



# Kentish Financial Services Limited

## Annual Report

For the Year Ended 30 June 2022

Community Bank  
Sheffield & Railton Districts

ABN 47 609 243 923

## Annual Report Kentish Financial Services Limited

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### **Kentish Financial Services Limited**

ABN: 47 609 243 923  
Postal: PO Box 335, SHEFFIELD TAS 7306  
Branch: Sheffield & Railton Districts Community Bank Branch  
44 Main Street, Sheffield  
Phone: (03) 6491 1811

## **Chair's Report**

**For the Year Ended 30 June 2022**

This year has presented the Board of Kentish Financial Services Limited (KFS Ltd) with a very challenging environment for a small community bank striving to reach profitability.

Banking has continued to present complex problems, characterised by low interest rates, very low margins and rapid turn to digital banking systems. The effects of the COVID pandemic which continue to be strongly felt throughout our community, have added to the difficulties.

During the year the KFS Ltd Board has worked hard to connect with the businesses, clubs and community groups and our shareholders to promote the need for across the community support for the branch. In doing so, we have consistently emphasised the fundamental and essential requirement for wide support for the model to work and deliver the benefits it was established to provide.

In making every effort to retain banking in our community, the Board has undertaken a thorough review of our operations which has resulted in a rationalisation of costs and resultant access of services. Our Branch Manager has worked very hard to assist us in this objective and we have also received advice and support from our partners, Bendigo Bank, through our Regional Manager, Martyn Neville and we thank them for their assistance. We continue to work closely with our partners to address the current situation.

The Board thanks those in our community, particularly the Mayor of Kentish Council, Tim Wilson and his councilors, for their support, and those community members and shareholders who have been constant in their support for Community Bank Sheffield-Railton Districts.

A handwritten signature in black ink that reads "Lynett A Hayward". The signature is written in a cursive style and is centered within a light gray rectangular box.

Lynn Hayward  
Chair KFS Ltd

**Branch Manager's Report**  
**For the Year Ended 30 June 2022**

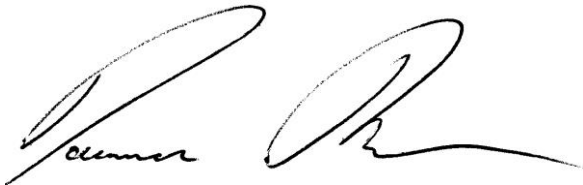
Since I took my appointment as Branch Manager two years ago, we have faced an increasingly complex and difficult banking environment in which rapid change has become a constant.

Challenges have included on-going low interest rates with consequential margin squeeze, reduction to over-the-counter banking transactions, rapid and growing uptake of digitalised banking options. All of these factors have resulted in a consistent under-utilisation of our services throughout the community. For example, recent analysis of our customer base reveals a disappointing proportion of our shareholders engaging their business with Community Bank Sheffield-Railton Districts, and despite our best efforts, less than half actually banking with us.

The impact of the COVID pandemic across the community has also presented difficulty in terms of staffing and access to customers. Both of our longer-term staff members have moved to full time roles both internally and externally with Bendigo Bank, and we have found it hard to replace them. This is a common story across the business community generally, and in common with many other businesses, has meant a rationalisation of available trading days.

During this we have received considerable support from Bendigo Bank, but there has been a regrettable reduction in service to our local customers.

I would like to thank our staff and wish them well in their future careers, and also those staff from other Bendigo Bank branches who have provided relief. I would also like to thank the Board of Kentish Financial Services Limited and Bendigo Bank for their on-going support.

A handwritten signature in black ink, appearing to read 'Darren Rumble', with a stylized flourish extending to the right.

Darren Rumble  
Branch Manager Community Bank Sheffield-Railton Districts

## Kentish Financial Services Limited

### Directors' Report For the Year Ended 30 June 2022

The directors present their report on Kentish Financial Services Limited for the financial year ended 30 June 2022.

#### 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, alongside other Board members and Bank Staff.
Interest in Shares	1,501
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
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

## Kentish Financial Services Limited

### Directors' Report

For the Year Ended 30 June 2022

#### Information on directors continued

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 late 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)
Robyn Anne Russell	Appointed 30/05/2018 Treasurer
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
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 specialties 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

## Kentish Financial Services Limited

### Directors' Report

For the Year Ended 30 June 2022

#### Information on directors continued

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 into 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 Resigned 1/12/2021 Director
Qualifications, experience and expertise	Chelsea is 24 years of age and has lived in Beulah her whole life. Alongside her family, she operates a small land holding 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.
Justin Stuart Carman	Appointed 11/11/2015 Resigned 14/02/22 Manager - Accommodation Resort
Qualifications	
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

## Kentish Financial Services Limited

### Directors' Report

For the Year Ended 30 June 2022

#### Meetings of directors

During the financial year, 14 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	14	13
Deborah Baldock	14	14
Justin Carman	14	7
John Sinclair	14	8
Shayn Harkness	14	14
Laura Inder	14	14
Robyn Russell	14	14
Catherine Stark	14	13
Allan Boyce	14	13
Chelsea Rayner	14	1

#### Company secretary

Deborah Baldock was appointed company secretary in 2018.

#### Principal activities

The principal activity of Kentish Financial Services Limited 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 \$ (208,777) (2021: \$ (102,618)).

#### 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 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

The company entered into an agreement with Bendigo Bank to terminate the franchise agreement on the 29 July 2022 and transfer its customers to Bendigo Bank for a consideration of \$502,000. The intended completion date of sale is expected to occur on the 30 November 2022.



## Kentish Financial Services Limited

### Directors' Report

For the Year Ended 30 June 2022

#### Events after the reporting date continued

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

#### Future developments and results

The company does not intend to continue providing banking services to the community in the future as per note 18.

#### 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 2022 has been received and can be found on page 8 of the financial report.

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

Director: *Deborah Baldock*

Dated 13.10.2022

# Auditor's Independence Declaration



## Auditor's Independence Declaration

To the Directors of Kentish Financial Services Limited

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

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

in relation to our audit for the year ended 30 June 2022.

A handwritten signature in black ink that reads "Benjamin Coull".

**Synectic Audit & Assurance Pty Ltd**

A handwritten signature in black ink that reads "Benjamin Coull".

Benjamin Coull  
Director

Date: 13 October 2022

**Synectic Audit & Assurance Pty Ltd**

Authorised Audit Company 385720 | ABN 30 146 220 215  
Devonport | Hobart | Launceston | [www.synecticgroup.com.au](http://www.synecticgroup.com.au)  
State-wide: Postal PO Box 6003, Devonport TAS 7310 | Phone 03 6424 1451 | Email [info@synecticgroup.com.au](mailto:info@synecticgroup.com.au)  
Liability limited by a scheme approved under Professional Standards Legislation

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**Kentish Financial Services Limited**

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the Year Ended 30 June 2022**

	Note	2022 \$	2021 \$
<b>Revenue</b>			
Fees and commissions	3	183,467	155,718
Market development fund income		40,000	40,000
Interest - investment		25	42
		<u>223,492</u>	<u>195,760</u>
<b>Expenses</b>			
Employee benefits expense		125,418	172,784
General administration expenses		49,638	44,595
Occupancy costs		18,487	17,599
System costs		15,137	16,357
Depreciation and impairment loss		66,360	51,294
Finance costs		2,174	927
ATM expenses		3,875	4,403
Charitable donations & sponsorships		455	940
		<u>(58,052)</u>	<u>(113,139)</u>
		-	-
<b>Profit before income tax</b>		<b>(58,052)</b>	<b>(113,139)</b>
Income tax expense	4	(150,725)	10,521
<b>Profit for the year</b>		<b>(208,777)</b>	<b>(102,618)</b>
<b>Earnings per share</b>			
From continuing and discontinued operations:			
Basic earnings per share (cents)		<b>(14.70)</b>	<b>(13.90)</b>

The accompanying notes form part of these financial statements.

**Kentish Financial Services Limited**

**Statement of Financial Position**

**As At 30 June 2022**

	Note	2022 \$	2021 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	5	336	217
Trade and other receivables	6	20,610	18,615
Other assets		6,064	6,004
<b>TOTAL CURRENT ASSETS</b>		<b>27,010</b>	24,836
NON-CURRENT ASSETS			
Property, plant and equipment	7	2,927	66,791
Deferred tax assets	4	-	152,425
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,927</b>	219,216
<b>TOTAL ASSETS</b>		<b>29,937</b>	244,052
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	8	16,176	8,677
Bank overdraft	5	69,364	77,931
Employee benefits	10	8,341	5,635
Lease liability	9	-	5,276
<b>TOTAL CURRENT LIABILITIES</b>		<b>93,881</b>	97,519
NON-CURRENT LIABILITIES			
Deferred tax liabilities		-	1,700
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	1,700
<b>TOTAL LIABILITIES</b>		<b>93,881</b>	99,219
<b>NET ASSETS</b>		<b>(63,944)</b>	144,833
<b>EQUITY</b>			
Issued capital	11	685,723	685,723
Retained earnings		(749,667)	(540,890)
<b>TOTAL EQUITY</b>		<b>(63,944)</b>	144,833

The accompanying notes form part of these financial statements.

**Kentish Financial Services Limited**

**Statement of Changes in Equity**  
**For the Year Ended 30 June 2022**

	<b>Issued capital</b>	<b>Accumulated losses</b>	<b>Total equity</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2021</b>	<b>685,723</b>	<b>(540,890)</b>	<b>144,833</b>
Net loss for the year	-	(208,777)	(208,777)
<b>Balance at 30 June 2022</b>	<b>685,723</b>	<b>(749,667)</b>	<b>(63,944)</b>
<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>

The accompanying notes form part of these financial statements.

**Kentish Financial Services Limited**

**Statement of Cash Flows**  
**For the Year Ended 30 June 2022**

	2022	2021
Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	243,845	197,890
Payments to suppliers	(89,796)	(108,874)
Interest received	25	42
Payments to employees	(124,109)	(165,753)
Finance costs	(2,174)	(927)
GST recovered/paid	(11,332)	4,683
Net cash provided by/(used in) operating activities	14 <u>16,459</u>	<u>(72,939)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	<u>(2,496)</u>	(254)
Net cash provided by/(used in) investing activities	<u>(2,496)</u>	<u>(254)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of lease liability	<u>(5,276)</u>	(10,197)
Net cash provided by/(used in) financing activities	<u>(5,276)</u>	<u>(10,197)</u>
Net increase/(decrease) in cash and cash equivalents held	8,687	(83,390)
Cash and cash equivalents at beginning of year	<u>(77,715)</u>	5,675
Cash and cash equivalents at end of financial year	5 <u><u>(69,028)</u></u>	<u><u>(77,715)</u></u>

The accompanying notes form part of these financial statements.

## Kentish Financial Services Limited

# Notes to the Financial Statements

For the Year Ended 30 June 2022

The financial report covers Kentish Financial Services Limited as an individual entity. Kentish Financial Services Limited 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 2022 were reduced to (\$16,402), following a loss incurred of \$160,875 and the derecognition of deferred tax balances. The company is dependant on the continued financial support of its lender, Bendigo Bank, to meet its current and future financial commitments.

The directors are of the view that the business is not likely to continue operations and the financial statements have not prepared on a going concern basis.

As described in note 18, the company have entered into an agreement with Bendigo Bank to terminate its franchise agreement on the 29 July 2022 and transfer its customers to Bendigo Bank for a consideration of \$502,000. This payment will be adequate to release the company's existing debts, including its bank overdraft and, pursuant to a proposal for an equal capital reduction, provide a cash payment to shareholders. Termination of the franchise agreement, transferring of customers, receipt of consideration, distribution of the company's cash and the subsequent deregistration of the company was approved by the company's shareholders at the extraordinary Meeting held on the 30 August 2022. The completion date of sale is intended to occur on 30 November 2022.

#### (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 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;

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2022**

**2 Summary of Significant Accounting Policies continued**

**(b) Economic dependence continued**

- 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.

*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.



**Notes to the Financial Statements**  
**For the Year Ended 30 June 2022**

**2 Summary of Significant Accounting Policies continued**

**(c) Revenue and other income continued**

*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.

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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2022**

### **2 Summary of Significant Accounting Policies continued**

#### **(d) Income Tax continued**

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).

##### **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:

## Notes to the Financial Statements

### For the Year Ended 30 June 2022

#### 2 Summary of Significant Accounting Policies continued

##### (g) Financial instruments continued

###### Financial assets continued

- 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 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.

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2022**

**2 Summary of Significant Accounting Policies continued**

**(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 2022, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Company.

## Notes to the Financial Statements

For the Year Ended 30 June 2022

### 3 Fees and commissions

	2022	2021
	\$	\$
Fee income	11,824	12,277
Margin income	139,438	118,142
Commissions	28,624	20,596
ATM income	3,581	4,703
	<u>183,467</u>	<u>155,718</u>

### 4 Income Tax Expense

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

Current tax expense

Current income tax expense	(14,513)	(23,987)
Origination and reversal of temporary differences	-	947
Derecognition of deferred tax asset that is no longer probable to be utilised	165,238	-
Change in tax rates - opening balances	-	6,490
Change in tax rates - current year	-	6,029
	<u>150,725</u>	<u>(10,521)</u>

(b) Reconciliation of income tax to accounting profit:

Prima facie tax payable on profit from ordinary activities before income tax at 25% (2021: 25%)	(14,513)	(29,416)
- write-off capital raising costs	-	(2,076)
- amortisation of intangible assets	-	6,240
- under provision for income tax in prior year	165,238	2,212
- change in company tax rate	-	12,519
Income tax expense	<u>150,725</u>	<u>(10,521)</u>

	Opening Balance	Charged to Income	Tax loss carried forward	Derecognition of deferred taxes	Closing Balance
Note	\$	\$	\$	\$	\$
<b>Deferred tax assets</b>					
Provisions - employee benefits	1,408	-	-	(1,408)	-
Accruals	962	-	-	(962)	-
Tax losses carried forward	150,055	-	-	(150,055)	-
<b>Balance at 30 June 2022</b>	<u>152,425</u>	<u>-</u>	<u>-</u>	<u>(152,425)</u>	<u>-</u>
<b>Deferred tax liability</b>					
Prepayments	1,501	-	-	(1,501)	-
Lease liability/RouU asset	199	-	-	(199)	-
<b>Balance at 30 June 2022</b>	<u>1,700</u>	<u>-</u>	<u>-</u>	<u>(1,700)</u>	<u>-</u>

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2022**

**5 Cash and Cash Equivalents**

	2022	2021
	\$	\$
Cash at bank and in hand	261	142
Short-term deposits	75	75
	<u>336</u>	<u>217</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	336	216
Bank overdrafts	<u>(69,364)</u>	<u>(77,931)</u>
<b>Balance as per statement of cash flows</b>	<u><b>(69,028)</b></u>	<u><b>(77,715)</b></u>

**6 Trade and Other Receivables**

CURRENT

Trade receivables	20,583	18,615
GST receivable	27	-
	<u>20,610</u>	<u>18,615</u>

**Notes to the Financial Statements**  
For the Year Ended 30 June 2022

**7 Property, plant and equipment**

	2022	2021
	\$	\$
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	3,993	1,493
Accumulated depreciation	(1,066)	(650)
Total plant and equipment	<u>2,927</u>	<u>843</u>
Leasehold Improvements		
at cost	-	162,459
Accumulated depreciation	-	(102,581)
Total leasehold improvements	<u>-</u>	<u>59,878</u>
Right of Use (RoU) leased premises		
At net carrying amount	-	6,070
	<u>2,927</u>	<u>66,791</u>

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

	ROU leased premises	Plant and Equipment	Leasehold improvements	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2022</b>				
Balance at the beginning of year	6,070	843	59,878	66,791
<b>Additions</b>				
Additions	-	2,496	-	2,496
Additions	-	2,496	-	2,496
Depreciation expense	(6,070)	(412)	(11,976)	(18,458)
Impairment loss	-	-	(47,902)	(47,902)
<b>Balance at the end of the year</b>	<u>-</u>	<u>2,927</u>	<u>-</u>	<u>2,927</u>
<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	(12,170)	(155)	(14,969)	(27,294)
<b>Balance at the end of the year</b>	<u>6,070</u>	<u>843</u>	<u>59,878</u>	<u>66,791</u>

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2022**

**8 Trade and Other Payables**

	2022	2021
Note	\$	\$
CURRENT		
Trade payables	12,216	1,754
GST payable	-	1,677
Employee benefits	-	1,396
Sundry payables and accrued expenses	3,960	3,850
	<u>16,176</u>	<u>8,677</u>

**9 Lease Liabilities**

CURRENT		
Lease liability	-	5,276
	<u>-</u>	<u>5,276</u>

**10 Employee Benefits**

CURRENT LIABILITIES		
Annual leave	8,341	5,635

**11 Issued Capital**

725,651 (2021: 725,651) 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.

**12 Dividends**

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



**Notes to the Financial Statements**  
**For the Year Ended 30 June 2022**

**13 Financial Risk Management**

**Objectives, policies and processes**

The Board of Directors have overall responsibility for the establishment of Kentish Financial Services Limited'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 Limited'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

For the Year Ended 30 June 2022

### 14 Cash Flow Information

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

	2022	2021
	\$	\$
Profit for the year	(208,777)	(102,618)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit:		
Depreciation	66,360	27,294
Amortisation	-	24,001
Changes in assets and liabilities:		
Trade and other receivables	(1,994)	(14,537)
Prepayments	(60)	(372)
Trade and other payables	7,499	(1,821)
Employee entitlements	2,706	5,635
Tax assets and liabilities	150,725	(10,521)
Cashflows from operations	<u>16,459</u>	<u>(72,939)</u>

### 15 Key Management Personnel Remuneration

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

### 16 Auditors' Remuneration

Remuneration of the auditor for:

- auditing or reviewing the financial statements	5,730	5,450
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### 17 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2022 (30 June 2021:None).

### 18 Events Occurring After the Reporting Date

Subsequent to the year-end reporting period, the company entered into an agreement with Bendigo Bank to terminate the franchise agreement on the 29 July 2022 and transfer its customers to Bendigo Bank for a consideration of \$502,000.

As a result of the above transaction and subsequent resolution by shareholders of the Company to redeem shares and return remaining cash to shareholders, the company is expected to cease operations and wind up in the ensuing financial year.

## **Directors' Declaration**

The directors of the Company declare that:

1. the financial statements and notes for the year ended 30 June 2022 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 with the continuing support of creditors.

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

Director *Deborah Baldock*

Dated 13.10.2022

## Independent Auditor's Report



### Independent Auditor's Report

To the Members of Kentish Financial Services Limited

#### Report on the Audit of the Financial Report

We have audited the financial report of Kentish Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2022, 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 Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2022 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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# Kentish Financial Services Limited

## Independent Auditor's Report continued



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.

Independent Auditor's Report continued



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.

A stylized signature of the word "Synectic" in a cursive script.

Synectic Audit & Assurance Pty Ltd

A handwritten signature in cursive script that reads "Benjamin Coull".

Benjamin Coull  
Director

Date: 13 October 2022