Tidswell Financial Services Limited
ABN 55 010 810 607

ANNUAL FINANCIAL REPORT
for the year ended 30 June 2019

ANNUAL FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors present their report on Tidswell Financial Services Ltd ("**the Company**") for the financial year ended 30 June 2019.

The names of the Directors in office at any time during or since the end of the year are:

Michael John Terlet AO	Non-Executive Director - Chairman	Appointed 19 April 1991
Ronald Peter Beard	Executive Director	Appointed 20 August 2012
Fiona McNabb	Non-Executive Director	Appointed 29 September 2017
Stephen Miller	Non-Executive Director	Appointed 29 September 2017
Andrew Peterson	Executive Director	Appointed 20 March 2018
Andre Morony	Non-Executive Director	Appointed 21 August 2018 - Resigned 28 August 2018

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Principal Activities

The principal activities of the Company during the financial year were as follows:

The Company continued to act as trustee for:

- The Tidswell Master Superannuation Plan ABN 34 300 938 877;
- The University of Adelaide Superannuation Scheme A 1985 ABN 94 615 635 536 (closed on 1 November 2018); and
- Max Super Fund ABN 46 004 031 298.

The Company continued to act as responsible entity to:

- The Tidswell Investment Plan Managed Investment Scheme ARSN 093 115 685;
- The Direct Mortgage Managed Investment Scheme ARSN 095 540 659;
- The Pooled Mortgage Managed Investment Scheme ARSN 095 540 597;
- Mantra Hindmarsh Square Managed Investment Scheme ARSN 089 814 193; and
- The Commonwealth House Unit Trust Managed Investment Scheme ARSN 099 744 000.

There were no other significant changes in the nature of the Company's principal activities during the financial year.

Operating Results

The operating profit of the Company after providing for income tax amounted to $2,184,810 (2018: $2,524,517).

Dividends Paid or Recommended

No dividends were paid or declared for payment during the year ended 30 June 2019 (2018: Nil).

Financial Position

The net assets of the Company have increased from $6,984,906 at 30 June 2018 to $9,169,716 at 30 June 2019.

Significant Changes in State of Affairs

During the year, employee services have been transferred to Sargon Services, intercompany. There were no employees employed under the Company as at 30 June 2019.

After Reporting Date Events

There were no events occurring after reporting date that significantly affected the financial statements of the Company.

Future Developments

The Company will continue to operate in its role as superannuation fund trustee and managed investment scheme responsible entity. It is expected that results of operations in financial years subsequent to the year ended 30 June 2019 will be maintained at a similar trend to that of the previous years with a view to grow the funds under management.

Environmental Issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors' Benefits

Since the date of the last Directors' report, no director has received or become entitled to receive any benefit (other than benefits outlined in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he or she is a member, or with a Company in which he or she has a substantial financial interest.

Meetings of Directors

During the financial year, 26 meetings of Directors (including committees) were held. Attendances were:

	DIRECTORS' MEETINGS		INVESTMENT COMMITTEE MEETINGS		BOARD, AUDIT, RISK AND COMPLIANCE COMMITTEE MEETINGS		REMUNERATION, PEOPLE AND CULTURE COMMITTEE MEETINGS	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
M J Terlet AO	12	12	-	-	5	5	2	2
R P Beard	12	12	7	5	-	-	-	-
F McNabb	12	11	7	4	5	5	2	2
S Miller	12	10	7	6	5	4	2	1
A Peterson	12	12	-	-	-	-	-	-
A Moroney	1	1						

Indemnifying Officers or Auditors

The Company has indemnified all Directors and managers in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or managers of the Company except where the liability arises out of conduct involving the lack of good faith.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Company.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is attached to this report.

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

Director

22 October 2019

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Tidswell Financial Services Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Tidswell Financial Services Ltd for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Dean Waters

Partner

Melbourne

24 October 2019

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		$	$
Revenue from operating activities	2	10,387,076	8,565,742
Total revenue		10,387,076	8,565,742
Employee expenses		(2,052,830)	(2,331,272)
Other expenses	3	(4,933,547)	(2,625,912)
Total expenses		(6,986,377)	(4,957,184)
Profit before income tax expense		**3,400,699**	**3,608,558**
Income tax (expense)	5	(1,215,889)	(1,084,041)
Net profit after tax		2,184,810	2,524,517
Other comprehensive income		-	-
Total comprehensive income for the year		**2,184,810**	**2,524,517**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019	2018
		$	$
CURRENT ASSETS			
Cash and cash equivalents	7	7,476,277	5,805,272
Trade and other receivables	8	2,357,983	2,039,699
Related party loans	18	5,924,334	3,324,224
TOTAL CURRENT ASSETS		15,758,594	11,169,195
NON-CURRENT ASSETS			
Plant and equipment	9	121,141	154,870
Deferred tax assets	10	10,912	246,866
TOTAL NON-CURRENT ASSETS		132,053	401,736
TOTAL ASSETS		15,890,647	11,570,931
CURRENT LIABILITIES			
Trade and other payables	11	3,417,227	1,462,939
Intercompany payable	10	2,303,704	1,323,769
Provisions	12	-	440,108
TOTAL CURRENT LIABILITIES		5,720,931	3,226,816
NON-CURRENT LIABILITIES			
Trade and other payables	11	400,000	400,000
Provisions	12	-	359,209
Related party loans	18	600,000	600,000
TOTAL NON-CURRENT LIABILITIES		1,000,000	1,359,209
TOTAL LIABILITIES		6,720,931	4,586,025
NET ASSETS		9,169,716	6,984,906
EQUITY			
Issued capital	14	100,000	100,000
Retained profits		9,069,716	6,884,906
TOTAL EQUITY		9,169,716	6,984,906

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Note	Issued Capital $	Retained Earnings $	Total $
Balance at 30 June 2017		100,000	4,360,389	4,460,389
Total comprehensive income		-	2,524,517	2,524,517
Balance at 30 June 2018		100,000	6,884,906	6,984,906
Total comprehensive income		-	2,184,810	2,184,810
Balance at 30 June 2019		100,000	9,069,716	9,169,716

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from services		9,800,112	7,487,000
Payments for services		(5,180,118)	(3,927,753)
Interest received		57,494	14,973
Income tax received (paid)		-	4,391
Goods and Services Tax paid		(398,370)	(431,885)
Net cash provided by operating activities	19	4,279,118	3,146,726
CASH FLOW FROM INVESTING ACTIVITIES			
Investment income received		-	-
Purchase of plant and equipment		(8,113)	(7,458)
Payment for leased assets		-	-
Payments of loans to intercompany		(2,600,000)	(1,000,000)
Net cash provided by investing activities		(2,608,113)	(1,007,458)
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		-	-
Net cash used in financing activities		-	-
Net increase/(decrease) in cash held		1,671,005	2,139,268
Cash at beginning of year		5,805,272	3,666,004
CASH AT THE END OF THE YEAR	7	7,476,277	5,805,272

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are general purpose and have been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Tidswell Financial Services Ltd which is a Company limited by shares, incorporated and domiciled in Australia. The Company is a for profit entity for the purpose of these financial statements.

These financial statements were authorised for issue by the Board of Directors on 22 October 2019.

Australian Accounting Standards incorporate International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

The following is a summary of the material accounting policies adopted by the Company in the preparation of these financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

Reporting Basis and Conventions

These financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting policies have been consistently applied with those of the previous financial year, unless otherwise stated.

Accounting Policies

a. **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated 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 enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Accounting Policies (cont.)

a. **Income Tax (cont.)**

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b. **Plant and Equipment**

Each class of plant and equipment is carried at cost less any accumulated depreciation, where applicable, any accumulated depreciation.

Plant and equipment

Plant and equipment is measured on the cost basis, less any accumulated depreciation.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets, is depreciated on a straight line basis over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of assets are:

Class of asset	Depreciation rate
Property improvements	2.5%-15%
Office equipment	7%-20%

c. **Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled wholly within one year together with benefits arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Management make estimates and assumptions on various factors, including future salary expectations, discount rates and probability of employees remaining with the Company.

d. **Trust Liabilities and Right of Indemnity**

The Company acts as trustee of the Tidswell Master Superannuation Plan, max Super Fund and The University of Adelaide Superannuation Scheme A 1985 (closed on 1 November 2018) and liabilities have been incurred on behalf of the plans in the Company's capacity as corporate trustee. Liabilities incurred on behalf of the plans are not recognised in the financial statements when it is not probable that the Company will have to meet any of those trust liabilities from its own resources.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Accounting Policies (cont.)

The assets of the plans, which lie behind the right of indemnity, are not directly available to meet any liabilities of the Company acting in its own right. The assets of the plans were sufficient to discharge all the liabilities of the plans at 30 June 2019 and 30 June 2018. Details of the plans liabilities and any right of indemnity are disclosed in note 13 to the financial statements.

e. **Cash**

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than one month and net of bank overdrafts.

f. **Revenue**

Interest revenue is recognised on an effective interest rate method basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue from funds management is recognised on a monthly basis as a percentage of funds under management (or a percentage of scheme revenue) in the current month.

All revenue is stated net of the amounts of goods and services tax (GST).

g. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are payable to and recoverable from, the ATO are classified as cash flows from operating activities.

h. **Comparative Figures**

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

i. **Payables**

Payables includes liabilities and accrued expenses owing by the Company which are unpaid as at reporting date.

j. **Receivables**

Receivables includes fee and other income receivable and other sundry amounts owing to the Company.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Accounting Policies (cont.)

k. **Impairment of Non-financial Assets**

At each reporting date, the Company reviews the carrying values of its tangible to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

l. **Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates — Impairment

Trade receivables are generally paid on 30-day settlement terms and are recognised and carried at original invoice amount less an allowance for impairment. Trade receivables are non-interest bearing. Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified.

The Group recognises a loss allowance for expected credit losses on trade and other receivables which are measured at amortised cost. Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12 month expected credit loss allowance is estimated. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's expected credit loss.

m. **New accounting standards issued and adopted during the financial year**

A. AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, a new credit loss model for calculating impairment in financial assets, and new general hedge accounting requirements.

It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. The Company has assessed that the implementation of this standard does not have a material impact on the financial statement.

Classification and measurement of financial instruments

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit and Loss ("FVTPL"). The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities. The adoption of AASB 9 has not had an effect on the Company's accounting policies related to financial liabilities and derivative financial instruments.

AASB 9 replaces the "incurred loss" model in AASB 139 with an 'expected credit loss' (ECL) model. The incurred loss model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Through AASB 9, credit losses are recognised earlier than it would under AASB 139. Application of the ECL model did not have a material impact on the carrying amount of financial assets.

The table set out below explains the original measurement classification under AASB 139 and the new measurement classification under AASB 9 for each of the class of the Group's financial assets as at 1 July 2018. The initial measurement did not differ between AASB 139 and AASB 9.

	Classification		
Financial Assets	**Original under AASB 139**	**New under AASB 9**	**Impact on carrying amount**
Trade and other receivables	Loans and receivables	Amortised cost	No change
Cash and cash equivalent	Loans and receivables	Amortised cost	No change
Investments and Debt Securities	Available for sale	FVOCI	No change

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

The adoption of AASB 9 did not have a significant impact on the Company's financial statements.

B. AASB 15 Revenue from Contracts with Customers

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time.

Under AASB 18 (that was adhered to until 30 June 2018) revenue was recognised at the fair value of the consideration received when all of the economic benefits associated with the transaction flowed to the customer.

The Company has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under AASB 18, AASB 11 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

The following table summarises the impact, net of tax, of transition to AASB 15 and there was no impact on retained earnings at 1 July 2018.

Retained earnings	Revenue	Impact of adopting AASB 15 as at 1 July 2018
Fund and scheme fee income	6,622,290	No change, the revenue is the same
Mortgage lending fee income	1,080,299	No change, the revenue is the same
Reimbursements from funds and schemes	921,728	No change, the revenue is the same
IT recharge costs	1,599,651	No change, the revenue is the same

There was no material impact on the Company's statement of cash flows for the year ended 30 June 2019

All revenue is stated net of the amount of goods and services tax.

Revenue

The effect of initially applying AASB 15 on the Company's revenue from contracts with customers is described above.

Contract balances

There are no receivables from contract assets at year ended 30 June 2019 or 30 June 2018.

During the year, contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer.

There are no contract liabilities as at 30 June 2019.

Performance obligations and revenue recognition policies

Revenue is measured, directly in accordance with the consideration specified in contracts with customers. The Company recognises revenue when the service it provides are transferred to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Fund and scheme fee income	Services are performed, recognised and invoiced on a monthly basis	Recognised when performed	Recognised when performed
Mortgage lending fee income	Services are performed, recognised and invoiced on a monthly basis	Recognised when performed	Recognised when performed
Reimbursements from funds and schemes	Reimbursements are recognised and invoiced on a monthly basis	Recognised when performed	Recognised when performed
IT recharge costs	Costs are recognised and invoiced on a monthly basis	Recognised when performed	Recognised when performed

Standards issued but not yet effective

A number of new standards are effective for the annual periods beginning after 1 July 2019 and earlier application is permitted, however, the Company has not adopted the new or amended standards in preparing these consolidated financial statements.

A. AASB 16 Leases

The Company is required to adopt AASB 16 Leases for financial periods beginning on or after 1 January 2019, so the Company plans to apply the standard from 1 July 2019.

AASB 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognises a right of use asset presenting its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

There are recognition exemptions for short term leases and low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as a finance or operating lease.

AASB 16 replaces exiting leases guidance, including AASB 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases* – Incentives and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Company has assessed the impact of the standard on its financial statements based on current lease contracts.

i. Leases in which the Company is a lessee

As at the reporting date, the Company has one non-cancellable lease commitment of $176,041 (on an undiscounted basis). The assessment confirmed that the Company will recognise new assets and liabilities for its lease of corporate offices. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

Management has elected not to separate lease components from any associated non-lease components, such as variable overheads and other associated costs.

ii. Leases in which the Company is a lessor

The Company is not a lessor for any leases so this standard will have no impact in this instance.

ii. Transition

On the assumption that there are no material changes to the current lease portfolio, the Company plans to apply AASB 16 initially from 1 July 2019 (effective date), using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at the effective date, with no restatement of comparative information.

The Company is required to determine the initial measurement (as of 1 July 2019) of the value of the right of use asset and the liability obligations using the present value of lease rentals. The Company has used the interest rates implicit in the leases of 4.00% to determine the approximate value of the assets and liabilities.

Present Value	**1 July 2019**
Right-of-use asset	171,242
Lease liability	(171,242)

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with AASB 117 and IFRIC 4.

NOTE 2: REVENUE	2019 $	2018 $
Operating activities		
— fund and scheme fee income	6,622,290	6,043,779
— bank interest	57,495	14,973
— mortgage lending fee income	1,080,299	1,386,785
— reimbursements from funds and schemes	921,728	959,208
— office administration fees	51,000	102,000
— IT recharge costs	1,599,651	-
— other income	54,613	58,997
Total revenue	10,387,076	8,565,742

NOTE 3: OTHER EXPENSES FROM ORDINARY ACTIVITIES		
— employment expenses	(30,179)	74,884
— professional fees	705,869	550,806
— reimbursements to funds and schemes	538,845	474,341
— occupancy costs	162,611	161,236
— loan interest – RSE Holdco P/L	45,000	45,000
— cost recovery – Good Super P/L	1,185,074	965,065
— IT recharge costs	1,844,287	-
— bad debt expenses	211,075	21,622
— other expenses	270,965	332,958
Total other expenses from ordinary activities	4,933,547	2,625,912

NOTE 4: PROFIT FROM ORDINARY ACTIVITIES	2019 $	2018 $
Profit from ordinary activities before income tax expense has been determined after:		
a. **Expenses**		
Depreciation of non-current assets		
— Property improvements	20,009	20,009
— Office equipment	21,833	28,290
	41,842	48,299

NOTE 5: INCOME TAX EXPENSE

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Current Tax Expense		
Current Period	979,936	1,053,028
Deferred Tax	235,953	31,013
Total Income Tax Expense	1,215,889	1,084,041
Prima facie tax payable on operating profit before income tax at 30% (2018: 30%)	1,020,210	1,082,567
Add:		
Tax effect of:		
— non-deductible employee and client entertainment	1,437	4,793
Less:		
Tax effect of:		
— Transfer of tax benefit to intercompany on employee entitlements	194,242	-
— Prior year deferred taxes over accrual	-	(3,319)
Income tax expense attributable to profit from ordinary activities	1,215,889	1,084,041
The applicable weighted average effective tax rates are as follows	30.04%	30.13%

NOTE 5: INCOME TAX EXPENSE

Tax consolidation legislation

The Company entered the Sargon Capital Pty Ltd tax consolidated group during the 2016 income year.

As a consequence, Sargon Pty Ltd, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned controlled entity in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

Amounts receivable or payable under a tax sharing agreement between members of the tax consolidated group are recognised separately as tax-related amounts receivable or payable. Expenses and revenues arising under the tax sharing agreement are recognised as a component of income tax expense/(revenue).

The deferred tax balances recognised by the parent entity in relation to the wholly owned entities of the tax consolidated group are measured based on the carrying amount of the entities' assets and liabilities at the tax-consolidated group level and their tax values as applicable under the tax consolidation legislation. Therefore, under the terms of the agreement, the Company reimburses the parent entity for any current income tax payable by the parent entity arising from its activities. The reimbursements are payable at the same time as the associated income tax liability falls due and has therefore been recognised as a current tax related payable by TFSL.

A valid tax sharing agreement limits the joint and several liability of the Company in the case of a default by the parent entity.

NOTE 6: DIVIDENDS

Fully franked dividends paid during the year of $0.00 (2018: $0.00) per share franked at tax rate of 30% (2018: 30%)

Franking Credits:

2019 $	2018 $
2,066,493	2,066,493

(a) franking credits that will arise from the payment of the current tax liability

(b) franking debits that will arise from the payment of dividends recognised as a liability at the year-end

(c) franking credits that will arise from the receipt of dividends recognised as receivables at the year-end

(d) franking credits that the Company may be prevented from distributing in subsequent years.

No dividend was declared or paid out during the period

NOTE 7: CASH AND CASH EQUIVALENTS	2019 $	2018 $
CURRENT		
Cash at bank	7,475,977	5,804,972
Petty cash	300	300
	7,476,277	5,805,272

NOTE 8: TRADE AND OTHER RECEIVABLES		
Management and service fees due from:		
Superannuation Funds under trusteeship	623,604	508,917
Managed Investment Schemes under trusteeship	254,504	156,513
Reimbursements due from:		
Superannuation Funds under trusteeship	1,101,525	879,235
Managed Investment Schemes under trusteeship	321,243	84,789
Sundry debtors	57,107	410,135
Total Trade and Other Receivables	2,357,983	2,039,699

NOTE 9: PLANT AND EQUIPMENT	2019 $	2018 $
Property improvements – at cost	147,824	147,824
Additions	-	-
Disposals	-	-
Less accumulated depreciation	(74,167)	(54,158)
	73,657	93,666
Office equipment - at cost	262,578	255,120
Additions	8,113	7,458
Less accumulated depreciation	(223,207)	(201,374)
	47,484	61,204
Plant and equipment – carrying amount at end of year	121,141	154,870

Movement in carrying amounts	Property Improvement	Office Equipment	Total
Balance at 1 July 2017	113,675	82,036	195,711
Additions	-	7,458	7,458
Disposals	-	-	-
Depreciation Expense	(20,009)	(28,290)	(48,299)
Balance at 30 June 2018	**93,666**	**61,204**	**154,870**
Balance at 1 July 2018	93,666	61,204	154,870
Additions	-	8,113	8,113
Disposals	-	-	-
Depreciation Expense	(20,009)	(21,833)	(41,842)
Balance at 30 June 2019	**73,657**	**47,484**	**121,141**

NOTE 10: TAX	2019 $	2018 $
CURRENT		
Income tax	979,936	1,053,028
Deferred Tax Asset	10,912	246,866
Deferred Tax Assets comprise:		
Depreciation	10,418	5,589
Employee Entitlement Provisions	-	239,795
Lease Incentive Liability	494	1,482
	10,912	246,866

The intercompany payable is in relation to the current tax liability for the Company of $2,303,704 (2018: $1,323,769) payable to parent company due to being part of tax consolidation group.

NOTE 11: TRADE AND OTHER PAYABLES

CURRENT:		
Intercompany Payable	2,095,074	-
Sundry Payables	1,322,153	1,462,939
	3,417,227	1,462,939
NON CURRENT:		
TMSP sub fund Security Deposits	400,000	400,000
RSE Holdco Pty Ltd Loan	600,000	600,000
	1,000,000	1,000,000

NOTE 12: PROVISIONS	2019 $	2018 $
Balance at beginning of year	799,317	923,055
Net Provision during period	(201,340)	(123,738)
Transfer to intercompany	(597,977)	-
Balance at end of year	-	799,317
CURRENT		
Employee Benefits	-	440,108
NON CURRENT		
Employee Benefits	-	359,209

A provision has been recognised for employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits has been included in note 1(c). Employee benefits have been transferred to Sargon Services, intercompany.

NOTE 13: TRUST LIABILITIES AND RIGHT OF INDEMNITY

Liabilities of the Company not recorded in the financial statements of the entity were:

CURRENT		
Accounts payable	2,126,000	2,754,050
Current Income tax	3,496,000	4,752,849
Deferred tax liability	6,077,000	4,304,071
Total Current	11,699,000	11,810,970
Rights of indemnity for liabilities incurred by the Company on behalf of The Tidswell Master Superannuation Plan, and max Super Fund were:	768,701,000	784,199,730

The assets of each trust, which lie behind the right of indemnity, are not directly available to meet any liabilities of the Company acting in its own right or any other liabilities of the other trust. The assets of each trust were sufficient to discharge all liabilities of each trust at 30 June 2018 and 30 June 2019.

NOTE 14: ISSUED CAPITAL	2019 $	2018 $
100,000 (2018: 100,000) fully paid ordinary shares	100,000	100,000

Fully Paid Ordinary Shares

Ordinary shares participate in dividends in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

Management controls the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are externally imposed capital requirements by Australian Prudential Regulation Authority (**APRA**) and Australian Securities and Investments Commission (**ASIC**) which licence the Company to operate as a financial services trustee and advisor.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There were no dividends paid during the year and this strategy will be ongoing. Funds were loaned to a related entity of the ultimate shareholder. The ongoing strategy remains to maximise the value of the capital reserves to ensure the ASIC and APRA capital requirements are maintained on a continual basis.

NOTE 15: CAPITAL AND LEASING COMMITMENTS	2019 $	2018 $
b. Operating Lease Commitments		
Payable		
- not later than 1 year	135,118	147,236
- later than 1 year but not later than 5 years	23,420	14,968
	158,538	162,204

NOTE 16: CONTINGENT ASSETS & CONTINGENT LIABILITIES

A contingent asset exists where the Company has incurred a number of expenses on behalf of The Mantra Hindmarsh Square Managed Investment Scheme, under Schedule 1 Item 2 of the Constitution, between the years ended 30 June 2019 and 30 June 2018 inclusive, totalling $183,463 (2018: $198,452). The Company does not intend to claim reimbursement of $183,463 at the present time unless it ceases to be the Responsible Entity (e.g. a meeting is called to wind up the Scheme or replace the Company as Responsible Entity), or an apartment is withdrawn from the Scheme, or excess funds remain in the Scheme Costs Budget Fund from year to year.

A contingent liability exists relative to any future claims that may be made against the Company arising from trusteeship dealings. There are no known claims at the date of this report.

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

There were no events occurring after reporting date that significantly affected the financial statements of the Company.

NOTE 18: RELATED PARTY TRANSACTIONS

Directors

The names of the Directors in office at any time during or since the end of the year are:

Michael John Terlet AO	Non-Executive Director - Chairman	Appointed 19 April 1991
Ronald Peter Beard	Executive Director	Appointed 20 August 2012
Fiona McNabb	Non-Executive Director	Appointed 29 September 2017
Stephen Miller	Non-Executive Director	Appointed 29 September 2017
Andrew Peterson	Executive Director	Appointed 20 March 2018
Andre Morony	Non-Executive Director	Appointed 21 August 2018 - Resigned 28 August 2018

Related Party Transactions

The Company acts as Trustee for the following Superannuation Plans:

- The Tidswell Master Superannuation Plan
- max Super Fund

The Company acts as Responsible Entity and provides management services to the following schemes:

- The Tidswell Investment Plan Managed Investment Scheme
- The Pooled Mortgage Managed Investment Scheme
- The Direct Mortgage Managed Investment Scheme
- Mantra Hindmarsh Square Adelaide Managed Investment Scheme
- The Commonwealth House Unit Trust Managed Investment Scheme.

Amounts payable / receivable to related schemes and plans have been disclosed within Note 8 Trade and Other Receivables and Note 11 Trade and Other Payables.

NOTE 18: RELATED PARTY TRANSACTIONS (cont.)	2019	2018
	$	$
Trustee Fees received for management services for the superannuation funds	4,795,446	4,034,532
Responsible entity fees and fees received for management services for the managed investment schemes	2,291,351	2,314,393
An inter-company loan was made to RSE HoldCo Pty Ltd a related Company of Tidswell Financial Services Ltd	5,924,334	3,324,334
An inter-company loan was made to Tidswell Financial Services Ltd from RSE HoldCo Pty Ltd a related Company.	(600,000)	(600,000)
IT recharge costs	(1,844,287)	-
Expenses recharge from Sargon Pty Ltd	(1,185,074)	(965,065)
Labour recharge	(1,187,070)	-

Remuneration of key management personnel by the Company:

	Short -term benefits	Post-employment benefits	Total
2019	$88,466	-	$88,466
2018	$228,422	$21,261	$249,683

The key management personnel of the Company during the financial year were the Directors:

The remuneration includes the payment of superannuation, which is included with 'Post Employment Benefits' above.

NOTE 19: CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax	2019	2018
	$	$
Profit from ordinary activities after income tax	2,184,810	2,524,517
Non-cash flows in profit from ordinary activities		
Depreciation	41,842	48,299
Bad debt written off	211,075	21,622
Changes in assets and liabilities		
(Increase)/decrease in other assets	-	-
(Increase)/decrease in trade and other receivables	(529,469)	(1,063,769)
Increase/(decrease) in employee entitlements	(799,317)	(123,738)
Increase/(decrease) in trade and other payables	1,954,288	651,364
Increase/(decrease) in income tax payable	979,936	1,057,418
Increase/(decrease) in deferred income taxes	235,952	31,013
	4,279,118	3,146,726

Note 20: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payables.

Derivatives

The Company does not have any derivative instruments at 30 June 2019 (2018: nil).

Treasury Risk Management

Senior managers of the Company meet on a regular basis to analyse interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

Financial Risks

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

a. Interest rate risk

The Company may invest in financial instruments which expose the investors to interest rate risk. Some of these investments are fixed interest in nature and others are subject to interest rate risks and will fluctuate in accordance with movements in market interest rates. For details on interest rate risk refer to Note 20.

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-interest bearing		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	%	%	$	$	$	$	$	$
Cash	0.33	0.33	7,479,001	5,806,445	(2,724)	(1,173)	7,476,277	5,805,272
Receivables			-	-	8,282,317	5,363,923	8,282,317	5,363,923
			7,479,001	5,806,445	8,879,593	5,362,750	15,761,094	11,169,195
Payables			-	-	3,417,227	2,062,939	3,417,227	2,062,939
			-	-	3,417,227	2,062,939	3,417,227	2,062,939

b. Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised facilities are maintained.

c. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount of those assets, net of any provisions 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 exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

NOTE 21: AUDITOR REMUNERATION

	2019	2018
	$	$
Auditing of the Financial Statements	18,500	20,763
Other assurance services	7,600	20,000
Non-audit services	-	-
	26,100	40,763
Audit Remuneration for entities that Tidwell Financial Services Ltd is Responsible Entity/Trustee for:	231,000	392,442

KPMG are the auditor of the Company in 2019 (2018: PwC).

NOTE 22: COMPANY DETAILS

The registered office of the Company is:

Tidswell Financial Services Ltd
50 Hindmarsh Square
ADELAIDE SA 5000

The principal place of business is:

Tidswell Financial Services Ltd
50 Hindmarsh Square
ADELAIDE SA 5000

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 7 to 30, are in accordance with the *Corporations Act 2001*:

   a. comply with Accounting Standards and the *Corporations Regulations 2001*; and

   b. give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Company; and

   c. also comply with Australian Accounting Standards Board as outlined within Note 1.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director

22 October 2019

Independent Auditor's Report

To the shareholders of Tidswell Financial Services Ltd

Opinion

We have audited the ***Financial Report*** of Tidswell Financial Services Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Statement of financial position as at 30 June 2019;
- Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Tidswell Financial Services Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards - Reduced Disclosure Requirements* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they 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 objective is:

- 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. They 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/auditors_responsibilities/ar4.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Dean Waters

Partner

Melbourne

24 October 2019