Kentish Financial Services Limited

ABN 47 609 243 923

Annual Report

Sheffield & Railton Districts
Community Bank® Branch

Contents

Chair's report

For year ending 30 June 2019

The Sheffield & Railton Districts **Community Bank®** Branch is proving its value to the Kentish Community. Despite the challenges of an Australian and international banking sector which is more competitive than it has ever been with tight margins and fierce marketing from the big banks, we have more than held our own. Our new Branch Manager, Grant Astell, joined us in February this year. He has brought considerable knowledge and expertise gained from many years in the finance sector and is already making an outstanding contribution both to the management of the branch and to the growth in business for the company. Branch staff, Teana and Jann have done a wonderful job in supporting him in providing great commitment to customer service and advice and I thank them for their contribution.

We are well on track to meeting our key goal of bringing the company into profit, hopefully achieved in the 2019/20 financial year. Growing our business to the point of paying a dividend to our shareholders is top of our priority list. To this end, the Board has been revising its Business Plan. The key areas of focus for the company are growing the business to profitability, dividends to shareholders, development of community partnerships with key organisations, support for local community projects and communication. Other work undertaken by the Board has involved Board training in governance, financial management, and the development and establishment of Board Committees in Risk, Audit, HR & Marketing and Business Development. The Board will undertake an independent Board review in line with due diligence standards in the forthcoming year. I would like to thank our Directors, all of whom are volunteers, for their tireless commitment and diligence on behalf of the company, and for their support. Heartfelt thanks to retired Directors, Doug and Lesley Begg who gave the initial project, and then the company, so much over many years, to Tim Wilson, now elected Mayor of Kentish Council and to Adrian Crowther who has stepped down as Board Chair, while remaining on the Board. Adrian's contribution to the establishment of the company, and to steering it through the first years has been outstanding.

The company has continued its support of local community projects, returning a total of just over $28,000. Projects supported have included Mountain Bike Wild Mersey project, Sheffield Football Club, Railton Bowls Club, Nook Cricket Club and a number of other clubs and organisations.

I would like to thank all of our shareholders for their continued faith and support in the company. You are all valuable ambassadors for our success and your advocacy in the community is powerful. If you have not yet switched your banking across to us, please consider doing so. We offer a full range of banking services and financial products and each new account brings us closer to increasing our community support and paying a dividend. With your continued support, and that of our community we can do so much more.

I am proud of what we have been able to achieve over this year, and confident of our success. We continue to work closely with our partner, Bendigo and Adelaide Bank Limited, Australia's most trusted Bank, on ways to improve our customer experience. I encourage all of you to contact us if you would like to share your experience or offer suggestions.

Lynette A Hayward

Lynn Hayward
Chair

Manager's report

For year ending 30 June 2019

It has been an exciting 12 months for the Sheffield & Railton Districts **Community Bank**® Branch. In our third year of trading we have seen continued growth and strong support from our local community.

In branch we have seen some changes and I am extremely pleased and very proud to be able to write this report as the new Branch Manager. I would like to thank the staff, Board, shareholders and customers for the welcome and support I have received in my new position and I look forward to making our community successful together.

I must also recognise our staff – Teana Roetz and Jann Williams. Their continued efforts and commitment to both the branch and for what that means to the local community and customers is greatly appreciated.

In July 2019 Bendigo Bank was named the most trusted Bank by Readers Digest. This continues to show that Bendigo Bank is well positioned for the future and is viewed in a positive way by the public and other financial professionals.

As a **Community Bank**® branch we have been able to continue our growth. We have been able to grow our funds under management by 24% and our customer numbers by 16% for the period.

I am looking forward to the next twelve months and being able to lead the branch team in the ever-changing financial environment. I am confident we will continue the strong growth of the business and we will soon reach our goal of being profitable.

Grant Astell
Branch Manager

Directors' report

For the financial year ended 30 June 2019

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

Directors

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

Lynette Ann Hayward
Chairperson
Occupation: Consultant
Qualifications, experience and expertise: M.Ed. Grad Cert Bus (Regional Development). Former senior manager at Telstra, Director of HR at the University of Adelaide. Founding company secretary from 2004 - 2008 and then board chair from 2009 - 2017 of MVFSL (Deloraine and Districts Community Bank). Community Bank mentor 2012 to present. Past Chair and Public officer of Launceston Youth and Community Orchestra Inc. Director of Kentish Financial Services Ltd June 2017 to present.
Interest in shares: 1,000

Deborah Baldock
Secretary (Appointed December 2018)
Occupation: Customer Service Officer Service Tasmania, Justice of the Peace
Qualifications, experience and expertise: Deborah is a Customer Service Officer at Service Tasmania – Sheffield. She has been a Justice of the Peace for 15 years. Deborah was Treasurer for KFS Ltd for 3 years. Deborah has held various positions in the local community including President of the local Parents & Friends Group and Treasurer of the Sheffield Baptist Church for 8 years.

Interest in shares: 1,501

Justin Stuart Carman
Treasurer
Occupation: Manager - Accommodation Resort
Qualifications, experience and expertise: Justin holds a Bachelor Degree in Arts from Macquarie University and a Graduate Diploma in Company Directorship from the Australian Institute of Directors, of which he is a member. Justin spent 22 years in the banking industry, with experience in Retail, SME Business, Corporate & Institutional Banking market segments. His last banking position was in Institutional Banking specialising in Government and Indigenous Banking. He now assists in the management, operations and development of Silver Ridge Retreat, is the project lead and partner in the Mt Roland Cableway Project and operates the Mt Roland Quad Bikes adventure business.
Interest in shares: 10,001

John Duncan Sinclair
Director/Deputy Chairperson
Occupation: Owner of local accommodation resort
Qualifications, experience and expertise: John owns and runs Silver Ridge Retreat a local accommodation resort. His past experience includes 34 years in banking, covering from waste clerk and teller to managing the credit department and later the Cape operations of a major South African Merchant Bank.
Interest in shares: 10,001

Adrian Crowther
Director
Occupation: Chairman of Stewards (Harness), Office of Racing Integrity Tasmania
Qualifications, experience and expertise: Adrian has served on the Board of Kentish Financial Services since its inception, and was a member of the steering committee prior to the company being formed. He held the position of Chairman from 2012-2018. A father of two boys who were both raised in Kentish, Adrian has a background in beef and dairy farming and has spent all of his working life in the racing industry, having spent many years working in Europe and the Middle East prior to moving to Railton. Adrian spent five years as Chairman of Stewards for harness racing in Tasmania and currently holds a senior racing integrity role.

Interest in shares: 3,571

Directors *(continued)*

Shayn William Harkness
Director
Occupation: Small Business Owner
Qualifications, experience and expertise: Earlier in his life, Shayn was an indentured metal working tradesman and owned and ran the Latrobe Judo Club for four years. Shayn currently is the owner of several small businesses in Kentish and was President of not-for-profit organisation Kentish Energy Efficiency Network Embracing Renewables Inc. Shayn also previously held positions of Treasurer and Secretary with not-for-profit organisation Mount Roland River Care Inc. In recent years, Shayn obtained a Certificate IV in Home & Business Sustainability. Shayn is a founding member of the Community Bank®Project Steering Committee.
Interest in shares: 2,501

Laura Jo Inder
Director
Occupation: Self Employed Tourist Operator
Qualifications, experience and expertise: Laura Inder was born and educated in Montana, USA, with a background in accounting, a most valuable asset in her partnership role creating & growing Tasmazia & the Village of Lower Crackpot from a Lavender farm to the prominent attraction it is today.
Laura was Treasurer for the International Mural Fest committee for 3 years and has been a member of Sheffield, Inc since the early days of the Murals. She is also a member of the Devonport & Cradle Country Tourism association.
Interest in shares: 60,000 (Joint ownership)

Robyn Anne Russell
Director
Occupation: Business owner
Qualifications, experience and expertise: Robyn Russell, B.Bus, has lived in Kentish since 2006, having bought a local farm in 2003. She has experience in managing both human and financial resources, as a senior manager in public service organisations. Prior to relocating to Kentish she provided small businesses with an understanding of taxation issues, including GST and superannuation. Robyn and her husband own and run a farming and bookkeeping business. She has helped with the Triple Top Mountain Race.
Interest in shares: 5000

Andrew Oliver Davies (appointed 27 July 2018)
Director
Occupation: Chief Pilot/Director
Qualifications, experience and expertise: Andrew Davies is a Sheffield local born in with old family roots in the Kentish community. Andrew was educated at Sheffield High School and furthered his education at Don College before moving over seas to pursue his travel dreams learning other languages and gaining knowledge on how the rest of the world works. After living over seas Andrew moved back to Perth WA where he worked FIFO as a driller in the mines. He moved home at the beginning of last year after 9 years away and founded his tech based company Taz Drone Solutions. Bringing new innovations to the Sheffield community his knowledge lies in business creation, marketing, finances, networking and technology. He is also a keen sportsman having played the last season with the Sheffield Football Club.
Andrew comments on how living away has taught him what really matters in life is being close to family, a strong community and having something to call your own. His ideals and experience resonate with the Sheffield & Railton Districts Community Bank®Branch and we know he will be an asset as a director on the board.
Interest in shares: Nil

Catherine Lousie Stark (appointed 5 June 2019)
Director
Occupation: Business Owner
Qualifications, experience and expertise: Catherine Stark has been living in Railton since 2003 and is a co-owner and founder of Seven Sheds Brewery along with her partner Willie Simpson. Catherine and Willie also own and operate Base Camp Railton self-contained tourist accommodation. Catherine's business specialities include tourism, events, small business and manufacturing. She has also worked in local, state and federal public sector positions and in various volunteer roles including Cradle to Coast Tasting Trail, Taste of the North West, Railton parkrun and the Wild Mersey Mountain Bike Advisory Committee. Catherine has a Bachelor of Business in Tourism and a Graduate Diploma in Regional Development Policy. She recently joined the Kentish Financial Services Board to fill a vacant position and is also a member of the KFS marketing committee.
Interest in shares: 2500

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

Any material related party disclosures are indicated in Note 20

Company Secretary

The company secretary is Deborah Baldock. Deborah was appointed to the position of Company Secretary on 25 November 2018.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2019 $	Year ended 30 June 2018 $
(88,337)	(114,250)

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 21 and 22 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	E	A
Deborah Baldock	10	10
Adrian Crowther	10	6
Shayn William Harkness	10	10
John Duncan Sinclair	10	7
Justin Stuart Carman	10	8
Lynette Ann Hayward	10	9
Laura Jo Inder	10	10
Robyn Anne Russell	10	6
Andrew Oliver Davies (appointed 27 July 2018)	10	6
Catherine Lousie Stark (appointed 5 June 2019)	-	-
Timothy Bruce Wilson (resigned 28 November 2018)	4	3
Lesley Begg (resigned 29 August 2018)	2	-

E - eligible to attend
A - number attended

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at Sheffield, Tasmania on 27 September 2019

Lynette A Hayward

Lynette Hayward, Chairperson

Auditor's independence declaration

Synectic

Auditor's Independence Declaration

To the directors of Kentish Financial Services Limited

I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and

(b) no contraventions of any applicable code of professional conduct

in relation to our audit for the year ended 30 June 2019.

Synectic

Synectic Audit & Assurance Pty Ltd

Benjamin Coull

Benjamin Coull
Director

Date: 27 September 2019

Synectic Audit & Assurance Pty Ltd

Authorised Audit Company 385720 | ABN 30 146 220 215
Devonport | Launceston | Hobart | www.synecticgroup.com.au
State-wide: *Postal* P.O. Box 6003, Devonport TAS 7310 | *Phone* 03 6424 1451 | *Email* info@synecticgroup.com.au

Kentish Financial Services Limited
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	198,218	178,979
Employee benefits expense		(163,761)	(172,596)
Charitable donations, sponsorship, advertising and promotion		(5,776)	(8,264)
Occupancy and associated costs		(26,620)	(25,511)
Systems costs		(17,298)	(11,990)
Depreciation and amortisation expense	5	(47,623)	(53,314)
General administration expenses		(54,434)	(57,816)
Profit before income tax expense		**(117,294)**	**(150,512)**
Income tax expense	6	28,957	36,262
Profit after income tax expense		**(88,337)**	**(114,250)**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**(88,337)**	**(114,250)**
Earnings per share		¢	¢
Basic earnings per share	21	-0.12	-0.16

Kentish Financial Services Limited
Balance Sheet
as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	118,061	195,831
Trade and other receivables	8	3,043	6,222
Prepayments		6,527	5,277
Total current assets		127,631	207,330
Non-current assets			
Property, plant and equipment	9	94,490	118,112
Intangible assets	10	48,000	72,000
Deferred tax asset	11	102,590	73,633
Total non-current assets		245,080	263,745
Total assets		372,711	471,075
LIABILITIES			
Current liabilities			
Trade and other payables	12	15,295	20,054
Provisions	13	-	2,672
Total current liabilities		15,295	22,726
Non-current liabilities			
Trade and other payables	12	-	-
Provisions	13	-	2,596
Total non-current liabilities		-	2,596
Total liabilities		15,295	25,322
Net assets		357,416	445,753
EQUITY			
Issued capital	14	725,651	725,651
Equity Raising Costs		(39,928)	(39,928)
Accumulated losses	15	(328,307)	(239,970)
Total equity		357,416	445,753

Kentish Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2019

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2017	685,723	(125,720)	560,003
Total comprehensive income for the year	-	(114,250)	(114,250)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
			-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2018	**685,723**	**(239,970)**	**445,753**
Balance at 1 July 2018	685,723	(239,970)	445,753
Total comprehensive income for the year	-	(88,337)	(88,337)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2019	**685,723**	**(328,307)**	**357,416**

Kentish Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2019 $	2018 $
Cash flows from operating activities			
Cash receipts in the course of operations		199,910	174,877
Payments to suppliers and employees		(281,183)	(260,319)
Interest received		3,503	2,205
Net cash provided by operating activities	16	**(77,770)**	**(83,237)**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,240)
Payments for intangible assets		-	-
Net cash used in investing activities		-	**(1,240)**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayments of borrowings		-	-
Proceeds from capital raising		-	-
Net cash used in financing activities		-	-
Net increase in cash held		**(77,770)**	**(84,477)**
Cash and cash equivalents at the beginning of the financial year		195,831	280,308
Cash and cash equivalents at the end of the financial year	7(a)	**118,061**	**195,831**

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

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

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

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

Comparative figures
Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation
Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers
AASB 15 replaces AASB 111 Contruction Contracts, AASB 118 Revenue and related interpreatations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue

AASB 9 Financial Instruments
AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.
Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k).
There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

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

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

a) Basis of preparation *(continued)*

AASB 16 Leases

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

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

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

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

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

Based on the information currently available, the company estimates it will recognise additional lease liabilities and new right-of-use assets of $28,242.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of a **Community Bank®** branches at Sheffield in the state of Tasmania.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the Community Bank® 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

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

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

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

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

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

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

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

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

b) Revenue *(continued)*

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

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

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

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

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

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

c) Income tax

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

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

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

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

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

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

c) Income tax *(continued)*

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leaseholding improvements	40	years

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

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

Classification and subsequent measurement

Derecognition

(i) Derecognition of financial liabilities

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

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

k) Financial instruments (continued)

The company recognises a loss allowance for expected credit losses on:
- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:
- financial assets measured at fair value through profit of loss; or
- equity instruments measured at fair value through other comprehensive income.

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

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

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

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

Recognition of expected credit losses in financial statements

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

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

l) Leases

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

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

Note 2. Financial risk management *(continued)*

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable

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

Impairment of assets

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

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

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

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

Note 4. Revenue from ordinary activities	2019	2018
	$	$
Operating activities:		
- gross margin	115,286	107,894
- services commissions	20,681	18,838
- fee income	9,534	7,357
- market development fund	44,545	40,000
- other revenue	4,668	2,685
Total revenue from operating activities	194,715	176,774
Non-operating activities:		
- interest received	3,503	2,205
- donations received	-	-
Total revenue from non-operating activities	3,503	2,205
Total revenues from ordinary activities	198,218	178,979

Notes to the financial statements (continued)

Note 5. Expenses	2019	2018
	$	$
Depreciation of non-current assets:		
- leasehold improvements and property plant and equipment	23,623	29,314
Amortisation of non-current assets:		
- franchise fee and franchise renewal fee	24,000	24,000
	47,623	53,314

Note 6. Income tax expense	2019	2018
	$	$
The components of tax expense comprise:		
- Future income tax benefit attributable to losses	(28,957)	(36,262)
	(28,957)	(36,262)
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	(117,294)	(150,512)
Prima facie tax on profit from ordinary activities at 27.5%	(32,256)	(41,391)
Add tax effect of:		
- non-deductible expenses	-	-
- non-deductible expenses	6,600	6,835
- timing difference expenses	(1,105)	490
- black hole expenses	(2,196)	(2,196)
	(28,957)	(36,262)
Movement in deferred tax		
Adjustment to deferred tax to reflect change of tax rate in future periods	-	-
Franking credits on dividends received	-	-
	(28,957)	(36,262)

Note 7. Cash and cash equivalents	2019	2018
	$	$
Cash at bank and on hand	118,061	195,831
	118,061	195,831

Note 7.(a) Reconciliation to cash flow statement		2019	2018
		$	$
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:			
Cash at bank and on hand		118,061	195,831
Bank overdraft	13	-	-
		118,061	195,831

Note 8. Trade and other receivables	2019	2018
	$	$
Trade receivables	-	6,122
Other receivables and accruals	3,043	100
	3,043	6,222

Note 9. Property, plant and equipment	2019	2018
	$	$
Leasehold improvements		
At cost	163,699	163,699
Less accumulated depreciation	(69,209)	(45,587)
	94,490	118,112
Total written down amount	94,490	118,112

Note 9. Property, plant and equipment *(continued)*	2019	2018
	$	$
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	118,112	146,186
Additions	-	1,240
Disposals	-	-
Less: depreciation expense	(23,622)	(29,314)
Carrying amount at end	94,490	118,112
Total written down amount	94,490	118,112

Note 10. Intangible assets	2019	2018
	$	$
Franchise fee and renewal processing fee		
At cost	120,000	120,000
Less: accumulated amortisation	(72,000)	(48,000)
	48,000	72,000
Total written down amount	48,000	72,000

Note 11. Tax	2019	2018
	$	$
Current:		
Income tax payable	-	-
Non-Current:		
Deferred tax assets		
- tax losses carried forward	102,590	73,633
- tax losses carried forward	-	-
	102,590	73,633
Net deferred tax asset	102,590	73,633
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	28,957	36,262

Note 12. Trade and other payables	2019	2018
	$	$
Current:		
Trade creditors	10,713	4,243
Other creditors and accruals	4,582	15,811
	15,295	20,054
Non-Current:		
Trade creditors	-	-
Other creditors and accruals	-	-
	-	-

Note 13. Provisions	2019	2018
	$	$
Current:		
Provision for annual leave	-	2,672
Non-Current:		
Provision for long service leave	-	2,596

Note 14. Issued capital	2019	2018
	$	$
725,651 ordinary shares fully paid (2018: 725,651)	725,651	725,651
Less: equity raising expenses	(39,928)	(39,928)
	685,723	685,723

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Note 14. Issued capital (continued)

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). Base number and numbers of shareholders at the date of signing

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

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

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

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

Note 15. Accumulated losses	2019	2018
	$	$
Balance at the beginning of the financial year	(239,970)	(125,720)
Net profit from ordinary activities after income tax	(88,337)	(114,250)
Dividends paid or provided for	-	-
Balance at the end of the financial year	(328,307)	(239,970)

Note 16. Statement of cash flows	2019	2018
	$	$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	(88,337)	(114,250)
Non cash items:		
- depreciation	23,622	29,314
- amortisation	24,000	24,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	3,180	(1,180)
- (increase)/decrease in other assets	(1,251)	1,780
- (increase)/decrease in deferred tax asset	(28,957)	(36,262)
- increase/(decrease) in payables	(4,759)	12,505
- increase/(decrease) in provisions	(5,268)	856
Net cash flows provided by operating activities	(77,770)	(83,237)

Note 17. Leases	2019	2018
	$	$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	11,546	11,342
- between 12 months and 5 years	16,695	28,242
- greater than 5 years	-	-
Minimum lease payments	28,242	39,584

Note 18. Auditor's remuneration	2019	2018
	$	$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	6,785	5,350
	6,785	5,350

Note 19. Director and related party disclosures	2019	2018
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to		
Lease payments made to Laura & Brian Inder as Landlord for branch premises: Commitments for the lease in future years disclosed in Note 17	10,326	10,628
Advertising in the Kentish Voice, payments to George Begg Family Trust	760	1,508
Directors Shareholdings		
Deborah Baldock	1,501	1,501
Adrian Crowther	3,571	3,571
Shayn William Harkness	2,501	2,501
John Duncan Sinclair	10,001	10,001
Justin Stuart Carman	10,001	10,001
Lynette Ann Hayward	1,000	1,000
Laura Jo Inder	60,000	60,000
Robyn Anne Russell (appointed 30 May 2018)	5,000	-
Andrew Oliver Davies (appointed 27 July 2018)	-	-
Catherine Louise Stark (appointed 5 June 2019)	2,500	-
Lesley Begg (resigned 29 August 2018)	601	601
Timothy Bruce Wilson (resigned 28 November 2018)	501	501

Note 20. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 21. Earnings per share	2019	2018
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	(88,337)	(114,250)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	725,651	725,651

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Sheffield & Railton, Tasmania pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
44 Main Street Sheffield TAS 7306	44 Main Street Sheffield TAS 7306

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 %	2018 %
Financial assets												
Cash and cash equivalents	107,702	172,198	-	-	-	-	-	-	10,359	23,632	2.07	2.39
Receivables	-	-	-	-	-	-	-	-	956	6,122	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Payables	-	-	-	-	-	-	-	-	15,295	20,054	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

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

	2019 $	2018 $
Change in profit/(loss)		
Increase in interest rate by 1%	1,077	1,722
Decrease in interest rate by 1%	(1,077)	(1,722)
Change in equity		
Increase in interest rate by 1%	1,077	1,722
Decrease in interest rate by 1%	(1,077)	(1,722)

Directors' declaration

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

In the opinion of the directors:

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

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

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

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

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

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

Lynette A Hayward

Lynette Hayward, Chairperson

Signed on the 27 September 2019

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Independent Auditor's Report

To the Members of Kentish Financial Services Limited

Report on the Audit of the Financial Report

We have audited the financial report of Kentish Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and 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.

Opinion

In our opinion the accompanying financial report of Kentish Financial Services Limited is in accordance with the Corporations Act 2001, including:

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an 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

Synectic Audit & Assurance Pty Ltd
Authorised Audit Company 385720 | ABN 30 146 220 215
Devonport | Launceston | Hobart | www.synecticgroup.com.au
State-wide: *Postal* P.O. Box 6003, Devonport TAS 7310 | *Phone* 03 6424 1451 | *Email* info@synecticgroup.com.au
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accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of management's 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.
- 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 communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Synectic

Synectic Audit & Assurance Pty Ltd

Benjamin Coull
Director

Date: 27 September 2019

Sheffield & Railton Districts **Community Bank®** Branch
44 Main Street, Sheffield TAS 7306
Phone: (03) 6491 1811 Fax: (03) 6491 1995

Franchisee: Kentish Financial Services Limited
44 Main Street, Sheffield TAS 7306
Phone: 0459 824 945 Fax: (03) 6491 1995
ABN: 47 609 243 923

www.bendigobank.com.au/sheffield-railton

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