐ **The Chairperson of the meeting**

OR

☐ ……………………………………………………
Name of Proxy

Notice of nomination of person for election as Director

1. Nomination

I, ____ (full name), of

____ (address)

State that I am a shareholder of Henty Community Financial Services Limited, and nominate the following person to stand for election as a Director of Henty Community Financial Services Limited at the Annual General Meeting on 9 November 2018.

I, ____ (full name), of

____ (address)

____ (signature of shareholder) ___/___/___

(date)

2. Consent

I, ____ (full name), of

____ (address)

accept the nomination to stand for election as a Director of Henty Community Financial Services Limited and confirm the following information is correct and consent to its disclosure as set out below. I also agree to comply with the procedures for a Victorian National Police Records Check.

2.1 Information to be provided to Australian Securities and Investments Commission if elected

Given and family name: (as set out above) _____________________________________

All former given and family names: ____

Date and place of birth: ____

Residential Address: ____

2.2 Information that may be included in Henty Community Financial Services Limited Notice of Meeting

Skills and experience: ____

____

Qualifications: ____

____ (signature of nominee) ___/___/___

(date)

This notice must be lodged at the Registered Office of Henty Community Financial Services Limited at 8 Sladen Street, Henty NSW 2658 no later than 15 business days before the Annual General Meeting, and no earlier than 60 business days before the Annual General Meeting.

The Annual General Meeting is to be held on 9 November 2018.

NOTE: A person nominated for election to the Board **must** undergo a Victoria Police "National Police Records Check" before being eligible for appointment or election to the Board.

Henty and District Community Bank® Branch
8 Sladen Street, Henty, NSW 2658
Phone: (02) 6929 3683   Fax: (02) 6929 3687

Franchisee: Henty Community Financial Services Limited
8 Sladen Street, Henty, NSW 2658
Phone: (02) 6929 3683   Fax: (02) 6929 3687
ABN 20 084 864 835

www.bendigobank.com.au Bendigo Bank Limited, Fountain Court, Bendigo, VIC 3550
ABN 11 068 049 178   AFSL 237879
(Zube Computers Oct 2018)