



Community Bank  
Sheffield-Railton Districts

**B** Bendigo Bank

**Proud  
supporters of  
Sheffield  
Football Club**

# 2021 Annual Report

**Kentish Financial Services  
Limited**

ABN 47 609 243 923

Community Bank · Sheffield & Railton Districts

# Contents

Chair's report	2
Manager's report	3
Directors' report	4
Auditor's independence declaration	9
Financial statements	10
Notes to the financial statements	14
Directors' declaration	25
Independent audit report	26

# Chair's report

For year ending 30 June 2021

The ups and downs of the previous year continued into the 2020/21 year with many challenges for our national and Tasmanian communities. We have been very fortunate here not to have experienced the COVID-19 Delta outbreaks and subsequent lockdowns of a great many locations on the mainland. Life for us has been reasonably normal so far. However, the impact on the economic life of our community has continued to be widespread and difficult to predict and respond to. The current banking environment is very volatile with extremely low margins on term deposits and lending products. Competition between bank brands is intense. We have done well to hold our own in this rapidly evolving situation. Our growth this past year has been outstanding with a cumulative result more than the previous three years combined. Since appointing our new Branch Manager, Darren Rumble in August 2020, the branch has seen significant improvements to the level of service provided to our customers. Consistent staff training and improvement to processes, and strong focus of building business in the community, all developed and managed by Darren, and supported by Bendigo Bank, has proven to be very successful in getting the business on a firmer footing for the next two-to-three year planning cycle.

The Board has undertaken development of a revised business plan with a focus on bringing the company into break-even within the next 12-18 months. For the Community Bank model to work in Kentish we need to be in profit in order to reward our shareholders and return profit to our community. In the current difficult banking environment, this requires considerable Board attention, monitoring, planning and personal effort from each Director. The Board is committed to the goal. Considerable effort has gone into examining the cost structure of the company, and many initiatives to reduce costs and operate more efficiently have been introduced. Constant review of our operations is the prime focus. All around us we see the other big four banks engaged in review of their activities: closing branches, developing digital technology to augment and in many cases replace human interactions, all the while downplaying the impact that leaving communities without local access to banking services can have on the economic well-being of those communities.

Our Board is committed to the well-being of Kentish communities; the reason we are serving as volunteer Directors. We need your commitment as our shareholders to assist us to reach our potential. To continue to develop and provide a full banking service we must have wide community support with real banking in our Community Bank. For the past three years we have been highlighting the need for our shareholders and community members to bring their business into the branch. Why would you be a shareholder if you are not supportive of what the Community Bank model can achieve? Without strong community support, we won't achieve our goals. Please assist us with your business and your advocacy.

My thanks to Darren and Jann and Teana, our wonderful staff, who do such a great job in the branch. Also to our Tasmanian Regional Manager from Bendigo Bank, Martyn Neville for his strong support. Our Board are hard-working and committed community members dedicated to doing the best we can for Kentish. We have welcomed Alan Boyce and Chelsea Rayner to the Board, who bring a wealth of experience in both service club and rural sector to the table. My thanks also to Tim Wilson, our Mayor and the Kentish Council, for their support. They are wonderful advocates for our community.



**Lynn Hayward**  
Chair

# Manager's report

For year ending 30 June 2021

After nearly 12 months in the role, it is a time to reflect on the year that was, which now in hindsight seems to have disappeared in the blink of an eye.

Transitions are never easy; there are always residuals to clean up and sort out; relationships to build and trust to be earned. I have been incredibly lucky to have had an enthusiastic Board, great staff and tremendous support from my Bendigo Bank Regional Manager, Martyn Neville. These three things allowed me to springboard into what has turned out to be the most successful financial year in the branch's history, achieving business growth equivalent to the previous three and a half years combined.

I have thoroughly enjoyed my last 12 months of returning to community banking after an absence of three years, and I am so proud of what our little branch has achieved. It fills me with pride to see how the staff have developed: the increase in their confidence in executing their roles and fulfilling their potential has been very satisfying. Our branch is now regarded as a solid performer that is always willing to help the network and display the community bank spirit. We have improved several operational issues and are highly regarded by our peers for our professionalism and 'have a go' attitude.

Although we have achieved a significant improvement in the last 12 months, we still have a lot of work in front of us. There is considerable pressure on our bottom line due to historically and relentlessly low margins, fierce competition, and a general shift toward electronic banking, the latter reducing face-to-face requirement for branch over-the-counter services on a day-to-day basis. I am frequently asked whether the branch will remain. This is a great question but one that is not mine to answer: it is a question for the Kentish Community, for Sheffield and Railton, and for you, our shareholders. Is the idea of a physical presence of a branch reassuring to the community as part of essential community services, even though the actual use of the branch is diminishing? Are you prepared to move your significant banking (i.e. loans and insurance) over to us? Is it a matter of pricing or cost? Is it a matter of inconvenience and perhaps having had a family history with other financial institutions who no longer have a presence in our community? While I don't have the answers to any of these questions, you do.

I'm sure I can find solutions for you if you give me the opportunity.

Sheffield and Railton are great country towns that deserve a full-service bank which cares about its communities. We have a fantastic product suite to suit almost everybody, great staff who care about not only our customers but the community as a whole. Our Board of volunteer Directors have worked tirelessly to get our Community Bank up and running, not for themselves, but because they believe it's something our community deserves.

I am posing a lot of questions in this report. The reasons behind your answers may be complicated but the answers themselves should not be. For shareholders they are a straightforward yes or no with an understanding that the choice you make will have a profound effect on the future of the branch and the community and its services as a whole.

**Darren Rumble**  
**Branch Manager**

# Directors' report

## For the Year Ended 30 June 2021

The directors present their report on Kentish Financial Services Ltd for the financial year ended 30 June 2021.

### Information on directors

Lynette Ann Hayward	Appointed 14/05/2017, Chairperson Director, KFS Ltd appointed June 2017
Occupation	Consultant
Qualifications, experience and expertise	M.Ed. Grad Cert Bus (Regional Development) Former Senior Manager, Telstra; Director of HR at the University of Adelaide; founding company secretary and then chair MVFS LTD (Deloraine and Districts Community Bank) 2004-2017. Vic/Tas Rep and Deputy Chair Community Bank National Council 2013-19. Community Bank mentor 2012-present. Past Chair and Public Officer of Launceston Youth and Community Orchestra (Inc). Director Tasmanian Symphony Orchestra Pty Ltd (Appt May 2020).
Interest in Shares	1,000
Deborah Baldock	Appointed 11/11/2015 Company Secretary (Appointed Dec 2018)
Occupation	Customer Service Officer at Service Tasmania – Sheffield
Qualifications, experience and expertise	Justice of the Peace for 16 years. Held the position of Company Secretary appointed Nov 2018 and serves on the Governance Audit and Risk Committee and Low Volume Market (Share Registry). Gives her time in football season to help on the gate at home games, along side all other Board members and Bank Staff.
Interest in Shares	1,501
Justin Stuart Carman	Appointed 11/11/2015 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 held 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. A member of the Finance committee and Treasurer
Interest in Shares	10,001
John Duncan Sinclair	Appointed 11/11/2015 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. Member of the Governance committee.
Interest in Shares	10,001

## Directors' report (continued)

### Information on directors continued

Shayn William Harkness	Appointed 11/11/2015 Director
Occupation	Small Business Owner
Qualifications, experience and expertise	Shayn is a founding member of the Sheffield Community Bank Project Steering Committee. 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. Marketing and Development Committee.
Interest in Shares	2,501
Special Responsibilities	
Laura Jo Inder	Appointed 01/07/2017 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, Tasmazia. 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. Marketing and Development Committee.
Interest in Shares	59,000 (Joint ownership)
Special Responsibilities	
Robyn Anne Russell	Appointed 30/05/2018 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 various public service organisations. Immediately 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. Chair of Government, Audit and Risk Committee Member of Human Resources Committee.
Interest in Shares	5,000

## Directors' report (continued)

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### Information on directors continued

Catherine Louise Stark	Appointed June 2019 Director
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 Coast Authority's Regional Economic Development Steering Group, 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, a Graduate Certificate in Tourism, Environmental and Cultural Heritage and a Graduate Diploma in Regional Development Policy. Catherine chairs the Kentish Financial Services marketing committee.
Interest in Shares	1,500
Allan Boyce	Appointed 18/05/2021 Director
Qualifications, experience and expertise	Allan lives at Lower Barrington and raises "Fat Cattle". He has worked for JBS Australia for 30 years as a Livestock agent. Allan was born in Scottsdale, where he started his own butcher's shop from scratch before moving in to the live trade business. During his time in the Kentish District he has been involved with the Kentish Lions Club for 27 years. He was on the board for 10 years, and has been involved with the Music Hall events, catering at various functions with the portable van, mainly BBQ's and at Steamfest time. Allan also helped out in the Relay for Life events and completed a few laps of the oval for them. Member of Marketing Business and Finance Committee. Allan brings to the Board local knowledge and life experience's which he has gained by serving this community.
Interest in Shares	15,000
Chelsea Rayner	Appointed 17/08/2021 Director
Qualifications, experience and expertise	Chelsea is 24 years of age and has lived in Beulah her whole life. Along side her family, she operates a small land holdings where they breed stud Simmental and Shorthorn cattle. Outside of this she has a passion for showing cattle, netball and her work as a livestock agent. Whilst only relatively new to the board in terms of experience, she has been involved with numerous committees and executive roles within them. Chelsea is looking forward to being on the board to assist the Kentish municipality and Bendigo Bank business, as well as further develop of her board director skills and new relationships within the directors.



# Directors' report (continued)

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## Meetings of directors

During the financial year, 11 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Lynette Hayward	11	11
Deborah Baldock	11	11
Justin Carman	11	10
John Sinclair	11	10
Shayn Harkness	11	11
Laura Inder	11	11
Robyn Russell	11	11
Catherine Stark	11	11
Allan Boyce	2	2

## Company secretary

Deborah Baldock was appointed company secretary in 2018.

## Principal activities

The principal activity of Kentish Financial Services Ltd during the financial year was providing Community Bank branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

No significant changes in the nature of the Company's activity occurred during the financial year.

## Operating results

The loss of the Company after providing for income tax amounted to \$ (102,618) (2020: \$ (115,396)).

## Dividends paid or recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

## Review of operations

A review of the operations of the Company during the financial year and the results of those operations show is contained within the Chair's and Manager's reports accompanying the financial statements.

## Significant changes in state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

## Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which 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 financial years.



# Directors' report (continued)

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## Future developments and results

The company intends to continue providing banking services to the community.

## Environmental issues

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

## Indemnification and insurance of officers and auditors

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties. Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company.

## Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2021 has been received and can be found on page 9 of the financial report.

Signed in accordance with a resolution of the Board of Directors:



Director: .....

Dated 29 September 2021

# Auditor's independence declaration



## Auditor's Independence Declaration

To the Directors of Kentish Financial Services Ltd

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

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001*; and
- (b) no contraventions of any applicable code of professional conduct

in relation to our audit for the year ended 30 June 2021.

  
Synectic Audit & Assurance Pty Ltd

  
Benjamin Coull  
Director

Date: 29 September 2021

Synectic Audit & Assurance Pty Ltd

Authorised Audit Company 385720 | ABN 30 146 220 215

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# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2021

	Note	2021 \$	2020 \$
<b>Revenue</b>			
Fees and commissions	3	155,718	152,221
Market development fund income		40,000	40,000
Interest - investment		42	1,331
		<u>195,760</u>	<u>193,552</u>
<b>Expenses</b>			
Employee benefits expense		172,784	195,831
General administration expenses		44,595	51,710
Occupancy costs		17,599	15,782
System costs		16,357	17,139
Depreciation and amortisation		51,294	55,056
Finance costs		927	1,113
ATM expenses		4,403	4,317
Charitable donations & sponsorships		940	5,614
		<u>(113,139)</u>	<u>(153,010)</u>
<b>Operating profit</b>		-	-
		<u>(113,139)</u>	<u>(153,010)</u>
<b>Profit before income tax</b>		(113,139)	(153,010)
Income tax expense	4	10,521	37,614
		<u>(102,618)</u>	<u>(115,396)</u>
<b>Profit for the year</b>		(102,618)	(115,396)
<b>Other comprehensive income</b>			
Other comprehensive income, net of tax		-	-
		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>(102,618)</u>	<u>(115,396)</u>
<b>Earnings per Share</b>			
Basic earnings per share (cents per share)		(13.9)	(15.9)

The accompanying notes form part of these financial statements

## Financial statements (continued)

### Statement of Financial Position As At 30 June 2021

	Note	2021 \$	2020 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	5	217	5,675
Trade and other receivables	6	18,615	4,078
Other assets		6,004	5,632
<b>TOTAL CURRENT ASSETS</b>		<b>24,836</b>	<b>15,385</b>
NON-CURRENT ASSETS			
Property, plant and equipment	8	66,791	93,832
Deferred tax assets	4	152,425	140,204
Intangible assets	7	-	24,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>219,216</b>	<b>258,036</b>
<b>TOTAL ASSETS</b>		<b>244,052</b>	<b>273,421</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	9	8,677	10,497
Bank overdraft		77,931	-
Employee benefits	11	5,635	-
Lease liability	10	5,276	10,130
<b>TOTAL CURRENT LIABILITIES</b>		<b>97,519</b>	<b>20,627</b>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,700	-
Lease liability	10	-	5,343
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,700</b>	<b>5,343</b>
<b>TOTAL LIABILITIES</b>		<b>99,219</b>	<b>25,970</b>
<b>NET ASSETS</b>		<b>144,833</b>	<b>247,451</b>
<b>EQUITY</b>			
Issued capital	12	685,723	685,723
Retained earnings		(540,890)	(438,272)
<b>TOTAL EQUITY</b>		<b>144,833</b>	<b>247,451</b>

The accompanying notes form part of these financial statements

**Statement of Changes in Equity**  
**For the Year Ended 30 June 2021**

	Issued capital	Accumulated losses	Total equity
Note	\$	\$	\$
<b>Balance at 1 July 2020</b>	685,723	(438,272)	247,451
Net loss for the year	-	(102,618)	(102,618)
<b>Balance at 30 June 2021</b>	<b>685,723</b>	<b>(540,890)</b>	<b>144,833</b>
<b>Balance at 1 July 2019</b>	685,723	(328,391)	357,332
Adjustment on adoption of AASB 16	-	5,514	5,514
<b>Balance at 1 July 2019 restated</b>	685,723	(322,877)	362,846
Net loss for the year	-	(115,396)	(115,396)
<b>Balance at 30 June 2020</b>	<b>685,723</b>	<b>(438,273)</b>	<b>247,450</b>

The accompanying notes form part of these financial statements

## Statement of Cash Flows For the Year Ended 30 June 2021

	2021	2020
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	197,890	211,111
Payments to suppliers	(108,875)	(127,694)
Interest received	42	1,331
Payments to employees	(165,753)	(195,832)
Finance costs	(927)	(1,113)
GST recovered/paid	4,684	9,221
Net cash provided by/(used in) operating activities	15 <u>(72,939)</u>	<u>(102,976)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(254)	-
Net cash provided by/(used in) investing activities	<u>(254)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of lease liability	(10,197)	(9,410)
Net cash provided by/(used in) financing activities	<u>(10,197)</u>	<u>(9,410)</u>
Net increase/(decrease) in cash and cash equivalents held	(83,390)	(112,386)
Cash and cash equivalents at beginning of year	5,675	118,061
Cash and cash equivalents at end of financial year	5 <u>(77,715)</u>	<u>5,675</u>

The accompanying notes form part of these financial statements

# Notes to the financial statements

For the year ended 30 June 2021

The financial report covers Kentish Financial Services Ltd as an individual entity. Kentish Financial Services Ltd is a for-profit Company limited by shares, incorporated and domiciled in Australia.

## 1 Basis of Preparation

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

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

## 2 Summary of Significant Accounting Policies

### (a) Going concern

The net assets of the company at 30 June 2021 were reduced to \$144,833, following a loss incurred of \$102,618. More particularly, the company had a shortfall in current assets to cover current liabilities of \$72,683, and the company has needed to draw down on its overdraft facility to meet operational expenses. The overdraft limit has been extended several times during the year, and is now a facility of \$100,000. The company is dependant on the continued financial support of its lender, Bendigo Bank, to meet its current and future financial commitments.

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 have implemented measures which include 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 its 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.

### (b) Economic dependence

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Sheffield.

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

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



## 2 Summary of Significant Accounting Policies continued

### (b) Economic dependence continued

existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the Branch Managers 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; and
- Sale techniques and proper customer relations.

### (c) Revenue and other income

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

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction. All revenue is stated net of the amount of goods and services tax (GST).

#### Interest

Interest income is recognised on an accrual basis using the effective interest rate method.

#### Rendering of services

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

#### *Core Banking Products*

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

#### *Margin*

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

## 2 Summary of Significant Accounting Policies continued

### (c) Revenue and other income continued

#### *Commission*

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

#### *Fee Income*

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

#### *Discretionary Financial Contributions*

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

### **Form and Amount of Financial Return**

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

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

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

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

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

### (d) Income Tax

The tax expense recognised in the statement of profit or loss and other comprehensive income comprises current income tax expense plus deferred tax expense.

# Notes to the financial statements (continued)

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## 2 Summary of Significant Accounting Policies continued

### (d) Income Tax continued

Current tax is the amount of income taxes payable (recoverable) in respect of the taxable profit (loss) for the year and is measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

### (e) Goods and services tax (GST)

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

Receivables and payable are stated inclusive of GST.

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

### (f) Property, plant and equipment

Property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

#### Depreciation

Property, plant and equipment is depreciated on a straight-line basis over the assets useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

### (g) Financial instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

## 2 Summary of Significant Accounting Policies continued

### (g) Financial instruments continued

#### Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### *Classification*

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - FVOCI

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

#### *Impairment of financial assets*

Impairment of financial assets is recognised on an expected credit loss (ECL) basis. Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

#### Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables, bank and other loans and lease liabilities.

### (h) Intangible Assets

Franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

### (i) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### (j) Leases

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the

# Notes to the financial statements (continued)

## 2 Summary of Significant Accounting Policies continued

### (j) Leases continued

lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

### (k) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements.

### (l) Adoption of new and revised accounting standards

The Company has adopted all standards which became effective for the first time at 30 June 2021, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company.

## 3 Fees and commissions

	2021	2020
	\$	\$
Fee income	12,277	13,193
Margin income	118,142	114,443
Commissions	20,596	19,310
ATM income	4,703	5,275
	<u>155,718</u>	<u>152,221</u>

## Notes to the financial statements (continued)

### 4 Income Tax Expense

(a) The major components of tax expense (income) comprise:

Current tax expense

Current income tax expense	(23,987)	(37,094)
Origination and reversal of temporary differences	947	(520)
Change in tax rates - opening balances	6,490	-
Change in tax rates - current year	6,029	-
	<u>(10,521)</u>	<u>(37,614)</u>

(b) Reconciliation of income tax to accounting profit:

Prima facie tax payable on profit from ordinary activities before income tax at 26% (2020: 27.5%)

Prima facie tax payable on profit from ordinary activities before income tax at 26% (2020: 27.5%)	(29,416)	(42,078)
- write-off capital raising costs	(2,076)	(2,195)
- amortisation of intangible assets	6,240	6,600
- under provision for income tax in prior year	2,212	59
- change in company tax rate	12,519	-
Income tax expense	<u>(10,521)</u>	<u>(37,614)</u>

Note	Opening Balance \$	Charged to Income \$	Tax loss carried forward \$	Changes in Tax Rate \$	Closing Balance \$
<b>Deferred tax assets</b>					
Provisions - employee benefits	-	1,465	-	(57)	1,408
Accruals	1,617	(616)	-	(39)	962
Tax losses carried forward	138,587	-	23,987	(12,519)	150,055
<b>Balance at 30 June 2021</b>	<u>140,204</u>	<u>849</u>	<u>23,987</u>	<u>(12,615)</u>	<u>152,425</u>
<b>Deferred tax liability</b>					
Prepayments	-	1,562	-	(61)	1,501
Lease liability/RouU asset	-	207	-	(8)	199
<b>Balance at 30 June 2021</b>	<u>-</u>	<u>1,769</u>	<u>-</u>	<u>(69)</u>	<u>1,700</u>

### 5 Cash and Cash Equivalents

	2021 \$	2020 \$
Cash at bank and in hand	142	642
Short-term deposits	75	5,033
	<u>217</u>	<u>5,675</u>

#### Reconciliation of cash

Cash and Cash equivalents reported in the statement of cash flows are reconciled to the equivalent items in the statement of financial position as follows:

Cash and cash equivalents	216	5,675
Bank overdrafts	(77,931)	-
<b>Balance as per statement of cash flows</b>	<u>(77,715)</u>	<u>5,675</u>

## Notes to the financial statements (continued)

### 6 Trade and Other Receivables

#### CURRENT

Trade receivables	18,615	1,215
GST receivable	-	2,863
	<u>18,615</u>	<u>4,078</u>

### 7 Intangible Assets

#### Licenses and franchises

Cost	120,000	120,000
Accumulated amortisation and impairment	<u>(120,000)</u>	<u>(96,000)</u>
	-	24,000

### 8 Property, plant and equipment

	2021	2020
	\$	\$
<b>PLANT AND EQUIPMENT</b>		
Plant and equipment		
At cost	1,493	1,240
Accumulated depreciation	<u>(650)</u>	<u>(495)</u>
Total plant and equipment	<u>843</u>	<u>745</u>
Leasehold Improvements		
at cost	162,459	162,459
Accumulated depreciation	<u>(102,581)</u>	<u>(87,612)</u>
Total leasehold improvements	<u>59,878</u>	<u>74,847</u>
Right of Use (RoU) leased premises		
At net carrying amount	<u>6,070</u>	<u>18,240</u>
	<u>66,791</u>	<u>93,832</u>

#### Movements in carrying amounts of property, plant and equipment

	ROU leased premises	Plant and Equipment	Leasehold improvements	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2021</b>				
Balance at the beginning of year	18,240	745	74,847	93,832
Additions	-	253	-	253
Depreciation expense	<u>(12,170)</u>	<u>(155)</u>	<u>(14,969)</u>	<u>(27,294)</u>
<b>Balance at the end of the year</b>	<u>6,070</u>	<u>843</u>	<u>59,878</u>	<u>66,791</u>
<b>Year ended 30 June 2020</b>				
Balance at the beginning of year	-	931	93,559	94,490
<b>Additions</b>				
<b>Disposals</b>				
Initial adoption of AASB16	30,398	-	-	30,398
Depreciation expense	<u>(12,158)</u>	<u>(186)</u>	<u>(18,712)</u>	<u>(31,056)</u>
<b>Balance at the end of the year</b>	<u>18,240</u>	<u>745</u>	<u>74,847</u>	<u>93,832</u>



## Notes to the financial statements (continued)

### 9 Trade and Other Payables

	Note	2021 \$	2020 \$
CURRENT			
Trade payables		1,754	4,279
GST payable		1,677	-
Employee benefits		1,396	-
Sundry payables and accrued expenses		3,850	6,218
		<u>8,677</u>	<u>10,497</u>

### 10 Lease Liabilities

CURRENT			
Lease liability		5,276	10,130
		<u>5,276</u>	<u>10,130</u>
NON-CURRENT			
Lease liability		-	5,343
		<u>-</u>	<u>5,343</u>

### 11 Employee Benefits

CURRENT LIABILITIES			
Annual leave		5,635	-

### 12 Issued Capital

1,171,615 (2020: 1,171,615) Ordinary shares		685,723	685,723
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#### Ordinary shares

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

The Company does not have authorised capital or par value in respect of its shares.

#### Capital Management

The key objectives of the Company when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. The Company defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

The Company manages its capital structure and makes funding decisions based on the prevailing economic environment and has a number of tools available to manage capital risk. These include maintaining a diversified debt portfolio, the ability to adjust the size and timing of dividends paid to shareholders and the issue of new shares.

### 13 Dividends

No dividend has been paid during the year or is proposed for payment subsequent to year end.

### 14 Financial Risk Management

#### Objectives, policies and processes

The Board of Directors have overall responsibility for the establishment of Kentish Financial Services Ltd's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, liquidity risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Kentish Financial Services Ltd's activities.

#### Liquidity risk

Liquidity risk arises from the Company's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Company has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The company has negligible exposure to market risk.

## Notes to the financial statements (continued)

### 15 Cash Flow Information

Reconciliation of net income to net cash provided by operating activities:

	2021	2020
	\$	\$
Profit for the year	(102,618)	(115,396)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
Depreciation	27,294	31,056
Amortisation	24,001	23,998
Changes in assets and liabilities:		
Trade and other receivables	(14,537)	(1,108)
Prepayments	(372)	896
Trade and other payables	(1,821)	(4,798)
Employee entitlements	5,635	-
Tax assets and liabilities	(10,521)	(37,624)
Cashflows from operations	<u>(72,939)</u>	<u>(102,976)</u>

### 16 Key Management Personnel Remuneration

The directors of Kentish Financial Services Ltd act in a wholly voluntary capacity and receive no remuneration.

### 17 Auditors' Remuneration

Remuneration of the auditor for:

- auditing or reviewing the financial statements	5,450	5,285
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### 18 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2021 (30 June 2020:None).

### 19 Events Occurring After the Reporting Date

No matters or circumstances have arisen since the end of the financial year which 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 financial years.

# Directors' declaration

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2021 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards; and
  - b. give a true and fair view of the financial position and performance of the Company;
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Director .....

Dated 29 September 2021

# Independent audit report



## Independent Auditor's Report

To the Members of Kentish Financial Services Ltd

### Report on the Audit of the Financial Report

We have audited the financial report of Kentish Financial Services Ltd (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of 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 Ltd 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 2021 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in 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:

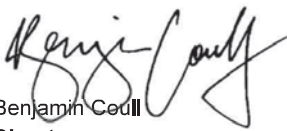
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 Audit & Assurance Pty Ltd

  
Benjamin Codd  
Director

Date: 29 September 2021



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