

Annual Report 2020

Lockhart & District
Financial Services Limited

Community Bank
Lockhart & District

ABN 14 099 918 680



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Chairman's report

For year ending 30 June 2020

The 2019/20 financial year Annual Report is my first Chairman's report for Lockhart & District Financial Services Limited.

I wish to thank Ken Hogan for his tireless work over his two years as the Chairman as well as his support to me. Ken's wealth of knowledge that he has obtained over almost 19 years of involvement in our Community Bank is invaluable.

Directors update

Our Board of Directors has evolved significantly in the last five years and I commend the Board at the time as they had the foresight to work on new Directors stepping in whilst still maintaining the stability of long-term Directors supporting the transition. I am confident our current Board are all enthusiastic, community-minded people and we can continue to provide for our shareholders and the Lockhart and District community. During the last twelve months Christy Webb had a leave of absence whilst working and living in Hay. In July this year Christy's move became more permanent, and she resigned from our Board. We thank Christy for her time with us and we wish her well out west.

A rapidly changing world

The devastating bushfires that claimed lives and land last summer were something that will be etched in our minds for a long time. The support from our Community Bank and our customers towards those who lost so much by way of donations was wonderful to see and we hope it goes some way in restoring livelihoods.

In March our world changed forever with COVID-19's rapid spread across the globe and as I think back on those early days when the uncertainty and endless flow of information that was thrust upon us, I must commend the professionalism that our Branch Manager Clare and her staff showed in those times. Over the lockdown period our branch was able to continue to provide banking services to our community whilst still keeping themselves and our customers safe. It seems that this pandemic isn't going away anytime soon and outbreaks will need to be managed as they occur. I wish to assure our shareholders and customers that Bendigo and Adelaide Bank Limited and Community Bank Lockhart & District have strict and thorough procedures that are in place on a day-to-day basis as well as in the event of a case within our branch; and our main concern is keeping our staff and community safe.

Branch restructure

As I write this report the Board is working closely with Bendigo and Adelaide Bank Limited and our staff as we look at new ways to drive new business into our branch. The banking sector is moving towards a more mobile way of getting to potential customers as opposed to the traditional form of banking through a bricks and mortar branch. We still see a great importance in providing our community with a five days a week facility to pop in and do their banking with our wonderful staff. We are also working towards seeing Clare getting out of the branch more and meeting with current and potential customers at a time and place that suits them by implementing a new Business Development/Mobile Lending Manager role. This change in structure has been working well in other Community Banks within our region and our Board and staff are keen to see the benefits of these changes which we hope will be in place by the end of this calendar year.

Chairman's report (continued)

Community Grants Program

We intended on opening our annual grants applications in late March as COVID-19 hit and with the shutdown of most community groups, we made the decision to postpone the program. We continue to work with our community in projects that Community Bank Lockhart & District can be in partnership with. We continue to sponsor the Driver Training Program, which is well received by the young drivers who have attended and their families.

In closing, thank you to my fellow Board members and staff who have welcomed and supported me in my first year as Chairman and I look forward to working with you all over the next twelve months.

A handwritten signature in black ink, appearing to read 'N Mathews', with a long horizontal flourish extending to the right.

Nick Mathews
Chairman

Manager's report

For year ending 30 June 2020

It is with much pleasure that I present the Manager's report for Community Bank Lockhart & District for year ending 30 June 2020.

Our business levels reached a record high \$117.9 million in banking business as at 30 June 2020. This is an increase in new business of \$7.78 million from the previous financial year.

We had great growth across our consumer and small business lending, as well as our deposit and Rural Bank book growth in what has been a tough year with decreasing interest rates and COVID-19 economic pressures. It's wonderful to see so many of our farming customers experiencing wonderful seasonal conditions to date with timely Autumn and Winter rainfall experienced by our district. It's also great to see the positive impact this has shown on the Rural Bank part of our branches agri-business levels.

2020 has seen an increase in branch customers embracing the digital banking side of our business and whilst keeping our focus on being a customer facing and connected branch our staff have done a tremendous job in assisting our valued customers to be set up with online and phone banking. Once set up, our Bendigo Bank app has made it so much easier for customers to view and conduct their banking when they are unable to make it into our branch.

Whilst it is important to grow and adapt to this changing world, it is just as important to deliver on our current values. When new customers are asked, "What made you choose to bank with us?" the answers are always one of, or a combination of, "we love how you give back to the community" or "we've heard the service is great" or "we want to be able to sit down with someone face-to-face". Each time this brings a smile to my face as I've seen a significant increase in our community knowing our capabilities and understanding of the Community Bank model in my 13 years as Manager of our Community Bank. Our customers are our ambassadors and Bendigo Bank continues to be a valued and trusted brand.

Going forward we know the year ahead will be challenging with interest rates tightening and prudential lending policies in place however our vision is to continue business growth by evolving our branch and implementing an updated business structure. This will see myself being promoted into a new Business Development Manager/ Mobile Banking lending role for Community Bank Lockhart & District. We will also be increasing the lending staff/capabilities within our branch, introducing a new Branch Operations Manager role that will also help increase our lending business further as well as manage the day-to-day operational tasks and staffing within the branch.

We have a dynamic team of staff who all work together and highlight each other's strengths. I wish to thank them all for their professionalism and commitment to the provision of excellent customer service and community engagement.

I would like to thank our local volunteer Board of Directors, Regional Manager; Tim Koschel and his support staff for their guidance and leadership through the year. I would also like to especially thank John Walton our Rural Bank Agribusiness Manager and Anthony McGettigan our Bendigo and Adelaide Bank Limited Business Banking Manager who are both based in Wagga Wagga and visit our branch regularly and service the needs of our primary producers and larger business customers..

Most importantly I would like to thank our loyal customers. Your ongoing banking support is invaluable in helping our branch to continue to grow, enabling our Community Bank to continue to inject funds back into local projects and initiatives and helping create a vibrant and thriving local Lockhart community.



Clare Hamson
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

In the 20-plus years since the opening of the very first Community Bank branch, it's fair to say we haven't seen a year quite like 2020.

After many years of drought, the 2019 calendar year ended with bushfires burning across several states. A number of our Community Bank companies were faced with an unprecedented natural disaster that impacted lives, homes, businesses and schools in local communities.

As fires took hold, Bendigo and Adelaide Bank's head office phones started to ring, emails came in from all over the world and our customers, and non-customers, headed into our branches to donate to an appeal that we were still in the process of setting up.

Our reputation as Australia's most trusted bank and the goodwill established by 321 Community Bank branches across the country meant that people instinctively knew that Bendigo, and our Community Bank partners, would be there to help. An appeal was established and donations were received in branch and online from 135,000 donors from all around the world. More than \$45 million was donated.

Just as the fires had been extinguished and the Bank's foundation was working with government, not-for-profit organisations and impacted communities to distribute donations, the global COVID-19 pandemic arrived.

The impact of this pandemic was, and continues to be, more than about health. The impacts are far-reaching and banking is not immune. Your support as a shareholder, and a customer, of your local Community Bank company has never been so important.

You should be proud of your investment in your local Community Bank company. As the Australian workforce had to adjust its way of working, your Community Bank branch staff were classified as essential workers and turned up for work every day throughout the pandemic to serve your local customers.

Your Community Bank company, led by your local Directors, were committed to supporting local economies. Often it was the little things like purchasing coffees and meals from local cafes, not only for their branch staff but for other essential workers (teachers, nurses, hospital support staff, ambulance and police officers and aged care workers). This not only supported essential workers also supported many local businesses when they needed it the most.

What we've discovered in 2020 is that in times of crisis, Australia's Community Bank network has unofficially become Australia's 'second responder'. Local organisations and clubs look to their local Community Bank companies not only for financial assistance, but to take the lead in connecting groups and leading the community through a crisis.

So, what does this all mean? For Bendigo and Adelaide Bank, it reinforces the fact that you are a shareholder of a unique and caring company – run by locals to benefit not only your community but those in need.

As Australia's 5th largest bank with more than 1.9 million customers we are proud to partner with your community.

If 2020 has shown us anything, it's that we're stronger for the partnerships we have with the communities we operate in.

On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company Directors and shareholders and your branch staff and customers for your continued support throughout the year.



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2020

The Directors present their report together with the accounts of Lockhart & District Financial Services Limited for the year ended 30 June 2020.

Directors

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

Kenneth Hogan	Marea Urquhart
Roderick McMicking	Nicholas Mathews
Craig Fletcher	Peter McDonnell
Rachel Westblade	Robyn Pearse
Christy Webb (Resigned 29 July 2020)	

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	Director	Number Attended	Number eligible to attend
Mr K Hogan	9	11	Mrs M Urquhart	10	11
Mr R McMicking	8	11	Mr N Mathews	11	11
Mr C Fletcher	9	11	Mr P McDonnell	9	11
Mrs R Westblade	8	11	Mrs R Pearse	9	11
Mrs C Webb (leave of absence granted 29/01/2020)	5	11			

Principal activities

The principle activities of the company during the course of the financial period were in providing community banking 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 \$80,137 (2019 \$49,572).

Short and long term objectives

Our short term objective is to continue to offer community banking 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

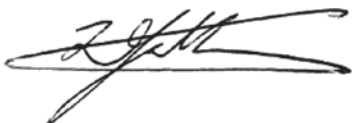
Since the end of the previous financial year no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts) because of a contract made by the company with the 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 15th day of September 2020

Signed in accordance with a resolution of the directors:



Nick Mathews
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 2020, 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

JOHN L BUSH & CAMPBELL
Chartered Accountants

David Rosetta
Partner

Wagga Wagga
15 September 2020

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Standards Legislation

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenues from ordinary activities	2	724,644	733,073
Employee expenses		(299,067)	(299,727)
Administration expenses		(155,676)	(150,167)
Depreciation and amortisation		(23,031)	(26,260)
Sponsorship expense		(154,871)	(188,445)
Net Profit from ordinary activities before income tax expense		91,999	68,474
Income tax expense relating to ordinary activities	3	(11,862)	(18,902)
Net profit from ordinary activities after related income tax expense		80,137	49,572
Total change in equity other than those resulting from transactions with owners as owners		80,137	49,572
Earnings per share	22	14.57 cents	9.01 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 2020

	Notes	2020 \$	2019 \$
CURRENT ASSETS			
Cash	5	487,875	445,294
Receivables	6	83,353	59,413
Other Financial Assets	7	7,602	4,469
Tax Assets	13	7,989	3,116
TOTAL CURRENT ASSETS		586,819	512,292
NON-CURRENT ASSETS			
Other Financial Assets	7	30,852	44,074
Tax Assets	8	15,154	14,054
Property, plant & equipment	9	133,813	143,622
TOTAL NON-CURRENT ASSETS		179,819	201,750
TOTAL ASSETS		766,638	714,042
CURRENT LIABILITIES			
Borrowings	10	15,572	16,001
Payables	11	36,989	24,931
Provisions	12	27,262	20,841
TOTAL CURRENT LIABILITIES		79,823	61,773
NON CURRENT LIABILITIES			
Borrowings	10	15,351	30,702
Provisions	12	20,594	23,334
TOTAL NON CURRENT LIABILITIES		35,945	54,036
TOTAL LIABILITIES		115,768	115,809
NET ASSETS		650,870	598,233
EQUITY			
Contributed Equity	14	550,009	550,009
Retained Profits	15	100,861	48,224
TOTAL EQUITY		650,870	598,233

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 2020

	Issued capital \$	Retained earnings \$	Total \$
Balance as at 1 July 2018	550,009	26,152	576,161
Profit for period	-	49,572	49,572
Dividend paid	-	(27,500)	(27,500)
Balance as at June 30 2019	550,009	48,224	598,233
Profit for period	-	80,137	80,137
Dividend paid	-	(27,500)	(27,500)
Balance as at June 30 2020	550,009	100,861	650,870

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 2020

	Notes	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		695,296	727,547
Cash payments in the course of operations		(614,844)	(679,686)
Cash receipts from interest and dividends		5,408	5,828
Net cash used by operating activities	16(ii)	85,860	53,689
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of Shares		-	4,743
Purchase of plant and equipment		-	(1,625)
Net cash used in investing activities		-	3,118
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts/(repayment) from borrowings		(15,780)	(15,928)
Payment of dividends		(27,500)	(27,500)
Net cash used in financing activities		(43,280)	(43,428)
Net increase / (decrease) in cash held		42,580	13,379
Cash at the beginning of the financial year		445,294	431,914
Cash at the end of the financial year	16(i)	487,875	445,294

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 2020

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.

(f) Comparative Figures

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

Notes to the financial statements (continued)

Note 1 Statement of significant accounting policies (continued)

(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 16 Leases

AASB 16 took effect for the company on 1 January 2019, replacing AASB 117. The new standard 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. This standard did not have a material impact on the operations of the company.

Notes to the financial statements (continued)

	2020 \$	2019 \$
Note 2 Revenue		
Operating activities		
Fees	41,405	41,802
Gross margin	460,971	467,270
Commissions	139,203	186,670
Market development	25,000	25,833
	666,579	721,575
Non-operating activities		
Interest	5,408	5,828
Other Income	3,793	5,670
ATO Cashflow Boost	48,864	-
	724,644	733,073

Note 3 Income tax expense

The prima facie tax on profit ordinary activities before income tax is reconciled as follows:

Tax expense at 27.5% (2019 - 27.5%)	25,300	18,830
Add/(less) tax effect of:		
- Permanent Difference	(13,438)	72
	11,862	18,902

Note 4 Profit from ordinary activities

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

(a) Expenses		
Amortisation of intangibles	13,222	13,222
Auditors remuneration - auditing accounts	7,250	6,950
Auditors remuneration - other services	10,900	8,550
Depreciation of non-current assets	9,809	13,038

Note 5 Cash assets

Cash at bank	487,875	445,294
	487,875	445,294

Note 6 Receivables

Trade debtors (Bendigo Receivable)	55,195	58,681
Other receivables	28,158	-
GST receivable	-	732
	83,353	59,413

Notes to the financial statements (continued)

	2020 \$	2019 \$
Note 7 Other financial assets		
Current		
Prepayments	7,602	4,469
	7,602	4,469
Non-current		
Current franchise fee	66,111	66,111
Less: accumulated amortisation	(35,259)	(22,037)
	30,852	44,074
Southern Agventure shares - at cost	-	-
	30,852	44,074

Note 8 Tax assets

Deferred Tax Assets	15,154	14,054
	15,154	14,054

Note 9 Property, plant and equipment

Land - at cost	27,258	27,258
Buildings - at cost	154,863	154,863
Less: accumulated depreciation	(69,029)	(65,160)
	85,834	89,703
Plant and equipment - at cost	176,208	176,208
Less: accumulated depreciation	(155,487)	(149,547)
	20,721	26,661
Total	133,813	143,622

(b) Movement in Carrying Amounts

	Freehold Land \$	Buildings \$	Plant & Equipment \$	Total \$
Balance at the beginning of year	27,258	89,703	26,661	143,622
Additions	-	-	-	-
Depreciation	-	(3,869)	(5,940)	(9,809)
Balance at the end of year	27,258	85,834	20,721	133,813

Notes to the financial statements (continued)

	2020 \$	2019 \$
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Note 10 Borrowings

Current

Bendigo Bank - Credit Card	221	650
Bendigo Bank - Franchise Fee Loan	15,351	15,351
	15,572	16,001

Non-Current

Bendigo Bank - Franchise Fee Loan	15,351	30,702
	15,351	30,702

Note 11 Payables

Trade Creditors	18,413	24,931
ATO Payable	18,577	-
	36,989	24,931

Note 12 Provisions

Current

Employee Entitlements	27,262	20,841
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Non-Current

Employee Entitlements	20,594	23,334
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Note 13 Tax liabilities

Provisions for Income Tax Payable/(Receivable)	(7,989)	(3,116)
	(7,989)	(3,116)

Note 14 Contributed equity

550,009 fully paid ordinary shares	550,009	550,009
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Note 15 Retained profits

Retained profits at the beginning of the financial year	48,224	26,152
Net profit / (loss) from ordinary activities	80,137	49,572
Dividend paid	(27,500)	(27,500)
Retained profits at the end of the financial year	100,861	48,224

Notes to the financial statements (continued)

	2020 \$	2019 \$
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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:

Cash at bank	487,875	445,294
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(ii). Reconciliation of Operating Profit to Net Cash Used in Operating Activities:

Profit / (loss) for Year:	80,137	49,572
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Non cash flows recored in ordinary activities

Amortisation	13,222	13,222
Depreciation	9,809	13,038
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	(3,133)	(201)
(Increase) / decrease in receivables	(23,940)	302
(Increase) / decrease in tax assets	(1,100)	(1,265)
Increase / (decrease) in payables	12,057	(2,414)
Increase / (decrease) in tax liabilities	(4,873)	(23,240)
Increase / (decrease) in provisions	3,681	4,418
Net Cash Used in Operating Activities	85,860	53,689

Note 17 Segment reporting

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

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	Marea Katherine Urquhart
Roderick Neil Fergusson McMicking	Nicholas William Mathews
Craig Anthony Fletcher	Peter Andrew McDonnell
Rachel Jacinta Westblade	Robyn Maree Pearse
Christy Ann Webb	

Notes to the financial statements (continued)

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.

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 Av Interest rate		Floating Interest rate		Non-interest bearing		Total	
	2020 %	2019 %	2020 \$	2019 \$	2020 \$	2019 \$	2020 \$	2019 \$
Financial Assets								
Cash at bank	0.70	1.58	487,875	445,294			487,875	445,294
Receivable Assets					83,353	59,413	83,353	59,413
Total Financial Assets			487,875	445,294	83,353	59,413	571,228	504,707
Financial Liabilities								
Borrowings & Payables	-	-	-	-	67,912	71,634	67,912	71,634
Total Financial Liabilities			-	-	67,912	71,634	67,912	71,634

Notes to the financial statements (continued)

Note 21 Dividends

Dividends paid for the year were at 5c per share (2019 5c per share).

	2020 \$	2019 \$
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Note 22 Earnings per share


Net Profit used in calculation of EPS	80,137	49,572
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 2020 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.

A handwritten signature in black ink, appearing to read 'N Mathews', with a long horizontal stroke extending to the right.

Nick Mathews
Director

Dated this 15th day of September 2020

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 2020, 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 2020 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 2020, 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.

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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.

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



David Rosetta
Partner

Wagga Wagga
15 September 2020



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Web: bendigobank.com.au/lockhart

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 /LockhartDistrictCommunityBankBranch

