

# Lockhart & District Financial Services Limited

ABN 14 099 918 680

Lockhart & District **Community Bank**<sup>®</sup> Branch



# 2019 Annual Report

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# Chairman's report

For year ending 30 June 2019

I am pleased to present my report for our **Community Bank**<sup>®</sup> company for the 2018/19 financial year. Our total portfolio of loans and deposits of over \$110 million, saw a \$10 million increase. Which is very pleasing. A big thank you to our Manager Clare Hamson and our dedicated staff, and all the support from our partner Bendigo and Adelaide Bank. We had a before tax profit of \$68,474.00 plus a \$140,000 contribution to the Bendigo Community Enterprise Foundation<sup>™</sup> (CEF). We now have a balance of \$250,000 in the CEF and these funds are available to us for eligible grants to district projects at a future date.

This year the Board made grants to the total of \$52,391 – the Lockhart Show Society \$5,640, Woodhaven Aged Care \$36,751 and Boree Creek School \$10,000. We also pledged a total of \$120,000 toward community grants with \$100,000 of that to the Lockhart Recreation Committee to go towards a community facility project worth \$800,000 when it is fully funded. This is our largest grant to a project to date. This will bring our total to over \$1 million back to our community in grants.

We also had sponsorship of over \$25,000 to many varied groups including The Picnic Race Club, The Lockhart Ag Bureau, local schools, Urana Tractor Pull, our local football and netball clubs, bowling and golf clubs, The Spirit of the Land, The Lockhart Show, and many others.

The last of the Big 4 Banks closed in Lockhart this year, so now is a great time to review your banking needs. See our Manager Clare Hamson, or our friendly staff who are available 9.30am to 5.00pm Monday to Friday. We all need to remember; our community benefits from our banking with our **Community Bank**<sup>®</sup> branch.

The Board this year declared a fully franked dividend of 5 cents which will be paid to shareholders in November.

This year we welcomed a new Board member Robyn Pearse who has shown great commitment to the business. Chris MacKay stood down from the Board this year after 18 years on the Board, and serving on the original steering committee. Chris acted as Company Secretary for many years. She was also one of the three people who organised the public meeting to help start our Bank. A big thank you to Chris for all her work on the Board over the years.

On a sad note we were all saddened with the news of the passing on one of our foundation Directors Terry McAuliff. Terry was our first Treasurer, and has left a great legacy in the Lockhart community with his contribution to the establishment of the Lockhart & District **Community Bank**<sup>®</sup> Branch. His wise and prudent management has ensured a stable base for the future of the Bank.

I would like to thank my fellow Directors who are volunteers and do a wonderful job; with only the best interest of our community driving them to continue in their positions.

Thanks to our local staff who provide friendly and efficient face-to-face service.

Thanks to our shareholders who invested in our Bank, and finally a thank you to all of our current customers whose business helps our community be more sustainable into the future.



**Ken Hogan**  
Chairman

# Manager's report

For year ending 30 June 2019

It is with much pleasure that I present the Manager's report for Lockhart & District **Community Bank** Branch for year ending 30 June 2019.

Over the financial year we've seen our business reach \$110.1 million in banking business levels. This is an increase of \$9.93 million from the previous financial year. Once again the significant growth area of our business was within the Rural Bank sector of our business with \$8.77 million of this growth being in new rural business.

In summary at the end of June 2019 our branch's business is noted as follows:

- Loan business \$27.3 million
- Deposit business \$54.3 million
- Wealth and financial market products \$2.41 million
- Rural Bank deposits and loans \$26.09 million
- Total business footings = \$110.1 million.

Behind these results are a great team of dedicated staff; Sarah Smyth, Carlie Pearse, Alison Parker, Mollie Waters and our casual staff members; Julie McRae and Carol Smith. I wish to thank them all for their professionalism and commitment to the provision of excellent customer service and community engagement.

Congratulations must also go to Sarah Smyth from our branch who was recently awarded the Silver Award in the 'Employee of the Year' category at the recent Lockhart Shire Business Excellence Awards, well done Sarah.

In August 2019 we farewelled Stephanie Wettenhall from our staff. We thank Stephanie for the contribution she made to our branch during her 18 months with us and wish her well in the future.

Recognition and thanks must also go to our local volunteer Board of Directors and regional management support staff. I would also like to especially thank John Walton, our Rural Bank Agribusiness Manager and Anthony McGettigan, our Bendigo Bank Business Banking Manager who are both based in Wagga Wagga and visit our branch regularly and service the needs of our primary producer clients on farm and at their businesses.

October 2019 will mark 17 years since our branch opened its doors and I would like to remind our loyal customers that your ongoing support is invaluable in helping our **Community Bank**® branch to continue.

Our branch is the only fully operational bank in our town that is open Monday – Friday 9.30 am until 5.00pm. We continue to offer a full array of banking services and products for individuals and businesses. The impact our branch has made in contributions back to our local community now totals over \$1.6 million. This is made up of over \$1.067 million in grants and sponsorships and over \$533,000 in total dividends back to shareholders.

A huge thank you to all of those customers and shareholders who choose to bank locally and help achieve such positive outcomes for our community. Please tell our story to your family and friends and remind them that just by banking with us, you make a difference in the communities in which we live. As you know, it is this support and banking activity what ultimately determines the level of return to our local area and keeps banking services alive and robust in Lockhart.



**Clare Hamson**  
**Branch Manager**



# Bendigo and Adelaide Bank report

For year ending 30 June 2019

As a Bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our **Community Bank**<sup>®</sup> partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent **Community Bank**<sup>®</sup> branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 **Community Bank**<sup>®</sup> company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your **Community Bank**<sup>®</sup> company local Board of Directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your **Community Bank**<sup>®</sup> branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local **Community Bank**<sup>®</sup> business. All it takes is a referral to your local Branch Manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your **Community Bank**<sup>®</sup> branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and Directors in developing your business and supporting the communities that you live and work in.



**Mark Cunneen**  
**Head of Community Support**  
**Bendigo and Adelaide Bank**

# Directors' report

For the financial year ended 30 June 2019

The Directors present their report together with the accounts of Lockhart & District Financial Services Limited for the year ended 30 June 2019.

## Directors

The names of Directors who held office during or since the end of the year are:

Kenneth Hogan	Marea Urquhart
Roderick McMicking	Christine Mackey (Resigned 30 January 2019)
Craig Fletcher	Nicholas Mathews
Rachel Westblade	Peter McDonnell
Christy Webb	Robyn Pearse (Appointed 27 February 2019)

All Directors have been in office the full year unless stated above.

## Director's meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the company during the financial year are:

Director	Number Attended	Number eligible to attend
Mr K Hogan	11	11
Mr R McMicking	10	11
Mr C Fletcher	8	11
Mrs R Westblade	8	11
Mrs C Webb	9	11

Director	Number Attended	Number eligible to attend
Mrs M Urquhart	7	11
Mrs C Mackey	4	6
Mr N Mathews	9	11
Mr P McDonnell	10	11
Mrs R Pearse	4	4

## Principal activities

The principle activities of the company during the course of the financial period were in providing **Community Bank**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

## Result

The net profit of the company for the financial year after provision for income tax was \$49,572 (2018 \$67,049).

## Short and long term objectives

Our short term objective is to continue to offer **Community Bank**<sup>®</sup> services to the Lockhart and district community. Our long term objective is to achieve increased returns for shareholders and further support the community through various sponsorship arrangements.

# Directors' report (continued)

## **Key performance indicators**

Key performance indicators used by the company to monitor performance include:

- Monthly financial accounts, budgets and forecasts
- Monthly revenue analysis
- Monthly reports from Bendigo and Adelaide Bank Limited

## **Matters subsequent to the end of the reporting period**

There are no matters or circumstances that have arisen since the end of the reporting period 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.

## **Directors interests and benefits**

Since the end of the previous financial year no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts) because of a contract made by the company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial interest.

## **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 the following page.

Dated at Wagga Wagga this 15 September 2019.

Signed in accordance with a resolution of the Directors:



**Ken Hogan**  
**Director**

# Auditor's independence declaration



PARTNERS:	
P.J. King	CA
A.P. Powell	CA
D.R. Uden	CA
R.K. Nicoll	CA
M.A. Smith	CA
D.T. Rosetta	CA

## AUDITORS INDEPENDENCE DECLARATION

As lead auditor for the audit of Lockhart & District Financial Services Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) No contraventions of any applicable code of professional conduct in relation to the audit.

**John L Bush & Campbell**  
**Chartered Accountants**

**David Rosetta**  
**Partner**

**Wagga Wagga**  
**15 September 2019**

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# Financial statements

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

	Notes	2019 \$	2018 \$
Revenues from ordinary activities	2	733,073	698,833
Employee expenses		(299,727)	(283,572)
Administration expenses		(150,167)	(164,129)
Depreciation and amortisation		(26,260)	(26,422)
Sponsorship expense		(188,445)	(132,229)
<b>Net Profit from ordinary activities before income tax expense</b>		<b>68,474</b>	<b>92,481</b>
Income tax expense relating to ordinary activities	3	(18,902)	(25,432)
<b>Net profit from ordinary activities after related income tax expense</b>		<b>49,572</b>	<b>67,049</b>
<b>Total change in equity other than those resulting from transactions with owners as owners</b>		<b>49,572</b>	<b>67,049</b>
Earnings per share	22	9.01 cents	12.19 cents

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the accounts.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2019

	Notes	2019 \$	2018 \$
<b>Current assets</b>			
Cash	5	445,294	431,914
Receivables	6	59,413	59,715
Other financial assets	7	4,469	4,268
Tax assets	13	3,116	-
<b>Total current assets</b>		<b>512,292</b>	<b>495,897</b>
<b>Non-current assets</b>			
Other financial assets	7	44,074	62,296
Tax assets	8	14,054	12,789
Property, plant and equipment	9	143,622	155,035
<b>Total non-current assets</b>		<b>201,750</b>	<b>230,120</b>
<b>Total assets</b>		<b>714,042</b>	<b>726,017</b>
<b>Current liabilities</b>			
Borrowings	10	16,001	16,578
Payables	11	24,931	27,344
Provisions	12	20,841	16,514
Tax liabilities	13	-	20,124
<b>Total current liabilities</b>		<b>61,773</b>	<b>80,560</b>
<b>Non current liabilities</b>			
Borrowings	10	30,702	46,053
Provisions	12	23,334	23,243
<b>Total non current liabilities</b>		<b>54,036</b>	<b>69,296</b>
<b>Total liabilities</b>		<b>115,809</b>	<b>149,856</b>
<b>Net assets</b>		<b>598,233</b>	<b>576,161</b>
<b>Equity</b>			
Contributed equity	14	550,009	550,009
Retained profits	15	48,224	26,152
<b>Total equity</b>		<b>598,233</b>	<b>576,161</b>

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the accounts.

## Financial statements (continued)

### Statement of Changes in Equity for the year ended 30 June 2019

	Issued capital \$	Retained earnings \$	Total \$
Balance as at 1 July 2017	550,009	(13,397)	536,612
Profit for period	-	67,049	67,049
Dividend paid	-	(27,500)	(27,500)
<b>Balance as at June 30 2018</b>	<b>550,009</b>	<b>26,152</b>	<b>576,161</b>
Profit for period	-	49,572	49,572
Dividend paid	-	(27,500)	(27,500)
<b>Balance as at June 30 2019</b>	<b>550,009</b>	<b>48,224</b>	<b>598,233</b>

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the accounts.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		727,547	684,750
Cash payments in the course of operations		(679,686)	(611,619)
Cash receipts from interest and dividends		5,828	7,918
<b>Net cash used by operating activities</b>	<b>16(ii)</b>	<b>53,689</b>	<b>81,049</b>
<b>Cash flows from investing activities</b>			
Purchase of intangibles		-	(66,111)
Sale of shares		4,743	
Purchase of plant and equipment		(1,625)	-
<b>Net cash used in investing activities</b>		<b>3,118</b>	<b>(66,111)</b>
<b>Cash flows from financing activities</b>			
Net receipts/(repayment) from borrowings		(15,928)	62,631
Payment of dividends		(27,500)	(27,500)
<b>Net cash used in financing activities</b>		<b>(43,428)</b>	<b>35,131</b>
<b>Net increase / (decrease) in cash held</b>		<b>13,379</b>	<b>50,069</b>
Cash at the beginning of the financial year		431,914	381,844
<b>Cash at the end of the financial year</b>	<b>16(i)</b>	<b>445,294</b>	<b>431,914</b>

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the accounts.

# Notes to the financial statements

For year ended 30 June 2019

## Note 1. Statement of significant accounting policies

The significant policies that have been adopted in the presentation of these financial statements are:

### (a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with the Accounting Standards, other pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial report has been prepared on the basis of historical costs and does not take into account changing money values nor current valuations of the non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

### (b) Income tax

The company adopts the liability method of tax effect accounting whereby the income tax expense is based on profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a deferred tax asset.

Deferred tax assets are not brought to account unless it is probable that the benefit will be realised.

### (c) Property, plant and equipment

Freehold land and buildings are brought to account on the cost basis.

Plant and equipment are measured on the cost basis.

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity.

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

Class of fixed asset	Depreciation rate
Buildings	2.5%
Plant and equipment	20-40%

### (d) Intangibles

#### Franchise fees

The company has entered into a five year franchise agreement with Bendigo Bank for an initial 5 year term.

### (e) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Contributions are made by the company entity to employee superannuation funds and are charged as expenses when incurred.

# Notes to the financial statements (continued)

## Note 1. Statement of significant accounting policies (continued)

### (f) Comparative figures

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

### (g) Revenue

#### Revenue from contracts with customers

The company recognises revenue as the amount of the transaction price that is allocated to the performance obligation, excluding any amounts of variable consideration, when the performance obligation has been satisfied. All revenue is stated net of the amount of goods and services tax (GST).

#### Revenue calculation

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

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

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss. Products and services on which margin is paid include variable rate deposits and variable rate home loans.

#### Commission

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

The company has considered the treatment of trail commissions in accordance with AASB 15. It was concluded that there is no way to determine, with high probability, the present value of on-going commissions. For these reasons on-going trail commission is recognised when calculated and remitted to the company.

#### 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.

### (h) New Accounting standards adopted during the year

#### AASB 9 Financial Instruments

AASB 9 took effect for the company on 1 July 2018, replacing AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 consolidates the requirements for the classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of this standard did not have a material effect on the company.

# Notes to the financial statements (continued)

## Note 1. Statement of significant accounting policies (continued)

### (h) New Accounting standards adopted during the year (continued)

#### AASB 15 Revenue from contracts with customers

AASB 15 took effect for the company on 1 July 2018, replacing AASB 118 which details the recognition of revenue. Under the new standard revenue is recognised when specific performance obligations are met. The adoption of this standard did not have a material effect on the company.

### (i) Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective. These standards have not been applied in the financial report and the Directors do not expect the new standards to have a significant impact on the financial statements.

Standard/ interpretation	Nature of change	Effective for annual reporting periods beginning	Expected to be initially applied in the financial year ending
AASB 16 Leases	AASB 16 removes the distinction between operating and finance leases, consequently the majority of leases will be recognised on the balance sheet. Under the new standard, an asset (the right to use the leased item) and a financial liability to for future rental payments are recognised.	1 January 2019	30 June 2020

	2019 \$	2018 \$
<b>Note 2. Revenue</b>		
<b>Operating activities</b>		
Fees	41,802	45,203
Gross margin	467,270	509,633
Commissions	186,670	106,079
Market development	25,833	30,000
	<b>721,575</b>	<b>690,915</b>
<b>Non-operating activities</b>		
Interest	5,828	7,918
Other Income	5,670	-
	<b>733,073</b>	<b>698,833</b>

# Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 3. Income tax expense</b>		
The prima facie tax on profit ordinary activities before income tax is reconciled as follows:		
Tax expense at 27.5% (2018 - 27.5%)	18,830	25,432
Add/(less) tax effect of:		
- Permanent difference - Capital disposal	72	-
	<b>18,902</b>	<b>25,432</b>

## Note 4. Profit from ordinary activities

Profit from ordinary activities before income tax has been determined after:

### (a) Expenses

Amortisation of intangibles	13,222	13,123
Auditors remuneration - auditing accounts	6,950	6,750
Auditors remuneration - other services	8,550	8,750
Depreciation of non-current assets	13,038	13,299

## Note 5. Cash assets

Cash at bank	445,294	431,914
	<b>445,294</b>	<b>431,914</b>

## Note 6. Receivables

Trade debtors (Bendigo Receivable)	58,681	59,715
GST receivable	732	-
	<b>59,413</b>	<b>59,715</b>

## Note 7. Other financial assets

### Current

Prepayments	4,469	4,268
	<b>4,469</b>	<b>4,268</b>

## Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 7. Other financial assets (continued)		
<b>Non-current</b>		
Current franchise fee	66,111	66,111
Less: accumulated amortisation	(22,037)	(8,815)
	<b>44,074</b>	<b>57,296</b>
Southern Adventure shares - at cost	-	5,000
	<b>44,074</b>	<b>62,296</b>

### Note 8. Tax assets

Deferred tax assets	14,054	12,789
	<b>14,054</b>	<b>12,789</b>

### Note 9. Property, plant and equipment

Land - at cost	27,258	27,258
Buildings - at cost	154,863	154,863
Less: accumulated depreciation	(65,160)	(61,258)
	<b>89,703</b>	<b>93,605</b>
Plant and equipment - at cost	176,208	174,583
Less: accumulated depreciation	(149,547)	(140,411)
	<b>26,661</b>	<b>34,172</b>
<b>Total</b>	<b>143,622</b>	<b>155,035</b>

#### (b) Movement in carrying amounts

	Freehold Land \$	Buildings \$	Plant and equipment \$	Total \$
Balance at the beginning of year	27,258	93,605	34,172	155,035
Additions	-	-	1,625	1,625
Depreciation	-	(3,902)	(9,136)	(13,038)
<b>Balance at the end of year</b>	<b>27,258</b>	<b>89,703</b>	<b>26,661</b>	<b>143,622</b>

## Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 10. Borrowings</b>		
<b>Current</b>		
Bendigo Bank - Credit card	650	1,227
Bendigo Bank - Franchise fee loan	15,351	15,351
	<b>16,001</b>	<b>16,578</b>
<b>Non-Current</b>		
Bendigo Bank - Franchise fee loan	30,702	46,053
	<b>30,702</b>	<b>46,053</b>
<b>Note 11. Payables</b>		
Trade creditors	24,931	19,348
GST Payable	-	7,996
	<b>24,931</b>	<b>27,344</b>
<b>Note 12. Provisions</b>		
<b>Current</b>		
<b>Employee entitlements</b>	<b>20,841</b>	<b>16,514</b>
<b>Non-current</b>		
<b>Employee entitlements</b>	<b>23,334</b>	<b>23,243</b>
<b>Note 13. Tax liabilities</b>		
Provisions for income tax payable/(receivable)	(3,116)	20,124
	<b>(3,116)</b>	<b>20,124</b>
<b>Note 14. Contributed equity</b>		
<b>550,009 fully paid ordinary shares</b>	<b>550,009</b>	<b>550,009</b>

## Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 15. Retained profits</b>		
Retained profits at the beginning of the financial year	26,152	(13,397)
Net profit / (loss) from ordinary activities	49,572	67,049
Dividend paid	(27,500)	(27,500)
<b>Retained profits at the end of the financial year</b>	<b>48,224</b>	<b>26,152</b>

### Note 16. Cash flow information

#### (i). Reconciliation of cash

For the purpose of the statement of Cash Flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the statement of financial position as follows:

<b>Cash at bank</b>	<b>445,294</b>	<b>431,914</b>
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#### (ii). Reconciliation of operating profit to net cash used in operating activities:

Profit / (loss) for Year:	49,572	67,049
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#### Non cash flows recorded in ordinary activities

Amortisation	13,222	13,123
Depreciation	13,038	13,299
Loss on sale of shares	257	-

#### Net cash provided / (used) in operating activities before changes in assets and liabilities during the year

(Increase) / decrease in other assets	(201)	(2,193)
(Increase) / decrease in receivables	302	(6,165)
(Increase) / decrease in tax assets	(1,265)	(1,178)
Increase / (decrease) in payables	(2,414)	(8,151)
Increase / (decrease) in tax liabilities	(23,240)	1,234
Increase / (decrease) in provisions	4,418	4,031
<b>Net cash used in operating activities</b>	<b>53,689</b>	<b>81,049</b>

### Note 17. Segment reporting

The economic entity operates predominately in one business and geographical segment being the provision of finance services.

# Notes to the financial statements (continued)

## Note 18. Related party transactions

There were no related party transactions between the company and Directors during the year.

The names of the Directors who have held office during the financial year are:

Kenneth John Hogan	Christine Mackey
Roderick Neil Fergusson McMicking	Marea Katherine Urquhart
Craig Fletcher	Nicholas Mathews
Rachel Westblade	Peter McDonnell
Christy Webb	Robyn Pearse

## Note 19. Company details

The registered office of the company is:

Lockhart & District Financial Services Limited  
98 Green Street,  
Lockhart NSW 2656

## Note 20. Financial instruments

### Financial risk management

The company's activities expose it to a variety of financial risks including credit, interest rate and liquidity risks. The company does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risks. Further, due to the nature of the company's investments and other financial instruments it is not exposed to significant price risks.

### Fair values

The carrying amounts and estimated fair values of financial assets and financial liabilities held at balance date are the same.

### Market risk – sensitivity analysis

The company's financial assets which are subject to interest rate risk comprise cash on hand, at bank and on call, and term deposits which are generally short term and are held to maturity. Therefore the company does not consider that a change in risk variable (interest) would have a significant effect on profit or equity.

### Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the entity.

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash or credit facilities to meet the operating requirements of the company. This is managed through committed undrawn facilities and prudent cash flow management.

# Notes to the financial statements (continued)

## Note 20. Financial instruments (continued)

### Liquidity risk (continued)

The exposure to interest rate risk, which is the risk that financial instruments will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of consolidated financial assets and financial liabilities, is as follows:

	Weighted average interest rate		Floating interest rate		Non-interest bearing		Total	
	2019 %	2018 %	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
<b>Financial assets</b>								
Cash at bank	1.58	1.95	445,294	431,914			445,294	431,914
Receivable assets					59,413	59,715	59,413	59,715
<b>Total financial assets</b>			<b>445,294</b>	<b>431,914</b>	<b>59,413</b>	<b>59,715</b>	<b>504,707</b>	<b>491,629</b>
<b>Financial liabilities</b>								
Borrowings & payables	13.99	13.99	-	-	24,391	27,344	24,391	27,344
<b>Total financial liabilities</b>			<b>-</b>	<b>-</b>	<b>24,391</b>	<b>27,344</b>	<b>24,391</b>	<b>27,344</b>

## Note 21. Dividends

Dividends paid for the year were at 5c per share (2018 5c per share).

	2019 \$	2018 \$

## Note 22. Earnings per share

Net Profit used in calculation of EPS	49,572	67,049
Number of ordinary shares used in calculation of EPS	550,009	550,009

# Directors' declaration

The Directors of the company declare that:

1. The financial statements and notes, are in accordance with the *Corporations Act 2001*:
  - a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the company and economic entity;
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.



**Ken Hogan**  
**Director**

Dated this 15 September 2019

# Independent audit report



■ PARTNERS:  
P.J. King CA  
A.P. Powell CA  
D.R. Uden CA  
R.K. Nicoll CA  
M.A. Smith CA  
D.T. Rosetta CA

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

### LOCKHART AND DISTRICT FINANCIAL SERVICES LIMITED

#### Opinion

We have audited the accompanying financial report of Lockhart and District Financial Services Limited, which comprises the statement of financial position as at 30 June 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

In our opinion, the financial report of Lockhart and District Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Regime 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* section of our report. We are independent of the Company in accordance with 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 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.

#### Information Other than the Financial Report and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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# Independent audit report (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Directors' Responsibility for the Financial Report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine is necessary to enable the preparation of the financial report that 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 has no realistic alternative but to do so.

## **Auditor's Responsibility**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.

*John L. Bush & Campbell*

**JOHN L BUSH & CAMPBELL**  
**Chartered Accountants**

*DR*

**David Rosetta**  
**Partner**

**Wagga Wagga**  
**15 September 2019**

Lockhart & District **Community Bank**<sup>®</sup> Branch  
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Franchisee: Lockhart & District Financial Services Limited  
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ABN: 14 099 918 680

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