HENTY COMMUNITY FINANCIAL SERVICES LIMITED

ABN 20 084 864 835

2019 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 20th November 2019 at 4.30pm at the Henty Library, Sladen Street, Henty.

Ordinary Business

Notice of Meeting

Confirmation of Minutes of A.G.M. 9th November 2018

Proxies

Chairman's Report

Manager's Report

Appointment of Auditor – Richmond Sinnott & Delahunty

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

John Ellis

Dennis Kane

Contents

Chairperson's report

For year ending 30 June 2019

Welcome to the Annual Report on the operations of Henty Community Financial Services Limited, the company that controls Henty Community Bank Branch (your Bank).

The year was highlighted by celebrating our 20th birthday in November last year with a street party held in conjunction with the official opening of the main street upgrade and the new Fire Station.

A special thank you to a local team that organised this event led by Board Member Dennis Kane and supported by Leigh Eulenstein and Rachelle Roulston.

This event also won the "Event of the Year" at the Greater Hume Shire Australia Day Celebration.

Our 20th birthday also saw us gift the town a large electronic LED sign which is located on the highway at the southern end of the Bicentennial Park. We believe this will be a huge asset to the town and raise the profile of Henty to the large number of travellers who pass the sign each day.

The sign is administered by a sub-committee of the Board with a special mention to staff member Steph Bedggood for her contribution.

The Company continues to perform with strong results posted for the year.

The Branch continues to grow and has surpassed the $120 million mark as at the 30th June 2019.

The success of the business would not be possible without the great work Gaynor, Trent and the girls have put in and we acknowledge their contribution.

The business is very sound and well placed to take advantage of a number of business opportunities moving forward.

In closing I would like to thank all Staff and Directors for their ongoing support and valued assistance in running our business.

John Ellis
Chairperson
Henty Community Financial Services Ltd.

Manager’s report

For year ending 30 June 2019

It is with pleasure that I submit the Branch Manager’s report for the Henty and District Community Bank Branch. The Henty Community Bank Branch had some strong results for the 2018/19 financial year. We ended the financial year with total business of $123.9 million which reflects growth of $15.0 million on last year’s results. In the current competitive market, these results are strong. The really pleasing aspect of this result is that it came from a combination of deposit and lending business.

The strength of the Community Bank model and the point of difference that this provides, is one of the reasons that we have been able to achieve such strong results. We believe that our success is closely linked to the success of our communities.

Our 20th Birthday was celebrated with a Street Party, opening of the Railway precinct and craft shop and the official opening of the new Fire Station. The festivities were well supported and talked about for months.

We congratulate Sharon on celebrating 20 years of service what a wonderful milestone! I’m sure you have seen many changes in that time! We farewelled Jan who for 17 years contributed towards the success of the Henty Branch – we wish you well in your retirement Jan. We welcomed Emerson to our team and she has fitted in well and adapted to our systems. To Sharon, Stephanie, Emerson, Jacinda and Michelle thank you for continuing to provide such a high level of service to our customers and for your on going support and loyalty.

Thank you also to our Holbrook agency and their staff Vicki, Bec and Hope for continuing to provide an alternative banking option for the Holbrook Community.

Thank you to our Board of Directors who continue to provide excellent guidance for the branch team. The direction they have set will see the Henty and District Community Bank Branch continue to maintain our strong community focus and ensure we remain a relevant banking choice in our community.

Manager’s report 30 June 2019 continued

Most of all I would like to thank our shareholders, our individual customers and the local businesses and groups that choose to bank with Henty & District Community Bank Branch. It is because of you that we are able to provide the support that we do to the local community. On behalf of myself and the branch staff, thank you for your continued support. We look forward to seeing you in the bank.

Gaynor McLeish
Branch Manager– Henty Community Bank Branch

Declaration of Dividend

Dividend paid or declared in the financial year ended 30 June 2018.

A fully franked interim dividend of 12.0 cents per share was declared and paid during the year ended 30 June 2018.

No dividend has been declared or paid for the year ended 30 June 2019 as yet.

Director’s report

For year ending 30 June 2019

The Directors present their report of the Company for the financial year ended 30 June 2019.

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 1996	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
Leigh Eulenstein Director Board member since Sept 2013	Nil	Small Business Owner
Dennis Kane Director Board Member appointed February 2017	Nil	General Manger/Director
Rochelle Roulston Director Board Member appointed 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 2019 continued

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

Director	Board Meetings A	Board Meetings B
John Bruce Ellis	10	10
Alison Campbell	10	10
Hugh Thomas Clancy	10	10
Helen Margaret McRorie	10	9
Leigh Eulenstein	10	10
Dennis Kane	10	10
Rochelle Roulston	10	8

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

Company secretary

Alison Campbell has been the company secretary 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 $146,649 (2018 profit: $46,489), which is a 215.4% increase as compared with the previous year. The increase in profit is due to an increase in the footings for the year.

Dividends

Dividend paid or declared in the financial year ended 30 June 2018.

A fully franked interim dividend of 12.0 cents per share was declared and paid during the year ended 30 June 2018.

No dividend has been declared or paid for the year ended 30 June 2019 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 2019 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 25 September 2019.

John Ellis
Director

Auditor’s Independence Declaration

Audit

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

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

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 2019 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: 26th September 2019

Financial Statements For year ending 30 June 2019

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	2	829,196	710,873
Expenses			
Employee benefits expense	3	(294,129)	(274,821)
Depreciation and amortisation	3	(22,707)	(22,833)
Finance costs	3	-	-
Bad and doubtful debts expense	3	-	(169)
Administration and general costs		(69,236)	(76,710)
IT expenses		(16,037)	(14,185)
Promotion and advertising costs		(165,249)	(184,002)
Other expenses		(75,154)	(68,563)
		(642,512)	(641,283)
Profit before income tax		**186,684**	**69,590**
Income tax expense	4	(40,035)	(23,101)
Profit for the year after income tax		**146,649**	**46,489**
Other comprehensive income		-	-
Total comprehensive income for the year		**146,649**	**46,489**
Profit attributable to members of the company		146,649	46,489
Total comprehensive income attributable to members of the company		**146,649**	**46,489**
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	53.41	17.37

The accompanying notes form part of these financial statements

Statement of Financial Position
For the year ended 30 June 2019

	Note	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	191,713	115,640
Trade and other receivables	6	82,321	71,315
Financial assets	7	238,786	208,174
Other assets	8	7,941	6,932
Total current assets		**520,761**	**402,061**
Non-current assets			
Property, plant and equipment	9	117,165	120,570
Intangible assets	10	60,529	5,016
Deferred tax assets	4	24,068	34,734
Total non-current assets		**201,762**	**160,320**
Total assets		**722,523**	**562,381**
Liabilities			
Current liabilities			
Trade and other payables	12	23,500	12,782
Current tax liability	4	17,978	22,849
Borrowings	13	1,555	2,162
Provisions	14	51,065	67,786
Total current liabilities		**94,098**	**105,579**
Non-current liabilities			
Trade and other payables	12	46,053	-
Provisions	14	1,555	394
Total non-current liabilities		**47,608**	**394**
Total liabilities		**141,706**	**105,973**
Net assets		**580,816**	**456,408**
Equity			
Issued capital	15	267,585	267,585
Retained earnings	16	313,231	188,823
Total equity		**580,816**	**456,408**

The accompanying notes form part of these financial statements

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

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2018 (reported)		**267,585**	**188,823**	**456,408**
Change due to the adoption of AASB 9		-	9,869	9,869
Balance at 1 July 2018 (restated)		**267,585**	**198,692**	**466,277**
Comprehensive income for the year				
Profit for the year		-	(0)	(0)
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(32,110)	(32,110)
Balance at 30 June 2019		**267,585**	**166,582**	**580,816**
Balance at 1 July 2017		267,585	168,913	436,498
Comprehensive income for the year				
Profit for the year		-	46,489	46,489
		-	**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**

The accompanying notes form part of these financial statements

Statement of Cash Flows
For the year ended 30 June 2019

	Note	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		875,967	768,045
Payments to suppliers and employees		(718,555)	(675,188)
Dividends received		13,608	6,301
Interest received		6,605	4,537
Income tax paid		(41,438)	(14,419)
Net cash flows provided by operating activities	19b	**136,187**	**89,276**
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,046)	-
Purchase of investments		(9,004)	(38,406)
Purchase of intangible assets		(13,954)	-
Net cash flows used in investing activities		**(28,004)**	**(38,406)**
Cash flows from financing activities			
Proceeds from borrowings		-	1,020
Dividends paid		(32,110)	(26,579)
Net cash flows used in financing activities		**(32,110)**	**(25,559)**
Net increase in cash held		**76,073**	**25,311**
Cash and cash equivalents at beginning of financial year		115,640	90,329
Cash and cash equivalents at end of financial year	19b	**191,713**	**115,640**

The accompanying notes form part of these financial statements

Notes to the Financial Statements Year ended 30 June 2019

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 25 September 2019.

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 branches at Henty, N.S.W..

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

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below ONLY apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111Construction Contracts and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139's 'Financial Instruments: Recognition and Measurement' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

1. Summary of significant accounting policies (continued)

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

The adoption of AASB 9 has mostly impacted the following area:
The classification and measurement of the entity's equity investments in listed entities - the entity holds financial assets to hold and collect the associated cash flows. The majority of investments were previously classified as available-for-sale (AFS) investments are now measured at fair value through profit and loss (FVTPL) as the cash flows are not solely payments of principal and interest (SPPI).

Other financial assets also changed classification upon adoption of the standard. Refer to note 1(h) for further information.

(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.

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 standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of $7,882. However, the company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the company's profit and classification of cash flows.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The company does not intend to adopt the standard before its effective date.

(h) Change in accounting policies

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.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

1. Summary of significant accounting policies (continued)

h) Change in accounting policies (continued)

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:

a) when the entity has a right to receive the income and it can be reliably measured; or
b) upon receipt.

Financial Instruments

Recognition and derecognition
Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets
For the purpose of subsequent measurement are classified into the following categories:

a) Financial assets at amortised cost
b) Financial assets at fair value through profit and loss (FVTPL)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost
Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of ‘hold to collect’ contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

Financial assets at fair value through profit or loss
Investments in equity instruments fall into this category unless the company irrevocably elects at inception to account as FVTOCI.

The entity does not hold any financial assets classified as FVTOCI.

Impairment of financial assets
AASB 9’s new forward looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

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1. Summary of significant accounting policies (continued)

h) Change in accounting policies (continued)

Financial liabilities
As the accounting for financial liabilities remains largely unchanged from AASB 139, the company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

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.

Classification and measurement of financial liabilities
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.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Reconciliation of financial instruments on adoption of AASB 9
The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and other receivables	Loans and receivables	Amortised cost	71,315	71,315
Term deposits	Held to maturity	Amortised cost	113,071	113,071
Share investments	Available for sale	FVTPL	95,104	108,717
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	12,782	12,782
Borrowings	Amortised cost	Amortised cost	2,162	2,162

The effect of classification changes arising from transitioning from AASB 139 to AASB 9 are shown below:

	Retained Earnings ($)
Opening balance under AASB 139	-
Reclassified from AFS to FVTPL	9,869
Opening balance under AASB 9	9,869

2. Revenue

	2019 $	2018 $
Revenue		
- service commissions	771,422	686,555
	771,422	686,555
Other revenue		
- interest received	6,605	4,537
- dividends received	13,608	9,002
- other revenue	29,569	10,779
- FV gain on investments	7,992	-
	57,774	24,318
Total revenue	**829,196**	**710,873**

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.

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

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

Rendering of services
As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Core Banking Products
Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given.

Margin
Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the 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.

Commission
Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Free Income
Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank Limited, including fees for loan applications and account transactions.

2. Revenue (continued)

Discretionary Financial Contributions
Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Form and Amount of Financial Return
The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/ processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adelaide Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;
b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and
c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

3. Expense

	2019	2018
	$	$
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	264,865	244,548
- superannuation costs	21,929	22,767
- other costs	7,335	7,506
	294,129	274,821

3. Expenses (continues)

	2019 $	2018 $
Depreciation and amortisation		
Depreciation		
- buildings	3,914	3,914
- plant and equipment	4,537	4,503
	8,451	8,417
Amortisation		
- franchise fees	14,256	14,416
Total depreciation and amortisation	22,707	22,833
Bad and doubtful debts expenses	-	169
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,080	4,940
- Accounting services	-	-
	5,080	4,940

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.

Depreciation and amortisation
The depreciable amount of all fixed and intangible assets, including buildings and capitalised leased assets, 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%	Straight line
Plant and equipment	5-33%	Straight line
Franchise fees	20%	Straight line

4. Income Tax

	2019	2018
	$	$
a. The components of tax expense comprise:		
Current tax expense	45,503	26,751
Deferred tax expense	5,195	(3,650)
Franking credits	(5,832)	-
Recognition of deferred taxes upon adoption of AASB 9	(3,744)	-
Under / (over) provision of prior years	(1,087)	-
	40,035	**23,101**
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% (2018: 27.5%)	51,338	19,137
Add tax effect of:		
- Franking credits	(5,832)	-
- Non-deductible expenses/non-assessable income	(640)	3,964
- Under / (over) provision of prior years	(1,087)	-
- Recognition of deferred taxes upon adoption of AASB 9	(3,744)	-
Income tax attributable to the entity	**40,035**	**23,101**
The applicable weighted average effective tax rate is:	23.45%	33.20%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	22,849	13,218
Income tax paid	(41,438)	(14,419)
Franking credits utilised	(5,832)	(2,701)
Current tax	42,399	26,751
	17,978	**22,849**
d. Deferred tax asset / liability		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Property, plant & equipment	17,241	17,890
Accruals	483	-
Employee provisions	14,471	18,750
	32,195	36,640
Deferred tax liabilities comprise:		
Prepayments	2,184	1,906
Financial assets carried at FVTPL	5,943	-
	8,127	1,906
Net deferred tax asset	**24,068**	**34,734**

4. Income Tax (continued)

	2019	2018
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	4,445	3,141
(Decrease) / increase in deferred tax liabilities	6,221	509
Recognition of deferred taxes upon adoption of AASB 9	(3,744)	-
Under / (over) provision prior years	(1,727)	-
	5,195	**3,650**

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

	2019 $	2018 $
Cash at bank and on hand	85,659	11,811
Short-term bank deposits	106,054	103,829
	191,713	**115,640**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, and other short-term highly liquid investments with original maturities of three months or less.

The effective interest rate on short-term bank deposits was 2.02% (2018: 2.00%); these deposits have an average maturity of 92 days.

6. Trade and other receivables

	2019 $	2018 $
Current		
Trade receivables	80,250	65,921
Other receivables	2,071	5,394
	82,321	**71,315**

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 in accordance with the expected credit loss model, or 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 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)

	Gross amount	Not past due	Past due but not impaired			Past due and impaire
			< 30 days	31-60 days	> 60 days	
2019	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	80,250	80,250	-	-	-	-
Other receivables	2,071	2,071	-	-	-	-
Total	**82,321**	**82,321**	**-**	**-**	**-**	**-**
2018						
Trade receivables	65,921	65,921	-	-	-	-
Other receivables	5,394	5,394	-	-	-	-
Total	**71,315**	**71,315**	**-**	**-**	**-**	**-**

7. Financial assets

	2019	**2018**
	$	**$**
Amortised cost		
Term deposits	115,264	113,071
Fair value through profit and loss		
Listed investments	118,522	90,103
Unlisted investments	5,000	5,000
	238,786	208,174

The effective interest rate on the bank deposit was 2.3% (2018: 2.1%). This deposit has a term of 7 months, maturing on 30 November 2019.

(a) Classification of financial assets
The company classifies its financial assets in the following categories:
• Amortised cost
• Fair value through profit or loss (FVTPL)

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

(b) Measurement of financial assets

Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions
• they are held within a business model whose objective is to hold the financial assets and
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as term deposits that were previously classified as held-to-maturity under AASB 139.

7. Financial assets (continued)

(b) Measurement of financial assets (continued)

Financial assets at fair value through profit or loss (FVTPL)
Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

(c) Impairment of financial assets

AASB 9's impairment requirements use more forward looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. 12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

(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

	2019	2018
	$	$
Prepayments	7,941	6,932
	7,941	**6,932**

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

	2019		
	At cost	Accumulated depreciation	Written down value
Land	4,800	-	4,800
Buildings	156,543	(68,968)	87,575
Plant and equipment	120,767	(95,977)	24,790
Total property, plant and equipment	**282,110**	**(164,945)**	**117,165**

	2018		
	At cost	Accumulated depreciation	Written down value
Land	4,800	-	4,800
Buildings	156,543	(65,054)	91,489
Plant and equipment	115,721	(91,440)	24,281
Total property, plant and equipment	**277,064**	**(156,494)**	**120,570**

Land and buildings

Freehold land and buildings are measured 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 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.

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.

9. Property, plant and equipment (continued)

(a) Capital expenditure commitments
The entity does not have any capital expenditure commitments at 30 June 2019 (2018: None)

(b) Movements in carrying amounts of PP&E

2019	Opening written down value	Additions	Depreciation	Closing written down value
Land	4,800	-	-	4,800
Buildings	91,489	-	(3,914)	87,575
Plant and equipment	24,281	5,046	(4,537)	24,790
Total property, plant and equipment	**120,570**	**5,046**	**(8,451)**	**117,165**

2018	Opening	Additions	Depreciation	Closing
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**

10. Intangible assets

	2019 $		
	At cost	**Accumulated amortisation**	**Written down value**
Franchise fees	69,769	(9,240)	60,529
Total intangible assets	**69,769**	**(9,240)**	**60,529**

	2018 $		
	At cost	**Accumulated amortisation**	**Written down value**
	149,280	(144,264)	5,016
	149,280	**(144,264)**	**5,016**

Franchise fees 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

Movements in carrying amounts

2019	**Opening written down value**	**Additions**	**Amortisation**	**Closing written down value**
Franchise fees	5,016	69,769	(14,256)	60,529
Total intangible assets	**5,016**	**69,769**	**(14,256)**	**60,529**

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

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

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	7,212	8,962
Other creditors and accruals	939	3,820
Franchise fees	15,349	-
	23,500	**12,782**
Non-current		
Unsecured liabilities:		
Franchise fees	46,053	-
	46,053	**-**

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. Franchise fees are paid over a period of 5 years.

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

13. Borrowings

	2019 $	2018 $
Current		
Unsecured liabilities		
Credit Card	1,555	2,162
Total borrowings	**1,555**	**2,162**

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

14. Provisions

	2019 $	2018 $
Current		
Employee benefits	51,065	67,786
Non-current		
Employee benefits	1,555	394
Total provisions	**52,620**	**68,180**

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

	2019 $	2018 $
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
Shares issued during the year	-	-
At the end of the reporting period	**267,585**	**267,585**

15. Share capital (continued)

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.

(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
(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the
(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills

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

	2019 $	2018 $
Balance at the beginning of the reporting period	188,823	168,913
Increase due to adoption of AASB 9	9,869	-
Profit for the year after income tax	146,649	46,489
Dividends paid	(32,110)	(26,579)
Balance at the end of the reporting period	**313,231**	**188,823**

17. Dividends paid or provided for on ordinary shares

	2019 $	2018 $
Dividends paid or provided for during the year		
Interim fully franked ordinary dividend of 12 cents per share (2018: 10 cents)	32,110	26,579

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

	2019	2018
	$	**$**
Basic earnings per share (cents)	53.41	17.37
Earnings used in calculating basic earnings per share	142,905	46,489
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 servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

19. Statement of cash flows

	2019	2018
	$	**$**
(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:		
Cash and cash equivalents (Note 5)	191,713	115,640
As per the Statement of Cash Flow	**191,713**	**115,640**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	146,649	46,489
Non-cash flows in profit		
- Depreciation and amortisation	22,707	22,833
- Bad debts	-	169
- Fair value increases in listed investments	(7,994)	-
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(11,006)	1,555
- (increase) / decrease in prepayments and other assets	(1,009)	1,851
- (Increase) / decrease in deferred tax asset	10,666	(3,650)
- Increase / (decrease) in trade and other payables	(2,788)	2,892
- Increase / (decrease) in current tax liability	(4,871)	9,631
- Increase / (decrease) in other liabilities	(607)	-
- Increase / (decrease) in provisions	(15,560)	7,506
Net cash flows from operating activities	**136,187**	**89,276**

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.

No remuneration was paid to key management personnel during the current financial year. The totals of remuneration paid to key management personnel of the company is as follows:

	2019 $	2018 $
Short-term employee benefits	-	1,250
Total key management personnel compensation	**-**	**1,250**

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 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 2019.

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:

	2019	2018
John Ellis	1,000	1,000
Alison Campbell	9,000	9,000
Hugh Clancy	1,150	1,150
Helen McRorie	100	100
Leigh Eulenstein	-	-
Dennis Kane	-	-
Rochelle Roulston	-	-
	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 95% of the revenue (2018: 97%).

24. Commitments

Operating lease commitments

	2019 $	2018 $
Payable:		
- no later than 12 months	3,503	3,503
- between 12 months and five years	4,379	7,882
Minimum lease payments	**7,882**	**11,385**

24. Commitments (continued)

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 & Adelaid Bank Limited, the primary lessor.

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

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

25. Company details

The registered office and principal 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 framework.

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 9 *Financial Instruments* as detailed in the accounting policies are as follows:

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	191,713	115,640
Trade and other receivables	6	82,321	71,315
Financial assets:	7		
- Term deposits		115,264	113,071
- Share investments		123,522	95,103
Total financial assets		**512,820**	**395,129**
Financial liabilities			
Trade and other payables	12	69,553	12,782
Borrowings	13	1,555	2,162
Total financial liabilities		**71,108**	**14,944**

26. Financial instrument risk (continued)

(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.

None of the assets of the company are past due (2018: 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.

26. Financial instrument risk (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.89%	191,713	191,713	-	-
Trade and other receivables		82,321	82,321	-	-
Finacial assets:					
- Term deposits	2.30%	115,246	115,246	-	-
- Share investments		123,522	123,522	-	-
Total anticipated inflows		512,802	512,802	-	-
Financial liabilities					
Trade and other payables		69,553	69,553	-	-
Borrowings	13.99%	1,555	1,555	-	-
Total expected outflows		71,108	71,108	-	-
Net inflow / (outflow) on financial inst	-	**441,712**	**441,712**	**-**	**-**

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	-	-
Finacial assets:					
- Term deposits	2.10%	113,071	113,071	-	-
- Share investments		95,103	95,103	-	-
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 instrume		**380,185**	**380,185**	**-**	**-**

26. Financial risk management (continued)

(a) Credit risk (continued)

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.

None of the assets of the company are past due (2016: 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.

26. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2017	**Weighted average interest rate %**	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial assets					
Cash and cash equivalents	0%	90,329	90,329	-	-
Trade and other receivables	0%	68,719	68,719	-	-
Financial assets	2.13%	169,768	169,768	-	-
Total anticipated inflows		328,816	328,816	-	-
Financial liabilities					
Trade and other payables	0%	9,890	9,890	-	-
Borrowings	13.99%	1,142	1,142	-	-
Total expected outflows		11,032	11,032	-	-
Net inflow on financial instruments		**317,784**	**317,784**	**-**	**-**

30 June 2016	**Weighted average interest rate %**	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial assets					
Cash and cash equivalents	1.1%	166,969	166,969	-	-
Trade and other receivables	0%	51,239	51,239	-	-
Financial assets	2.4%	82,958	82,958	-	-
Total anticipated inflows		301,166	301,166	-	-
Financial liabilities					
Trade and other payables	0%	13,342	13,342	-	-
Total expected outflows		13,342	13,342	-	-
Net inflow on financial instruments		**287,824**	**287,824**	**-**	**-**

* The Bank overdraft has no set repayment period and as such all has been included as current.

26. Financial risk management (continued)

(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.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency.

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

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months:
- A parallel shift of +/- 1% in market interest rates from year-end rates.

These movements will not have a material impact on the valuation of the company's financial assets and liabilities, nor will they have a material impact on the results of the company's operations.

Other price risk
The company is exposed to other price risk on its listed investment carried at fair value, whereby a change in share prices will affect the fair value of the financial instruments.
Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are
- A parallel shift of +/- 10% in equity prices from year-end rates.

These movements will not have a material impact on the valuation of the company's investments, nor will they have a material impact on the results of the company's operations.

27. Fair value measurements

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

27. Fair value measurements (continued)

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- listed investments

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: *Fair value measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1 - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Measurements based on unobservable inputs for the asset or liability.

Fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

27. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	30 June 2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Financial assets				
Share investments	118,522	-	5,000	123,522
Total financial assets recognised at fair value	118,522	-	5,000	123,522

	30 June 2018			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Financial assets				
Share investments	90,103	-	5,000	95,103
Total financial assets recognised at fair value	90,103	-	5,000	95,103

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2018: no transfers).

(b) Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Director's Declaration

for the year ending 30 June 2019

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 of the company as set out on pages 10 to 44 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 2019 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 on 25 September 2019.

Independent Audit Report

rsd Audit

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

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

INDEPENDENT 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 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In our opinion:

(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 2019 and of its performance for the year then ended; and

(ii) complying with Australian Accounting Standards and 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 Group 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

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 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 to 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 continua as a going concern.

Independent Audit Report continued

Auditor's Responsibility (continued)

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.

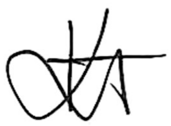
The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters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

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 2017, 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



KATHIE TEASDALE
Partner
Bendigo
Dated: 26th September 2019

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Management Representation Letter

Henty
Community Financial Services Limited

Kathie Teasdale
RSD Audit
Level 2
41A Breen Street
BENDIGO VIC 3550

25 September 2019

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 2019, 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 bel ieve that the full-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 full-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 2019, 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 full-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 ~he 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 full-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.

Management Representation Letter continued

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 standard 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,

Director

Attachment A - Schedule of Unadjusted Audit Differences

Details	Assets	Liabilities	Equity	Revenue	Expenses
Leave entitlement					$3,976
Entitlements		($3,976)			
To record the on-costs applicable for Annual Leave					
LSL Entitlement		$1,912			
LSL Non Current Entitlement		($1,462)			
LSL Expense					($450)
RSD performed a re-calc of LSL calculator with appropriate probability rates					
General Expense					$8,391
GST control Account	($8,391)				
To bring GST account in Line with BAS.					
Provision for Income Tax		($2,740)			
Income Tax Expense					$2,740
As per RSD re-calculation of the Tax workpaper. To ensure accuracy					
Other Creditors		$1,755			
Wages & Salaries					($1,755)
Prepayments	$1,247				
Other Creditors		($509)			
Wages & Salaries					($738)
To account for prepayment and accrued salaries and wages for the final pay run.					
Accounts Payable		$1,555			
General Expense					($1,555)
To remove credit card payment as already recognised as a liability					
Total Differences	**($7,144)**	**($3,462)**	—	—	**$10,609**

Proxy Form

Henty Community Financial Services Limited

(Mark boxes with an X as shown [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

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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 29 November 2017.

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 20 November 2019.

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.

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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
(Studio Zube Oct 2019)