Annual Report 2020

Kentish Financial Services Limited

Community Bank
Sheffield & Railton Districts

ABN 47 609 243 923

Contents

Chair's report

For year ending 30 June 2020

This past year has presented many difficulties to Australian and Tasmanian communities. Close on the heels of the devastating bushfires on the mainland, the rise of the wildly contagious and deadly COVID-19 virus has presented us all with huge challenges. To find an equivalent in our history we have had to look back to how previous generations were impacted by the Spanish Flu outbreak of 1918, and the Depression of the 30's followed by WW11. Our predecessors were resilient, courageous and disciplined in the main, supported each other, and got through it together. As we will. They had a sense of community. As we have.

Here, in Kentish, we have all experienced degrees of economic and community impacts and as we start to recover, this strong community will be central to our future success. All of us on the Board of Kentish Financial Services Ltd are committed to providing a full banking service to the Kentish community into the long-term: an essential component of a strong and flourishing community. Despite the uncertainties of the economy into the future, we will remain as (currently, at least) the only full banking service in our community, and with your continued support, we will grow and develop a greater capacity to return profits to the community and to our shareholders. The ability to help the community become stronger and more successful is the core objective of community banking. It is what motivates all of us volunteer Directors, and our staff in our Branch.

We are moving closer to being in profit: and we continue to provide support to local projects, clubs and organisations including local sports clubs and events. In total we have been able to return a total of approx. $38,000 to the Kentish Community. This will grow as we grow.

Our Board has undertaken significant training and development during the year to develop our expertise and ensure our governance practice maintains a best practice approach. In common with many other companies and groups, we have established our capacity to conduct on-line meetings and discussions and have benefited from the more efficient and time-effective benefits this approach can provide.

Our Branch staff, Jann and Teana, do a wonderful job: they are the face and the heart of our bank and we thank them for their hard work, loyalty and willingness to support the community. We are fortunate to have the expertise and dedication of a number of highly experienced Bendigo Bank staff to assist us. Our Tasmanian State Manager, Martyn Neville, assisted by Jordan Lovell, and business banking staff, relief staff, and the expertise of former Deloraine and Districts Branch Manager, Darren Rumble, have all provided us with great support. We acknowledge the service of Grant Astell who has recently chosen another career pathway. We thank him and wish him all the best for the future.

I would like to recognise the commitment and hard work of all members of the Board and thank each of our Directors and supporters for their insight and dedication. All of us are fully focused on the growth and success of the company and the benefits it brings to our community. Thank you to our shareholders for your continued support. We would not be here without your farsightedness.

Lynette A Hayward

Lynn Hayward
Chair

Manager's report

For year ending 30 June 2020

Bendigo Bank is the 5th Biggest Retail Bank in Australia and our Strategy for over 160 years is to feed into the prosperity of our customers and communities and not off it.

This is the basis of a simple business model for communities where Bendigo Bank shares revenue 50/50 off all Banking held with your Community Bank. Then a requirement that after operating our business we return 100% of all profits to our community via 80% in sponsorships and grants and 20% to local shareholders. Our greatest point of difference is…Your banking business creates income for Your Community Bank, allowing us to return those profits back to the Sheffield, Railton and surrounding areas.

2019/20 has been a challenging year with impacts of COVID-19 hitting our community in 2020 and will continue see ongoing challenges in the coming year. The Community Bank Sheffield & Districts still saw growth in Funds Under Management to $35 million (+13%) and customer numbers +10%.

I am proud that we continue to provide a full-service Bank in Sheffield for the people of the area. The only Bank to offer this. The range of financial services we provide, through Bendigo Bank, ensures we can meet our customer's needs, placing a high value on existing and potential customer relationships. We offer a full range of financial services for Consumer and Business customers including transaction accounts, EFTPOS, Insurance, credit cards, personal loans, home loans and business loans.

However, one of the biggest risks to our Business Model is complacency by the community. To provide a full-service Bank, ensure it is a viable business and that is sustainable for long term we need the full support of locals. We thank those who are banking with us but would really appreciate the chance to review all your financial needs and see what other products and services we can assist you with. One product/account is a good start, but a full banking relationship is the real key.

The Sheffield district has a vast cross section of consumers and industry types. Across these segments, retail banking, business banking and rural banking my colleagues can ensure the region is supported by a high level of skill and experience. Thank you to Scott, Mark, Mike, Dean and Darren for your ongoing support.

Despite not being in profit (we are approximately 70% to the level of business we need to be profitable) we have still been able to return approximately $38,000 to the area through a range of projects which has included the Railton Mountain Bike Pump Track $5,060, Wilmot Progress Association $1,000, Junior Cattle handlers $500, Local Bowls and Cricket Clubs $2,350 and ongoing support for the Sheffield Football Club and several other sporting and community groups.

A big thanks to the great staff – Teana and Jann who not only provide great service at your Community Bank but also give their time in supporting a wide range of community events and activities. This is the benefit of having a local business that employs and pays wages to staff who live and work in the town.

On a sad note we farewelled our Branch Manager of the last 18 months, Grant Astell, who has decided to pursue a new direction in his work life. We thank Grant for his efforts over the last 18 months.

Thank you to The Board of Directors - led by Chair Lynn Hayward. Your incredible sense of community spirit and generosity in terms of the numerous hours of volunteering you do to build a sustainable Community Business for all the people in our community is amazing.

Finally, we wish to thank all our customers and shareholders for their support, and we trust that our personal service and commitment to the community will ensure the continued future success of the Sheffield and Railton Community Bank. We will continue to work hard to ensure the Community Bank is able to support the people who actively support it.

Martyn Neville
Acting Branch Manager

Directors' report

Your directors submit the financial statements of the company for the financial year ended 30 June 2020.

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
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 16 years. Deborah was Treasurer for KFS Ltd for 3 years and now serves on the Governance, Audit and Risk Committee and Low Volume Market (share registry). 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 9 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. Justin is also a member of the Governance, Audit and Risk Committee.
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. John is a member of the Governance, Audit and Risk Committee.

Interest in shares: 10,001

Adrian Crowther

Director (Resigned 30 April 2020)
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 is a committee member of the Tasmanian Chapter of Australian Electric Vehicle Association. Shayn was President of not-for-profit organisation Kentish Energy Efficiency Network Embracing Renewables Inc and 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 and is a member of the Marketing and Development Committee.
Interest in shares: 2,501

Laura Jo Inder

Director
Occupation: Self Employed Tourist Operator
Qualifications, experience and expertise: After becoming aware of the benefits to Kentish that a community bank could be, Laura and her husband Brian fully supported the establishment of a local Bendigo Branch in Sheffield. Laura joined the Board of Directors in 2017 and continues to run their business established 35 years ago in the Promised Land, Tasmania. She also supports as many local activities as possible and is proud of the difference the Murals have made to the economic survival of the district. Laura is a member of the Marketing and Development Committee.
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. 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, superannuation and capital gains tax. Together with her husband she owned and ran a farming business in Kentish until November 2019. Robyn now resides in Sheffield and has a bookkeeping business. She volunteers at the HUB. Robyn is the Chair of the Government, Audit and Risk Committee and a member of the Human Resources Committee.

Interest in shares: 5000

Catherine Louise Stark

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. Catherine chairs the Kentish Financial Services marketing committee.

Interest in shares: 1500

Andrew Oliver Davies

Director (resigned 4 December 2019)
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 2018 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

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 2020 $	Year ended 30 June 2019 $
(115,397)	(88,337)

Dividends

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

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases* . See note 4 for further details.

Significant changes in the state of affairs

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID-19 to the company's operations.

In the opinion of the directors there were no other 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 receives remuneration for services as a company director or committee member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified executives whose remuneration requires disclosure.

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	
	A	B
Deborah Baldock	11	11
Adrian Crowther (Resigned 30 April 2020)	8	4
Shayn William Harkness	11	10
John Duncan Sinclair	11	11
Justin Stuart Carman	11	9
Lynette Ann Hayward	11	11
Laura Jo Inder	11	9
Robyn Anne Russell	11	10
Andrew Oliver Davies (Resigned 4 December 2019)	5	0
Catherine Louise Stark	11	8

A - eligible to attend
B - 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 (Andrew White) 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 9.

Remuneration report

No director of the company receives remuneration for services as a company director or committee member.
The board's policy in respect of the Branch Manager is to maintain remuneration at parity within the Community Bank® network and local market rates for comparable roles.
There are no company executives who are directly accountable and responsible for the strategic direction of the entity. This is wholly a board role (who act in a voluntary capacity).

Signed in accordance with a resolution of the board of directors at Sheffield, Tasmania on 7 October 2020.

Lynette A Hayward

Lynette Hayward
Chairperson

Auditor's independence declaration

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 half-year review for the period ended 30 June 2020.

Synectic

Synectic Audit & Assurance Pty Ltd

Benjamin Coull
Director

Date: 08/10/2020

Synectic Audit & Assurance Pty Ltd
Authorised Audit Company 385720 | ABN 30 146 220 215
Devonport | Hobart | Launceston | www.synecticgroup.com.au
State-wide: *Postal* P.O.Box 6003, Devonport TAS 7310 | *Phone* 03 6424 1451 | *Email* info@synecticgroup.com.au
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue from ordinary activities	8	152,221	150,169
Other Revenue	9	40,000	44,546
Finance Income	10	1,331	3,503
Employee benefits expense	11(e)	(195,832)	(163,761)
Charitable donations, sponsorship, advertising and promotion	11(d)	(5,614)	(5,776)
Occupancy and associated costs		(15,782)	(26,620)
Systems costs		(17,139)	(17,298)
Depreciation and amortisation expense	11(a)	(55,056)	(47,623)
Finance costs	11(b)	(1,113)	-
General administration expenses		(56,027)	(54,434)
Profit (Loss) before income tax expense		**(153,011)**	**(117,294)**
Income tax expense	12(a)	37,614	28,957
Profit (Loss) after income tax expense		**(115,397)**	**(88,337)**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:			
Earnings per share		¢	¢
Basic earnings per share	27	-15.90	-12.17

The accompanying notes form part of these financial statements

Balance Sheet

as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13	5,675	118,061
Trade and other receivables	14	6,847	7,393
Total current assets		**12,522**	**125,454**
Non-current assets			
Property, plant and equipment	15(a)	75,592	94,490
Right-of-use assets	16(a)	18,240	-
Intangible assets	17(a)	24,000	48,000
Deferred tax asset	18(b)	140,204	102,590
Total non-current assets		**258,036**	**245,080**
Total assets		**270,558**	**370,534**
LIABILITIES			
Current liabilities			
Trade and other payables	19	7,634	13,200
Lease liabilities	20(b)	10,130	-
Total current liabilities		**17,764**	**13,200**
Non-current liabilities			
Lease liabilities	20(c)	5,343	-
Total non-current liabilities		**5,343**	**-**
Total liabilities		**23,107**	**13,200**
Net assets		**247,451**	**357,334**
EQUITY			
Issued capital	21(a)	685,723	685,723
Accumulated losses	22	(438,272)	(328,389)
Total equity		**247,451**	**357,334**

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		685,723	(240,052)	445,671
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**	**(328,389)**	**357,334**
Balance at 1 July 2019		685,723	(328,389)	357,334
Cumulative retrospective effect of AASB 16: Leases	3(d)	-	5,514	5,514
Restated balance at 1 July 2019		**685,723**	**(322,875)**	**362,848**
Total comprehensive income for the year		-	(115,397)	(115,397)
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 2020		**685,723**	**(438,272)**	**247,451**

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		191,870	199,910
Payments to suppliers and employees		(295,064)	(281,183)
Interest received		1,331	3,503
Interest paid		(1)	-
Lease payments (interest component)	11(b)	(1,112)	-
Net cash provided by operating activities		**(102,976)**	**(77,770)**
Cash flows from investing activities			
Payment for property, plant and equipment		-	-
Net cash used in investing activities		**-**	**-**
Cash Flows from financing activities			
Lease payments (principal component)	20(a)	(9,410)	-
Net cash used in financing activities		**(9,410)**	**-**
Net increase in cash held		**(112,386)**	**(77,770)**
Cash and cash equivalents at the beginning of the financial year		118,061	195,831
Cash and cash equivalents at the end of the financial year	13	**5,675**	**118,061**

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2020

Note 1. Reporting Entity

This is the financial report for Kentish Financial Services Limited (the company). The company is a for profit entity limited by shares, and 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

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 26.

Note 2. Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which 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 financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 7 October 2020.

Note 3. Changes in accounting policies, standards and interpretations

The company initially applied AASB 16 *Leases* from 1 July 2019. AASB Interpretation 23 *Uncertainty over Income Tax Treatments* is also effective from 1 July 2019 but is not expected to have a material impact on the company's financial statements. The company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease* . The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 21.

On transition to AASB 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

b) As a lessee

As a lessee, the company leases many assets including property, office equipment and IT equipment. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the company. Under AASB 16, the company recognises right-of-use assets and lease liabilities for most of these leases (i.e. these leases are on the balance sheet).

Leases classified as operating leases under AASB 117

Previously, the company classified property, office equipment and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property lease; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the company applied this approach to all other leases.

Note 3. Changes in accounting policies, standards and interpretations *(continued)*

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The company has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The practical expedients include:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of the initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

c) As a lessor

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

d) Impact on financial statements

On transition to AASB 16, the company recognised additional right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

Impact on equity presented as increase (decrease)	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	16(b)	30,397
Liability		
Lease liabilities	20(a)	(24,883)
Equity		
Accumulated losses		5,514

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 5.39%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	26,667
Less: present value discounting	(1,784)
Lease liability as at 1 July 2019	24,883

Note 4. Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 3).

a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Revenue	Includes	Performance obligation	Timing of Recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

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 Bank 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.

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 to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission is outside the control of the company, and is a significant judgement area.

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.

Core banking products

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

Note 4. Summary of significant accounting policies *(continued)*

a) Revenue from contracts with customers *(continued)*

Ability to change financial return

Under the franchise agreement, Bendigo Bank 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 Bank 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.

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

b) Other Revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is possible that the economic benefits will flow to the company and can be reliably measured.

Revenue	Revenue Recognition Policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

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 grants. It is for the board to decide how to use the MDF.

The payments from Bendigo Bank are discretionary and Bendigo Bank may change the amount or stop making them at any time. The company retains control over the funds, the funds are not refundable to Bendigo Bank.

Note 4. Summary of significant accounting policies *(continued)*

c) Economic dependency - Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

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

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, 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 Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

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 Bank 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 Bank provides significant assistance in establishing and maintaining the Community Bank 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:

- the design, layout and fit out of the Community Bank premises
- 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.

d) Going concern

The net assets of the company as at 30 June 2020 were $247,451 and the loss made for the year was $115,397, bringing accumulated losses to $438,272.

There was a 31% increase in the loss recorded for the financial year ended 30 June 2020 when compared to the prior year.

The company meets its day to day working capital requirements through cash and an option to use an overdraft facility from Bendigo Bank. The overdraft has an approved limit of $50,000 and has not been called upon as at 30 June 2020.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the directors' report on pages 1 to 5. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment, impacted by historically low interest rates and low GNP growth, is difficult. Earnings pressure for Australian Banks is likely to intensify as a result of the economic slowdown caused by the Covid 19 pandemic. The directors consider that the outlook presents significant challenges in terms of banking business volume but remain optimistic that they well positioned based on the customer demographic of the region. The Directors are considering measures which includes changes to the operating model, to bring about a reduction in operating costs where necessary to preserve cash and secure additional finance.

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of it's overdraft facility.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts some concern about the company's ability to continue without making structural changes to avoid becoming unable to realise its assets and discharge its liabilities in the normal course of business.

Further, and after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Note 4. Summary of significant accounting policies *(continued)*

e) Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Defined superannuation contribution plans

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

Other long-term employee benefits

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimate of future cash inflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

f) Taxes

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets.*

Current income tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available which they can be used.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the company Is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising in the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority on the company either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Note 4. Summary of significant accounting policies *(continued)*

f) Taxes (continued)

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or 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 revenue or expense item.
- when 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 statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

g) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

h) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

Asset Class	Method	Useful Life
Plant and equipment	Straight-line	2.5 to 40 years

Depreciation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

i) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit and loss as incurred.

Amortisation

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Intangible assets assessed as having indefinite useful lives are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

Asset Class	Method	Useful Life
Franchise fee	Straight-line	Over the franchise term (5 years)

Amortisation methods, useful life, and residual values are reviewed at each reporting date and adjusted if appropriate.

Note 4. Summary of significant accounting policies *(continued)*

j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, borrowings, leases.

Sub-note i) and j) refer to the following acronyms:

Acronym	Meaning
FVTP	Fair value through profit or loss
FVTO	Fair value through other comprehensive
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Recognition and initial measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows: and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Note 4. Summary of significant accounting policies *(continued)*

j) Financial instruments (continued)

Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

k) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:
- financial assets that are measured at FVTOCI;
- lease receivables;
- loan commitments that are not measured at FVTPL; and
- financial guarantee contracts that are not measured at FVTPL.

Loss allowance is not recognised for:
- financial assets measured at FVTPL; or
- equity instruments measured at FVTOCI.

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

The company uses the simplified approach to impairment. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime ECL 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 ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (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.

The directors have assessed the ECL and noted it is not material.

Non-financial assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and notes no material impacts on the carrying amount of non-financial assets.

Note 4. Summary of significant accounting policies *(continued)*

l) Issued capital

Ordinary Shares

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.

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.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The company is required to restore the leased premises to its/their original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

n) Leases

The company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

<u>As a lessee</u>

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonably certain to exercise, lease payments in an option renewal period if the group is reasonably certain to exercise that option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

Note 4. Summary of significant accounting policies *(continued)*

n) Leases (continued)

Policy applicable from 1 July 2019 (continued)

As a lessee (continued)

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is a lease that, at commencement date, has a lease term of 12 months or less.

As a lessor

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

Policy applicable from 1 July 2019

For contracts entered into before 1 July 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser has the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

The company has not been a party in an arrangement where it is a lessor.

o) Standards issued but not yet effective

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the company's financial statements.

Note 5. Significant accounting judgements, estimates and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 20 - leases	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease contract cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;

Note 6. Financial risk management

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

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 company. The company does not use derivative instruments.

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

Note 6. Financial risk management *(continued)*

a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

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 Bank.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2020

		Contractual cash flows		
Non-derivative financial liability	Carrying Amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	15,473	10,130	5,343	-
Trade payables	4,279	4,279	-	-
	19,752	14,409		-

30 June 2019

		Contractual cash flows		
Non-derivative financial liability	Carrying Amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	-	-	-	-
Trade payables	10,713	10,713	-	-
	10,713	10,713		-

c) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

Price risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets are held with wendigo Bank 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 Bank mitigates this risk significantly.

The company held cash and cash equivalents of $5,675 at 30 June 2020 (2019: $118,061). The cash and cash equivalents are held with BEN, which are rated BBB on Standard and Poor's credit ratings.

Note 7. 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 potential level of distributions 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.

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 2020 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 8. Revenue from contracts with customers

The company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The company is entitles to a share of the margin earned by Bendigo Bank.

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	152,221	150,169
Disaggregation of revenue from contracts with customers		
- Margin income	114,443	115,286
- Fee income	13,193	9,534
- ATM income	5,275	4,668
- Commission income	19,310	20,681
	152,221	150,169

There was no revenue from contracts with customers recognised over time during the financial year.

Note 9. Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor and Cash flow boost income from the Australian Government.

Other revenue	2020 $	2019 $
Revenue:		
- Market development fund income	40,000	44,546

Note 10. Finance Income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change my qualify as a cash equivalent.

Finance income	2020 $	2019 $
At amortised cost:		
- Term deposits	1,331	3,503

Note 11. Expenses

a) Depreciation and amortisation expense

	2020 $	2019 $
Depreciation of non-current assets:		
- Plant and equipment	-	-
- Leasehold improvements	18,898	23,623
	18,898	23,623
Depreciation of right-of-use assets:		
- Leased land and buildings	12,158	-
Amortisation of intangible assets:		
- Franchise fee	24,000	24,000
Total depreciation and amortisation expense	55,056	47,623

b) Finance costs

	Note	2020 $	2019 $
Finance costs:			
- Borrowing costs paid		1	-
- Lease interest expense	20(a)	1,112	-
		1,113	-

Finance costs are recognised as expenses when incurred using the effective interest rate.

c) Impairment loss on trade receivables and contract assets

The franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. Due to the reliance on Bendigo Bank the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo Bank receivable as at 30 June 2020.

d) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through contributions (such as donations and grants).

	2020 $	2019 $
Direct sponsorship, advertising and promotion payments	5,614	5,776

e) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	154,822	126,946
Non-cash benefits	6,082	8,378
Contributions to defined contribution plans	16,049	13,655
Expenses related to long service leave	2,192	(1,257)
Other expenses	16,687	16,039
	195,832	163,761

f) Recognition exemption

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value if the lease term is 12 months or less.

	2020 $	2019 $
Expenses relating to low-value leases	5,024	5,181

Expenses relating to leases exempt from recognition are included in system costs.

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

Note 12. Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

a) Amounts recognised in profit or loss	2020 $	2019 $
Current tax expense		
- Current tax	(37,094)	(28,957)
- Movement in deferred tax	199	-
- Adjustment to deferred tax on AASB 16 retrospective application	(719)	-
	(37,614)	(28,957)

b) *Prima facie* income tax reconciliation	2020 $	2019 $
Operating profit before tax	(153,011)	(117,294)
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	(42,078)	(32,256)
Add tax effect of:		
- Non-assessable income	4,404	4,404
- Temporary differences	580	(1,105)
- Movement in deferred tax	199	-
- Leases initial recognition	(719)	-
	(37,614)	(28,957)

Note 13. Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020 $	2019 $
- Cash at bank and on hand	5,675	118,061

Note 14. Trade and other receivables

Current assets	2020 $	2019 $
Trade receivables	1,215	865
Prepayments	5,632	6,528
	6,847	7,393

Note 15. Property, plant and equipment

a) Carrying amounts

	2020 $	2019 $
Leasehold Improvements		
At cost	162,459	162,459
Less: accumulated depreciation and impairment	(87,612)	(68,900)
	74,847	93,559
Plant and equipment		
At cost	1,240	1,240
Less: accumulated depreciation and impairment	(495)	(309)
	745	931
Total written down amount	75,592	94,490

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

b) Reconciliation of carrying amounts:

	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	93,559	116,949
Depreciation	(18,712)	(23,390)
Carrying amount at end	74,847	93,559
Plant and equipment		
Carrying amount at beginning	931	1,164
Depreciation	(186)	(233)
Carrying amount at end	745	931
Total written down amount	75,592	94,490

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

There were no changes in estimates for the current reporting period.

Note 16. Right-of-use assets

Right-of-use assets are measured at equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The company has elected to present right-of-use assets measured in right-of-use assets rather than the underlying asset class. Accordingly, leased assets recognised in the statement of financial position have been reallocated to right-of-use assets from property, plant and equipment.

The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

a) Carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
At Cost		60,795	-
Less: accumulated depreciation		(42,555)	-
Total written down amount		18,240	-

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
Carrying at the beginning		-	-
Initial recognition on transition		60,795	-
Accumulated depreciation on adoption	3(d)	(30,397)	-
Depreciation		(12,158)	-
Carrying amount at end		18,240	-
Total written down amount		18,240	-

Note 17. Intangible assets

a) Carrying amount

	2020 $	2019 $
Franchise fee		
At cost	120,000	120,000
Less: accumulated amortisation	(96,000)	(72,000)
	24,000	48,000
Total written down amount	24,000	48,000

b) Reconciliation of carrying amounts

Franchise fee

Carrying amount at beginning	48,000	72,000
Amortisation	(24,000)	(24,000)
Carrying amount at end	24,000	48,000
Total written down amount	24,000	48,000

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

There were no changes in estimates for the current reporting period.

Note 18. Tax assets and liabilities

a) Current tax

	2020 $	2019 $
Income tax payable/(refundable)	-	-

b) Deferred tax asset

Movement in the company's deferred tax assets for the year ended 30 June 2020:

	30 June 2019	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	30 June 2020
	$	$	$	$	$
Deferred tax assets					
- expense accruals	-	161	-	-	161
- lease liability	-	(719)	-	-	- 719
- tax losses	102,590	-	-	38,172	140,762
Total deferred tax assets	102,590	- 558	-	38,172	140,204

Movement in the company's deferred tax assets for the year ended 30 June 2019:

	30 June 2018	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	30 June 2019
	$	$	$	$	$
Deferred tax assets					
- tax losses	73,633	28,957	-	-	102,590
Total deferred tax assets	73,633	28,957	-	-	102,590

c) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Note 19. Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

Current liabilities	2020 $	2019 $
Trade creditors	4,279	10,713
Other creditors and accruals	3,355	2,487
	7,634	13,200

Note 20. Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.39%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The company has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight where appropriate.

Lease portfolio

Prior to 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. As a result, finance leases which were previously disclosed as property, plant and equipment have been reclassified to right-of-use assets upon adoption.

The company's lease portfolio includes:

- Branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced on the 1 December 2016.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

a) Lease liability measurement

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

Lease liabilities on transition	Note	2020 $	2019 $
Balance at the beginning		-	-
Initial recognition on AASB 16 transition	3d)	24,883	-
Lease payments - interest		1,112	-
Lease payments		(10,522)	-
		15,473	-

b) Current lease liabilities

Property lease liabilities	10,718	-
Unexpired interest	(588)	-
	10,130	-

c) Non-current lease liabilities

Property lease liabilities	5,427	-
Unexpired interest	(84)	-
	5,343	-

d) Maturity analysis

- Not later than 12 months	10,718	-
- Between 12 months and 5 years	5,427	-
Total undiscounted lease payments	16,145	-
Unexpired interest	(672)	-
Present value of lease liabilities	15,473	-

Note 20. Lease liabilities *(continued)*

d) Impact on the current reporting period

During the financial year, the company has mandatorily adopted AASB 16 for the measurement and recognition of its leases. The primary impact on the profit or loss is that lease payments are split between interest and principal payments and the right-of-use asset depreciates. This is in contrast to the comparative reporting period where lease payments under AASB 117 were expensed as incurred. The following note presents the impact on the profit or loss for the current reporting period.

Comparison under current AASB 17 and former AASB 117

The net impact for the current reporting period is an decrease in profit after tax of $1,992.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	10,522	(10,522)	-
- Depreciation and amortisation expense	-	12,158	12,158
- Finance costs	-	1,112	1,112
Decrease in expenses - before tax	10,522	2,748	13,270
- Income tax expense/(credit)-current	(2,894)	2,894	-
- Income tax expense / (credit) - deferred	-	(3,649)	(3,649)
Decrease in expenses - after tax	7,628	1,992	9,621

Note 21. Issued Capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	725,651	725,651	725,651	725,651
Less: equity raising costs		(39,928)		(39,928)
	725,651	685,723	725,651	685,723

b) Rights attached to issued capital

Ordinary Shares

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.

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 Bank 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).

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*.

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"). The base number is 172. As at the date of this report, the company had 172 shareholders.

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 22. Accumulated losses

	Note	2020 $	2019 $
Balance at the beginning of the financial year		(328,389)	(240,052)
Adjustment for transition to AASB 16	3(d)	5,514	-
Net profit from ordinary activities after income tax		(115,397)	(88,337)
Balance at the end of the financial year		(438,272)	(328,389)

Note 23. Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	(115,397)	(88,337)
Adjustments for:		
- depreciation	31,056	23,623
- amortisation	24,000	24,000
Changes in assets and liabilities:		
- (Increase)/decrease in receivables	545	4,006
- (Increase)/decrease in other assets		28
- Increase/(decrease) in trade and other payables	(5,566)	(6,865)
- Increase/(decrease) in employee benefits	-	(5,269)
- Increase/(decrease) in provisions	-	
- Increase/(decrease) in tax liabilities	(37,614)	(28,957)
Net cash flows provided by operating activities	(102,976)	(77,770)

Note 24. Financial Instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	14	6,847	7,393
Cash and cash equivalents	13	5,675	118,061
		12,522	125,454
Financial liabilities			
Trade and other payables	19	7,634	13,200
Lease liabilities	20(a)	15,473	-
		23,107	13,200

Note 25. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for the financial year.	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	7,319	6,785
	7,319	6,785

Note 26. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Deborah Baldock
Adrian Crowther (Resigned 30 April 2020)
Shayn William Harkness
John Duncan Sinclair
Justin Stuart Carman
Lynette Ann Hayward
Laura Jo Inder
Robyn Anne Russell
Andrew Oliver Davies (Resigned 4 December 2019)
Catherine Louise Stark

b) Key management personnel compensation

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.

c) Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Note 27. Earnings per share

Based and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

	2020	2019
	$	$
Profit attributable to the ordinary shareholders	(115,397)	(88,337)
	Number	Number
Weighted average number of ordinary shares	725,651	725,651
	Cents	Cents
Basic and diluted earnings per share	(15.90)	(12.17)

Note 28. Commitments

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease Liabilities' (Note 20).

	2020	2019
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable - minimum lease payments:		
- not later than 12 months	-	11,546
- between 12 months and 5 years	-	16,695
- greater than 5 years	-	-
Minimum lease payments payable	-	28,242

b) Other commitments

The company has no other commitments contracted for which would be provided for in future reporting periods.

Note 29. Contingencies

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

Note 30. Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

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 2020 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.

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

Lynette A Hayward

Lynette Ann Hayward
Chairperson
Signed on the 7 October 2020

Independent audit report

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 2020, 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 2020 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.

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

Synectic

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 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

Benjamin Coull
Director

Date: 08/10/2020

Community Bank · Sheffield & Railton Districts
44 Main Street, Sheffield TAS 7306
Phone: 03 6491 1811 Fax: 03 6491 1995
Email: sheffield-railtonmailbox@bendigoadelaide.com.au
Web: bendigobank.com.au/sheffield-railton

Franchisee: Kentish Financial Services Limited
ABN: 47 609 243 923
44 Main Street, Sheffield TAS 7306
Phone: 0448 570 270
Email: secretary@kfsltd.com.au

/sheffieldandrailtondistrictscommunitybank

This Annual Report has been printed on 100% Recycled Paper