

# Annual Report 2020

Avoca District Co-operative  
Limited

Community Bank  
Avoca, Maryborough and St Arnaud  
ABN 82 022 501 598

# Chairman's Report

On behalf of the Board of the Avoca District Co-operative, I have great pleasure in presenting this year's Chairman's report.

## COVID-19

While a global pandemic is a challenging time for everyone, I'd like to take a moment to acknowledge the way in which we have banded together.

Led by our Senior Branch Manager Peta Dodson, our staff have adapted to the quickly changing environment with a wonderful attitude and with our customers as their priority.

My fellow Directors have adapted to virtual meetings via every format imaginable. We have increased our board meetings to two per month to ensure we are aware of any issues in a timely manner and to support the staff.

Our customers have been very understanding of any social distancing requests and have quickly adapted to alternate banking methods such as online and phone banking.

Our partner, Bendigo Bank, have provided strong guidance to ensure our staff and customers remain as safe as possible.

## BRANCH PERFORMANCE

During difficult circumstances, our branch results continue to be positive.

A 5.3% increase in our customer numbers along with a 3.8% increase in products per customer demonstrates that more of our community are making the switch to community banking.

Reduced interest rates, the tightening of lending criteria, a reduction to the Market Development Fund and COVID-19 all negatively impacted our income. Despite all of these challenges a before tax profit of \$205,284 was achieved.

## COMMUNITY INVESTMENT

As a Community Bank, our community investment is at the heart of what we do. Despite the obvious challenges faced, we were able to fund 73 local projects valued at \$175,524.

Sponsorship, in particular to our winter sporting groups, was more important than ever with most groups unable to fundraise in the second half of the year.

\$106,172 was contributed to the **Community Enterprise Foundation®** and I wish to thank their staff for facilitating our BUILD100 Community Grant Program.

I'd like to thank our customers, stakeholders and partners for being a valued part of our organisation. These contributions are something you should all be extremely proud of.

## OUR TEAM

To our branch teams, Peta, Deanne, Allana, Aley, Nancye, Holly, Zoe, Caitlin, Sheree, Lewis, Bruce, Casey and Liz, I thank you for your hard work, positive attitudes and commitment to our community.

To my fellow board members, I thank you for your support. It has been a challenging year for us all, but we have maintained a strong focus on the wellbeing of our staff, customers and community throughout.

To Julie, our Executive Officer, thank you for everything you do to support myself, our board, branch staff and community.

I wish to thank Maria Smith for her 6-year contribution as a director. Maria's professionalism and drive were a wonderful asset to our board. We also thank Jacinta O'Connell for her wonderful 15-year contribution to our branch team. We wish them both all the best in the future.

## FINALLY

The local contribution Community Bank Avoca, Maryborough and St Arnaud is making is a great reason for you to bring your banking, insurance and superannuation business over to your local Community Bank. The branch team would love to show you how easy it can be to change to a bank you can feel better about.

Thank you all for your support.

Lloyd Gollop  
**Chairman**

# Senior Branch Manager's Report

It is my pleasure to be submitting my annual report for 2020, as Senior Branch Manager.

I'd like to thank all our Directors of the Avoca District Co-Op for allowing me to continue to lead the Community Bank Avoca, Maryborough & St Arnaud business.

What a year it has been! In March we encountered the unforeseen, as the Coronavirus worldwide pandemic hit our shores and changed the way we did business. Along with this came uncertainty, not only for the Board and staff, from both a personal and business perspective but for our customers and the community.

These challenging times allowed us to show our customers what we do best. Whether it was supporting those businesses that had to close or reduce trading, customers whose incomes had been impacted or those that had to find alternative banking methods due to the restrictions that were brought in.

Navigating as one, through these uncharted waters and all the changes this brought has enabled us to strengthen those relationships we hold with our customers and community groups.

I am very proud of the way the team have acted and demonstrated leadership and support for each other during these continuing trying times. And our Board, who meet fortnightly to ensure that they were aware of all the constantly changing conditions and provided support not only for myself but all the staff.

Due to a strong start prior to March, our business and financial performance over the financial year was very strong and something the Board, staff and our customers should be very proud of.

The 2020 financial year saw lending growth of \$6.14m, deposit growth of \$14.46m & Rural Bank growth of \$5.25million but a loss of over \$9m from our Financial Planning Book due to the Bank selling this to Bridges. We finished the year with a consolidated balance sheet of \$222.5 million against a target of \$208.5m, an annual combined growth of 11.9% across our 3 sites.

With the closure and/or reduced hours and service provided by our competitors, many sought an alternative and made the decision to

support their local Community Bank, which resulted in our customer numbers increasing by a massive 12.88%.

Despite the tightening income margins due to reducing interest rates, we achieved a strong profit, complemented by our business growth. Consolidated Profit before tax was \$205,284 after contributing \$106,172 to the **Community Enterprise Foundation®**.

The year saw our first BUILD100 Community Grant Program, where we provided grants to 14 Community Groups totalling \$100,514. Our overall contributions back to our communities for the year exceeded \$175,000. So, to our customers, thank you for choosing to bank with your Local Community Bank, it is because of you that we have been able to give so much back to our communities in which we operate.

The results we achieved throughout the 19-20 financial year, represent the strength of our team and our commitment to our local communities. Our continued business growth in what has no doubt been the most challenging year we have encountered, both professionally and personally, is a credit to the reputation our team have developed as trusted relationship bankers and a community provider. Our customers and community members are advocates for us due to the unique business model. This enables us to assist people achieve their financial goals and, in turn assist in building stronger communities. We take a great level of satisfaction and reward when we see the benefit that our community enjoys as a result.

During the year we also farewelled Jacinta, our part time Customer Relationship Officer. With over 15 years' experience, Jacinta will be sadly missed but I wish her all the best in the future.

On a personal note, I would like to thank those that have supported me throughout the year. Our hard-working staff consisting of Deanne, Allana, Aley, Nancye, Holly, Caitlin, Zoe, Lewis and Sheree. Bruce & Casey for their continued work and commitment with the St Arnaud Agency. Our volunteer Board of Directors, Lloyd, Jack, Di, Kate, Donna, Naomi, Lauren, Scott & Sarah. I am very privileged to work alongside such passionate community minded people, who dedicate countless hours for no other reason than the betterment of our communities. Julie,

## Senior Branch Manager's Report

our Executive Officer, I'd be lost without you. All of our specialists, our Rural Bank team consisting of Gavin, Tania and Dan and our Business Banking team, Aaron & Corey. The Bendigo Bank team led by Paul, whom has been a great source of encouragement and support.

But lastly, our customers, without you we could not achieve what we do. It is because you choose to bank with Community Bank Avoca, Maryborough and St Arnaud, that our local communities enjoy the benefits. If you only hold a portion of your banking with Community Bank Avoca, Maryborough and St Arnaud, we'd love the opportunity to compare and strengthen the relationship we have with you.

If you don't currently bank with Community Bank Avoca, Maryborough and St Arnaud, please ask yourself – "Does the bank I choose to bank with, support and better the local community in which I live and work?" If the answer is no, please give us a call. The more who choose to support the local Community Bank branches, the more we can give back to our local communities. We have a very competitive range of personal, business and agri products along with personalised service, so not only will you benefit but also your local community.

I look forward to another year of continued success throughout the 2021 financial year as we begin to adapt into a new COVID normal and position the Avoca District Co-Op to remain profitable, enabling us to continue to support and give back to the local communities that we service.

Peta Dodson

**Senior Branch Manager**

Community Bank Avoca, Maryborough and St Arnaud

## Community Investment

Balance Sheet 2019/20



### Avoca District Co-Operative Ltd



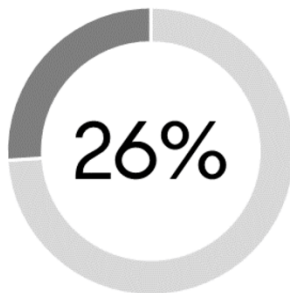
Projects  
Funded **73**



Community  
Project  
Investment **\$175,524.73**

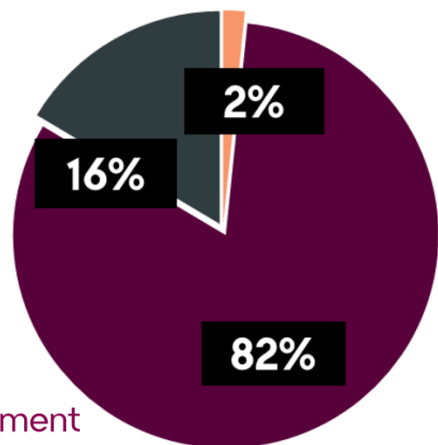
#### Biggest Impact Area:

Community Facilities &  
Infrastructure



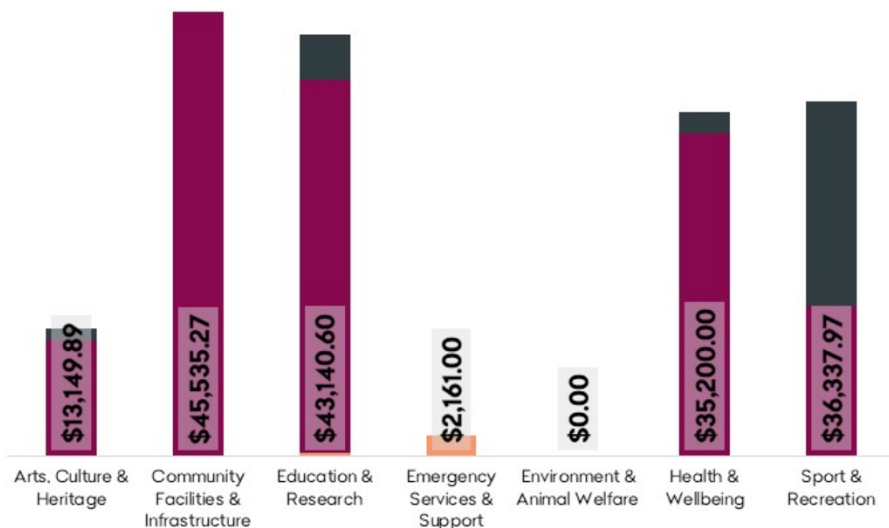
#### Total Investment by Theme:

Donations	\$2,846.87
Grants	\$143,784.97
Sponsorships	\$28,892.89



Donations  
Grant  
Sponsorships

#### Total Investment by Sector:



Bendigo and Adelaide Bank Limited, ABN 11 068 049 178 Australian Credit Licence 237879. (1510535-1510853) (09/20)



Community Bank · Avoca, Maryborough and St Arnaud

# **Avoca District Co-operative Limited**

**ABN: 82 022 501 598**

## **Financial Statements**

**For the Year Ended 30 June 2020**

# **Avoca District Co-operative Limited**

**ABN: 82 022 501 598**

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## **Avoca District Co-operative Limited**

**ABN: 82 022 501 598**

### **Directors' Report For the Year Ended 30 June 2020**

The directors present their report on Avoca District Co-operative Limited for the financial year ended 30 June 2020.

#### **Information on directors**

The names, qualifications, experience and special responsibilities of each person who has been a director during the year and to the date of this report are:

D. Lloyd Gollop	Qualifications and experience: Business Owner Interest in shares and options: Owner of 300 shares Special Responsibilities: Chairperson
Graeme J. Porter	Qualifications and experience: Master Builder Interest in shares and options: Owner of 258 shares Special responsibilities: Deputy Chairperson
Craig (Bill) Drummond	Retired as a director on 26 November 2019 Qualifications and experience: HR Co-ordinator Interest in shares and options: Owner of 10 shares
Dianne Thiele	Qualifications and experience: Retailer Interest in shares and options: Owner of 10 shares
Donna Wardlaw	Qualifications and experience: Graphic Designer/Business Owner Interest in shares and options: Owner of 20 shares
Kate Ashton	Qualifications and experience: Real Estate Agent Interest in shares and options: Owner of 10 shares
Lauren Dent	Qualifications and experience: Business Owner/Conveyance Clerk Interest in shares and options: Owner of 20 shares
Maria Smith	Retired as a director on 20 December 2019 Qualifications and experience: Business Owner Interest in shares and options: Owner of 10 shares
Naomi Medlyn	Qualifications and experience: CPA and Business Owner Interest in shares and options: Owner of 10 shares
Sarah Broad	Appointed as a director on 6 December 2019 Qualifications and experience: Adminsitration Interest in shares and options: Owner of 10 shares
Scott Wilson	Qualifications and experience: Support Service Manager Interest in shares and options: Owner of 10 shares

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



## Avoca District Co-operative Limited

ABN: 82 022 501 598

## Directors' Report

For the Year Ended 30 June 2020

### Principal activities

The principal activities of Avoca District Co-operative Limited during the financial year were to provide suitable premises, furniture, equipment, staff and other resources to enable the operation of the Community Bank in Avoca, Maryborough and St Arnaud sites, by way of management contracts and franchise agreements with Bendigo and Adelaide Bank Limited.

There were no significant changes in the nature of Avoca District Co-operative Limited's principal activities during the financial year.

### Operating results

Despite the uncertainty faced by the economy during the 2019/20 financial year due to the COVID-19 pandemic, the Co-operative's business performed well above budget, aided by the unexpected income from the government's Cash Flow Boost. The strong performance allowed for continued significant investment back into the local community, as illustrated below:

	2020	2019
	\$	\$
Profit before tax and advertising, marketing and sponsorships	343,909	307,007
Less advertising, marketing and sponsorships	(32,453)	(73,246)
Less Community Enterprise Foundation contributions	(106,172)	(131,579)
Profit before tax	205,284	102,182
Less income tax expense	(40,403)	(28,488)
Profit attributable to members of the Co-operative	164,881	73,694

### Dividends and bonuses paid or recommended

Dividends and bonuses paid or recommended for payment since the start of the financial year are as follows:

- A 5% fully franked dividend was paid during the year as recommended in last year's report.
- A 5% fully franked dividend is recommended for payment out of retained earnings in relation to the year ended 30 June 2020.

No options over shares issued or interest in the Co-Operative were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

### Significant changes in state of affairs

During the financial year, the Australian economy was greatly impacted by the COVID-19 pandemic. Bendgo & Adelaide Bank Limited, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID-19 to the company's operations.

In the opinion of the directors, other than the above, there have been no significant changes in the state of affairs of the company during the year.

## **Directors' Report**

**For the Year Ended 30 June 2020**

### **Events after the reporting date**

Subsequent to the end of the reporting period, the Australian economy has continued to be significantly impacted by the COVID-19 pandemic. The Co-Operative has not been significantly impacted by the pandemic to the date of this report but, as the pandemic continues to effect the economic environment, uncertainty remains on the future impact of COVID-19 on the operations of the Co-Operative.

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

### **Future developments and results**

Likely developments in the operations of the Co-Operative and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Co-Operative.

### **Environmental issues**

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

### **Co-operative secretary**

The position of Co-Operative secretary at the end of the financial year was held by Julie Driscoll, who has held the position since her appointment in July 2012. Since October 2019, Julie has also performed the role of the Executive Officer of the Co-Operative.

### **Meetings of directors**

During the financial year, 13 meetings of directors (excluding committees of directors) were held, including 3 special meetings to keep up to date with the impacts of COVID-19. Attendances by each director during the year were as follows:

	<b>Directors' Meetings</b>	
	<b>Number eligible to attend</b>	<b>Number attended</b>
D. Lloyd Gollop	13	12
Graeme J. Porter	13	10
Craig (Bill) Drummond	5	2
Dianne Thiele	13	13
Donna Wardlaw	13	12
Kate Ashton	13	12
Lauren Dent	13	11
Maria Smith*	5	-
Naomi Medlyn	13	10
Sarah Broad	8	6
Scott Wilson	13	12

\*leave of absence extended from June 2019 to December 2019.

**Avoca District Co-operative Limited**

ABN: 82 022 501 598

**Directors' Report**

**For the Year Ended 30 June 2020**

**Indemnification and insurance of officers and auditors**

No indemnities have been given, during or since the end of the financial year, for any person who is or has been an officer or auditor of Avoca District Co-operative Limited. During the financial year the Co-operative has paid a premium in respect on a contract insuring the directors against certain liabilities. The contract prohibits the disclosure of the nature of the liabilities and the amount of the premium.

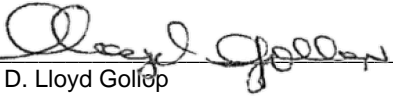
**Proceedings on behalf of the Co-operative**

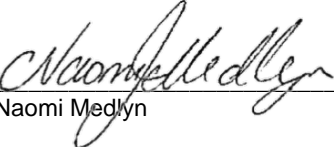
No person has applied for leave of court to bring proceedings on behalf of the Co-Operative or intervene in any proceedings to which the Co-Operative is a party for the purpose of taking responsibility on behalf of the Co-Operative for all or any part of those proceedings. The Co-Operative was not a party to any such proceedings during the year.

**Auditor's independence declaration**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2020 has been received and can be found on page 5 of the financial report.

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

Director: \_\_\_\_\_  
D. Lloyd Gollop

Director: \_\_\_\_\_  
Naomi Medlyn

Dated: 17 November 2020

**Avoca District Co-operative Limited**

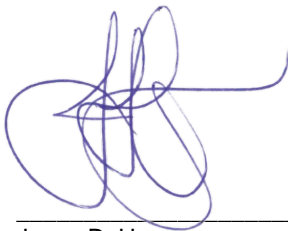
ABN: 82 022 501 598

**Auditor's Independence Declaration under Section 307C of the  
Corporations Act 2001 to the Directors of Avoca District Co-operative  
Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020, 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.

PPT Audit Pty Ltd  
PPT Audit Pty Ltd



Jason D. Hargreaves  
Director

Dated: 16 November 2020

## **Statement of Profit or Loss and Other Comprehensive Income**

**For the Year Ended 30 June 2020**

		<b>2020</b>	<b>2019</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Revenue	4	<b>1,474,078</b>	1,392,407
Administration	5(a)	<b>(112,207)</b>	(111,818)
Depreciation and amortisation	5(b)	<b>(79,946)</b>	(40,476)
Director fees		<b>(8,100)</b>	-
Employment expenses	5(c)	<b>(774,195)</b>	(734,889)
Finance costs	5(d)	<b>(5,317)</b>	(767)
Information technology costs		<b>(41,730)</b>	(41,119)
Motor vehicle expenses		<b>(6,922)</b>	(6,352)
Occupancy costs		<b>(39,297)</b>	(80,372)
Service delivery costs		<b>(62,455)</b>	(69,607)
<b>Operating profit before advertising, marketing and sponsorships</b>		<b>343,909</b>	307,007
Advertising, marketing and sponsorship	5(e)	<b>(138,625)</b>	(204,825)
<b>Profit before income tax</b>		<b>205,284</b>	102,182
Income tax expense	6	<b>(40,403)</b>	(28,488)
<b>Profit for the year</b>		<b>164,881</b>	73,694
Other comprehensive income, net of income tax		-	-
<b>Total comprehensive income for the year</b>		<b>164,881</b>	73,694

The accompanying notes form part of these financial statements.

**Avoca District Co-operative Limited**

ABN: 82 022 501 598

**Statement of Financial Position****As at 30 June 2020**

	Note	2020 \$	2019 \$
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	9	661,797	567,476
Trade and other receivables	10	142,926	126,261
Other assets	11	5,591	5,207
Total Current Assets		<u>810,314</u>	<u>698,944</u>
Non-Current Assets			
Property, plant and equipment	12	223,266	237,130
Intangible assets	13	92,060	121,909
Right-of-use assets	16(a)	71,948	-
Deferred tax assets	14(a)	12,979	17,871
Total Non-Current Assets		<u>400,253</u>	<u>376,910</u>
Total Assets		<u>1,210,567</u>	<u>1,075,854</u>
<b>Liabilities</b>			
Current Liabilities			
Trade and other payables	15	51,326	88,613
Borrowings	17	4,098	4,294
Current tax liabilities	14(b)	10,010	10,097
Employee benefits	18	77,665	73,647
Lease liabilities	16(b)	32,330	-
Total Current Liabilities		<u>175,429</u>	<u>176,651</u>
Non-Current Liabilities			
Borrowings	17	6,980	11,078
Employee benefits	18	19,725	14,269
Franchise fees		90,280	120,373
Lease liabilities	16(b)	41,415	-
Total Non-Current Liabilities		<u>158,400</u>	<u>145,720</u>
Total Liabilities		<u>333,829</u>	<u>322,371</u>
Net Assets		<u>876,738</u>	<u>753,483</u>
<b>Equity</b>			
Issued capital	19	395,520	417,320
Retained earnings		<u>481,218</u>	<u>336,163</u>
Total Equity		<u>876,738</u>	<u>753,483</u>

The accompanying notes form part of these financial statements.

## **Statement of Changes in Equity**

### **For the Year Ended 30 June 2020**

#### **2020**

	<b>Issued capital</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2019</b>	<b>417,320</b>	<b>336,163</b>	<b>753,483</b>
Profit attributable to members of the Co-operative	-	164,881	164,881
Shares bought back during the year	(21,800)	-	(21,800)
Dividends paid or provided for	8(a) -	(19,826)	(19,826)
<b>Balance at 30 June 2020</b>	<b>395,520</b>	<b>481,218</b>	<b>876,738</b>

#### **2019**

	<b>Issued capital</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2018</b>	<b>424,520</b>	<b>304,421</b>	<b>728,941</b>
Profit attributable to members of the Co-operative	-	73,694	73,694
Shares issued during the year	200	-	200
Shares bought back during the year	(7,400)	-	(7,400)
Dividends provided for or paid	8(a) -	(41,952)	(41,952)
<b>Balance at 30 June 2019</b>	<b>417,320</b>	<b>336,163</b>	<b>753,483</b>

## **Statement of Cash Flows**

**For the Year Ended 30 June 2020**

	<b>Note</b>	<b>2020</b> <b>\$</b>	<b>2019</b> <b>\$</b>
<b>Cash flows from operating activities:</b>			
Receipts from customers		<b>1,613,036</b>	1,518,179
Payments to suppliers and employees		<b>(1,422,682)</b>	(1,390,772)
Interest received		<b>(7,095)</b>	11,055
Interest paid		<b>(595)</b>	(767)
Income taxes paid		<b>(35,598)</b>	(19,261)
Net cash provided by operating activities	23	<b>147,066</b>	118,434
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment		<b>(6,825)</b>	(8,091)
Payments for intangible assets		<b>-</b>	(16,414)
Net cash used in investing activities		<b>(6,825)</b>	(24,505)
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares		<b>-</b>	200
Payments for shares bought back		<b>(21,800)</b>	(7,400)
Repayment of borrowings		<b>(4,294)</b>	(3,371)
Dividends paid		<b>(19,826)</b>	(41,952)
Net cash used in financing activities		<b>(45,920)</b>	(52,523)
Net increase in cash and cash equivalents held		<b>94,321</b>	41,406
Cash and cash equivalents at beginning of year		<b>567,476</b>	526,070
Cash and cash equivalents at end of financial year	9	<b>661,797</b>	567,476



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **1 Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB) and the requirements of the *Corporations Act 2001* and the *Co-operatives National Law*. The Co-operative is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements, except for the cash flow information, 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.

### **2 Summary of significant accounting policies**

#### **(a) Adoption of new and revised accounting standards**

All accounting standards which became effective for the first time in the reporting period ended 30 June 2020 have been adopted by the Co-Operative.

##### **Leases - adoption of AASB 16**

The Co-Operative has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

##### **Impact of adoption of AASB 16**

The impact of adopting AASB 16 is described below:

##### **The Co-Operative as a lessee**

Under AASB 117, the Co-Operative assessed whether leases were operating or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Co-Operative or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low value assets).

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **2 Summary of significant accounting policies**

#### **(a) Adoption of new and revised accounting standards**

The Co-Operative has elected to use the exception to lease accounting for short-term leases and leases of low value assets, and the lease expense relating to these leases are recognised in the statement of profit or loss and other comprehensive income on a straight line basis.

##### *Practical expedients used on transition*

AASB 16 includes a number of practical expedients which can be used on transition. The Co-Operative has used the following expedients:

- lease liabilities have been discounted using the Co-Operative's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

The Co-Operative has recognised right-of-use assets of \$101,826 and lease liabilities of \$101,826 at 1 July 2019, for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 5.39%, based on the borrowing rate advised by Bendigo & Adelaide Bank Ltd as applied to commercial property loans.

#### **(b) Comparative figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

#### **(c) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets.

Land and buildings are measured at cost less accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis. Cost includes expenditure that is directly attributable to the asset.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **2 Summary of significant accounting policies**

#### **(c) Property, plant and equipment**

##### **Depreciation**

The depreciable amount of all fixed assets including buildings, but excluding freehold land, is depreciated over the asset's useful life to the Co-Operative commencing from the time the asset is held ready for use.

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

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Buildings	2.5%
Furniture, Fixtures and Fittings	5-40%
Motor Vehicles	25-30%
Computer Equipment and Software	25-50%
Leasehold improvements	2.5-40%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

#### **(d) Financial instruments**

##### **Financial assets**

##### **Classification**

On initial recognition, the Co-Operative classifies its financial assets, according to the basis on which they are measured, at amortised cost.

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

##### **Amortised cost**

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Co-Operative's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **2 Summary of significant accounting policies**

#### **(d) Financial instruments**

##### **Financial assets**

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

##### **Impairment of financial assets**

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Co-Operative considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Co-Operative's historical experience and informed credit assessment and including forward looking information.

The Co-Operative uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Co-Operative uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Co-Operative in full, without recourse to the Co-Operative to actions such as realising security (if any is held); or
- the financial assets is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Co-Operative in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

##### **Trade receivables and contract assets**

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Co-Operative has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Co-Operative renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

##### **Other financial assets measured at amortised cost**

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **2 Summary of significant accounting policies**

#### **(d) Financial instruments**

##### **Financial liabilities**

The Co-Operative 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 Co-Operative comprise trade payables, bank and other loans and finance lease liabilities.

#### **(e) Impairment of non-financial assets**

At the end of each reporting period, the Co-Operative assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

#### **(f) Intangibles**

Franchise fees are measured at cost less amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### **(g) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

#### **(h) Leases**

##### **For current year**

At inception of a contract, the Co-Operative assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Co-Operative has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Co-Operative has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **2 Summary of significant accounting policies**

#### **(h) Leases**

##### **Right-of-use asset**

At the lease commencement, the Co-Operative recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Co-Operative believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

##### **Lessee accounting**

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 Co-Operative'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 Co-Operative'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.

##### **For comparative year**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the assets, but not the legal ownership that are transferred to the Co-Operative are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for that period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset or over the term of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **2 Summary of significant accounting policies**

#### **(i) Employee entitlements**

##### *Short-term employee benefits*

Provision is made for the Co-Operative's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the amounts expected to be paid when the obligation is settled.

The liability for annual leave and sick leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables. Provision is made for the Co-Operative'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.

##### *Other long-term employee benefits*

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

#### **(j) Provisions**

Provisions are recognised when the Co-Operative has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

#### **(k) Revenue and other income**

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Co-Operative expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

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

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **2 Summary of significant accounting policies**

#### **(k) Revenue and other income**

##### **Revenue from contracts with customers**

The Co-Operative has in place franchise agreements with Bendigo & Adelaide Bank Limited. The Co-Operative delivers banking and financial services of Bendigo & Adelaide Bank Limited to the community. The franchise agreement provides for a share of interest, fee and commission revenue earned under the agreement. Interest margin is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the Co-Operative's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the Co-Operative's right to receive payment is established.

The Co-Operative acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers*, revenue recognition for the Co-Operative's revenue stream is as follows:

<u>Revenue</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
Franchise agreement profit share	Margin, commission and fee income	When the Co-operative satisfies it's obligation to arrange for the services to be provided to the customer by the franchisor	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

##### *Revenue calculation*

The franchise agreement provides that three forms of revenue may be earned by the Co-Operative - margin, commission and fee income. Bendigo & Adelaide Bank Limited decides the form of revenue the Co-Operative earns on different types of products and services.

The revenue earned by the Co-Operative is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

##### *Margin*

Margin is arrived at through the following calculation:

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

The Co-Operative is entitled to a share of the margin earned by Bendigo & Adelaide Bank Limited. If the margin is a loss, the Co-Operative incurs a share of that loss.



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **2 Summary of significant accounting policies**

#### **(k) Revenue and other income**

##### *Commission*

Commission revenue is in the form of commission generated for products and services sold. The commission revenue is recognised at a point in time which reflects when the Co-Operative has fulfilled its performance obligation.

The Co-Operative receives upfront and trailing commission for products and services sold. The upfront commission is recognised when the performance obligation has been met. Ongoing trailing commissions are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the Co-Operative and is a significant judgement area.

##### *Fee income*

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

##### *Core banking products*

Bendigo & Adelaide Bank Limited has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo & Adelaide Bank Limited branded home loans, term deposits and at call deposits.

##### *Ability to change financial return*

Under the franchise agreement, Bendigo & Adelaide Bank Limited may change the form and amount of financial return that the Co-Operative receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo & Adelaide Bank Limited earns its revenues.

The change may be to the method of calculation of margin, the amount of the margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the Co-Operative receives on a particular product or service. The effect of the change on the revenue earned by the Co-Operative is entirely dependent on the change.

Bendigo & Adelaide Bank Limited must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo & Adelaide Bank Limited's margin at that time. For other products and services there is no restriction on the change Bendigo & Adelaide Bank Limited may make.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **2 Summary of significant accounting policies**

#### **(k) Revenue and other income**

##### **Other income**

The Co-Operative's activities include generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Co-Operative and can be reliably measured.

##### Revenue

##### Revenue recognition policy.

Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Discretionary financial contributions (Market Development Fund)	Market development fund income is recognised when the right to receive the payment is established. Market development fund income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Government stimulus	Government stimulus is comprised of cash flow boost amounts and are recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as the goods and services are provided.

##### *Discretionary financial contributions*

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank & Adelaide Bank Limited has also made Market Development Fund (MDF) payments to the Co-Operative. The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the board to decide how to use the MDF revenue.

The payments from Bendigo & Adelaide Bank Limited are discretionary and may change the amount or stop making them at any time. The Co-Operative retains control over the funds, the funds are not refundable to Bendigo & Adelaide Bank Limited.

##### *Government stimulus payments*

During the financial year, in response to the COVID-19 pandemic, Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020 (CFB Act) was enacted. The purpose was to provide temporary cash flow assistance to small and medium businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable are calculated in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the Co-Operative's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts received.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **2 Summary of significant accounting policies**

#### **(l) 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 the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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 the end of the reporting year. 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.

#### **(m) 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 the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### **3 Critical accounting estimates and judgments**

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances. These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

#### **Key estimates - estimated useful life and impairment of assets**

The Co-Operative determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The required depreciation and amortisation charges will increase where useful lives are less than previously estimated.

The Co-Operative assesses impairment of assets at the end of each reporting period by evaluating the conditions and events specific to the Co-Operative that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate assumptions of the economic benefits expected to be received through the use of the assets.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **3 Critical accounting estimates and judgments**

#### **Key estimates - employee benefit provisions**

The Co-Operative uses estimates to determine the current value of future obligations for employee benefits. The estimates are based on assumptions of future wage growth and consumer price index movements. The likelihood of employees reaching a period of service resulting in the employee benefits becoming unconditional and when an employee benefit obligation is likely to be settled are also estimated.

#### **Key estimates - revenue recognition**

The Co-Operative exercises judgement in determining the amounts and timing of revenue to be recognised in the reporting period in accordance with the accounting policies.

#### **Key estimates - lease classification**

The Co-Operative exercises judgement in determining;

- whether a contract is or contains a lease;
- whether the Co-Operative has a right to direct use of the identified asset;
- whether the Co-Operative obtains substantially all the economic benefit from the use of the asset;
- whether the Co-Operative is reasonably certain to exercise extension options; and
- the discount rate, where the implicit rate cannot be readily determined.

#### **Key estimates - income tax**

The Co-Operative is subject to income tax and significant judgement is required in determining the recognition of deferred tax assets. Deferred tax assets are only recognised which it is considered sufficient future profits will be generated to make use of the deferred tax asset. The estimates of future profits is based on the Co-Operative's assessment of expected future cash flows.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

	2020 \$	2019 \$
<b>4 Revenue and other income</b>		
<b>Revenue from contracts with customers</b>		
Margin income	1,001,931	990,450
Commission income	243,867	208,793
Fee income	99,227	96,479
	<u>1,345,025</u>	<u>1,295,722</u>
Market development fund income	57,500	67,500
Community enterprise marketing income	-	18,182
Interest received	6,598	11,003
Government stimulus payments	62,500	-
Rent contributions	1,200	-
Sponsorship contributions	1,255	-
	<u>129,053</u>	<u>96,685</u>
	<u>1,474,078</u>	<u>1,392,407</u>
<b>5 Expenses</b>		
<b>(a) Administration expenses</b>		
Accounting & audit fees	22,735	21,370
Insurances	25,665	23,901
Printing & stationery	13,897	12,069
Telephone	13,200	12,666
Other administration expenses	36,710	41,812
	<u>112,207</u>	<u>111,818</u>
<b>(b) Depreciation</b>		
Buildings	1,794	1,838
Furniture, fixtures & fittings	8,689	7,399
Motor vehicles	4,162	6,452
Leasehold improvements	3,334	3,418
Intangibles	29,849	21,369
Right-of-use asset	32,118	-
	<u>79,946</u>	<u>40,476</u>

## Notes to the Financial Statements

For the Year Ended 30 June 2020

### 5 Expenses

	2020	2019
	\$	\$
<b>(c) Employment expenses</b>		
Wages and salaries	664,278	602,789
Superannuation contributions	62,834	57,865
Fringe benefits tax	5,696	5,696
Movement in provision for employee entitlements	9,970	38,044
Other employment expenses	31,417	30,495
	<u>774,195</u>	<u>734,889</u>
<b>(d) Finance costs</b>		
Interest - motor vehicle	595	767
Interest - right-of-use asset	4,722	-
	<u>5,317</u>	<u>767</u>

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **5 Expenses**

	2020	2019
	\$	\$
<b>(e) Advertising, marketing and sponsorship</b>		
Sponsorship & Community Contributions		
Advance Avoca Inc.	25	-
Avoca Cricket Club	60	60
Avoca Football & Netball Club	1,000	1,000
Avoca Preschool	-	2,500
Avoca Primary School	-	800
Avoca Shire Turf Club	800	800
Carisbrook Football Netball Club	2,000	1,000
Casablanca Movie Club	-	1,500
Committee for Maryborough	500	-
Maryborough & Castlemaine Football Netball League	-	3,000
Maryborough Education Centre	2,000	-
Maryborough Harness Racing Club	5,000	5,000
Maryborough Highland Society	-	2,884
Maryborough Rotary	-	635
Natte Bealiba Football Club	1,000	-
Pyrenees Grapegrowers & Winemakers	2,500	-
Royal Park Football Netball Club	1,000	2,884
St Arnaud Community Resource Centre	-	1,826
St Arnaud Football Club	2,000	4,000
St Arnaud Mens Shed	-	790
St Arnaud Netball Club	-	2,482
St Arnaud Swimming Club	-	997
St Arnaud Turf Club	-	864
St Arnaud Young Farmers	2,000	2,000
St Arnaud Raillery Hub	690	-
Talbot Football Netball Club	1,000	1,000
Other Sponsorships	-	1,176
	<b>21,575</b>	37,198
Advertising & Marketing	<b>10,878</b>	36,048
<b>Total sponsorship, advertising and marketing</b>	<b>32,453</b>	73,246
Community Enterprise Foundation Contribution	<b>106,172</b>	131,579
<b>Total advertising, marketing and sponsorship</b>	<b>138,625</b>	204,825

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>6 Income tax expense</b>		
(a) The components of tax expense comprise:		
Current tax	<b>35,898</b>	32,382
Deferred tax	<b>4,505</b>	(3,894)
	<b><u>40,403</u></b>	<b><u>28,488</u></b>
(b) The prima facie tax on profit from ordinary activities before income tax expense is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2019: 27.5%)	<b>40,014</b>	28,099
Add tax effect of non-deductible depreciation and amortisation	<b>389</b>	389
Income tax expense	<b><u>40,403</u></b>	<b><u>28,488</u></b>

## **7 Remuneration and retirement benefits**

The totals of remuneration paid to the key management personnel of Avoca District Co-operative Limited during the year are as follows:

### **(a) Remuneration of Directors**

The total remuneration paid to directors of the Co-Operative is \$ 8,100 (2019: \$ nil).

### **(b) Retirement Benefits**

No amounts were paid to a superannuation plan for the provision of retirement benefits by:

- the Co-operative for any related party or for directors of the Co-operative
- the Co-operative for directors of any related parties.



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

	2020 \$	2019 \$
<b>8 Dividends</b>		
(a) Dividends and distributions paid		
Final franked ordinary dividends of \$1.00 per share (2019: \$1.00 ordinary dividends and \$1.00 bonus dividends) per share were paid or provided for during the year.	<u>19,826</u>	<u>41,952</u>
Franked dividends declared or paid during the year were franked at the tax rate of 27.5% (2019:27.5%).		
(b) Franking account		
The franking credits available for subsequent financial years	<u>353,746</u>	<u>309,513</u>
The above available balance is based on the dividend franking account at year end adjusted for franking credits that will arise from the payment of the current tax liabilities and franking debits that will arise from the payment of dividends recognised as a liability at the year end.		
<b>9 Cash and cash equivalents</b>		
Cash at bank	73,966	68,044
Short-term bank deposits	<u>587,831</u>	<u>499,432</u>
	<u>661,797</u>	<u>567,476</u>
<b>10 Trade and other receivables</b>		
Trade receivables	126,339	123,367
Accrued income	<u>16,587</u>	<u>2,894</u>
	<u>142,926</u>	<u>126,261</u>
<b>11 Other assets</b>		
Prepayments	5,409	4,933
Borrowing costs	<u>182</u>	<u>274</u>
	<u>5,591</u>	<u>5,207</u>

## Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020 \$	2019 \$
<b>12 Property, plant and equipment</b>		
Land and buildings		
At cost	121,638	121,638
Accumulated depreciation	(26,464)	(24,670)
	<u>95,174</u>	<u>96,968</u>
Office furniture and equipment		
At cost	206,587	200,184
Accumulated depreciation	(173,640)	(165,372)
	<u>32,947</u>	<u>34,812</u>
Motor vehicles		
At cost	29,585	53,227
Accumulated depreciation	(17,099)	(33,870)
	<u>12,486</u>	<u>19,357</u>
Leasehold improvements		
At cost	159,647	159,647
Accumulated depreciation	(76,988)	(73,654)
	<u>82,659</u>	<u>85,993</u>
<b>Total property, plant and equipment</b>	<u><u>223,266</u></u>	<u><u>237,130</u></u>

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land and buildings \$	Office furniture and equipment \$	Motor vehicles \$	Leasehold improvements \$	Total \$
Balance at the beginning of the year	96,968	34,812	19,357	85,993	237,130
Additions	-	6,824	-	-	6,824
Disposals at written down value	-	-	(2,709)	-	(2,709)
Depreciation expense	(1,794)	(8,689)	(4,162)	(3,334)	(17,979)
<b>Balance at 30 June 2020</b>	<u><u>95,174</u></u>	<u><u>32,947</u></u>	<u><u>12,486</u></u>	<u><u>82,659</u></u>	<u><u>223,266</u></u>

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

	2020	2019
	\$	\$
<b>13 Intangible assets</b>		
Licenses and franchises		
At cost	357,584	357,584
Accumulated amortisation	<u>(265,524)</u>	<u>(235,675)</u>
<b>Total intangibles</b>	<u><u>92,060</u></u>	<u><u>121,909</u></u>

(a) Movements in carrying amounts

Movement in the carrying amounts for each class of intangible asset between the beginning and the end of the current financial year:

Balance at the beginning of the year	121,909	11,440
Additions	-	131,838
Amortisation	<u>(29,849)</u>	<u>(21,369)</u>
<b>Balance at 30 June 2020</b>	<u><u>92,060</u></u>	<u><u>121,909</u></u>

## **14 Tax**

(a) Tax assets

NON-CURRENT

Deferred tax assets/(liabilities) comprise:

Accrued expenses	980	1,004
Provisions	25,321	24,177
Prepaid expenses	(1,406)	(1,356)
Right-of-use asset	466	-
Other	<u>(12,382)</u>	<u>(5,954)</u>
	<u><u>12,979</u></u>	<u><u>17,871</u></u>

(b) Tax liabilities

CURRENT

Income tax payable	<u>10,010</u>	<u>10,097</u>
	<u><u>10,010</u></u>	<u><u>10,097</u></u>

## Notes to the Financial Statements

For the Year Ended 30 June 2020

	2020	2019
	\$	\$
<b>15 Trade and other payables</b>		
Trade payables	23,990	65,175
Accrued expenses	3,770	3,650
GST payable	14,923	10,752
PAYG Withholding	8,529	7,800
Other payables	114	1,236
	<u>51,326</u>	<u>88,613</u>

## 16 Leases

### Co-operative as a lessee

The Co-Operative has lease over buildings. The Co-Operative has chosen not to apply AASB 16 to leases of intangible assets.

#### (a) Right-of-use assets

Right-of-use assets - Buildings	104,066	-
Less accumulated depreciation	(32,118)	-
	<u>71,948</u>	<u>-</u>

Operating leases have been taken out for branch premises in Avoca and Maryborough and for the St Arnaud Railway. Lease payments are increased on an annual basis in line with the consumer price index or terms of the lease agreement. The option under the existing lease for the Avoca branch premises was exercised for a term of 1 year effective from on the 1 February 2020. The option under the existing lease for the Maryborough branch premises was exercised for a term of 5 years effective from 1 November 2016. A new lease was entered into for the St Arnaud Railway lease on 1 July 2019 and a sub-lease was entered into with the St Arnaud Raillery Hub Inc. who pay the Co-Operative amounts equal to the lease payments.

#### Year ended 30 June 2020

Initial adoption of AASB 16	101,826	-
Revaluation due to changes in lease payments	2,240	-
Depreciation charge	(32,118)	-
Balance at end of year	<u>71,948</u>	<u>-</u>

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **16 Leases**

(b) Lease liabilities

	2020 \$	2019 \$
<b>Current</b>		
Lease of premises	32,330	-
	<u>32,330</u>	<u>-</u>
<b>Non-current</b>		
Lease of premises	41,415	-
	<u>41,415</u>	<u>-</u>
	<u>73,745</u>	<u>-</u>

### **17 Borrowings**

CURRENT

Secured liabilities:

Motor vehicle finance

4,098	4,294
<u>4,098</u>	<u>4,294</u>

NON-CURRENT

Secured liabilities:

Motor vehicle finance

6,980	11,078
<u>6,980</u>	<u>11,078</u>

**Total borrowings**

<u>11,078</u>	<u>15,372</u>
---------------	---------------

The Bendigo & Adelaide Bank Limited holds registered commercial chattel mortgages over the motor vehicles owned by the Co-operative as security for the motor vehicle finance.

### **18 Employee benefits**

CURRENT

Provision for employee entitlements

77,665	73,647
<u>77,665</u>	<u>73,647</u>

NON-CURRENT

Provision for employee entitlements

19,725	14,269
<u>19,725</u>	<u>14,269</u>

**Total employee benefits**

<u>97,390</u>	<u>87,916</u>
---------------	---------------

**Avoca District Co-operative Limited**

ABN: 82 022 501 598

**Notes to the Financial Statements****For the Year Ended 30 June 2020**

	2020	2019
	\$	\$
<b>19 Issued capital</b>		
19,776 (2019: 20,866) ordinary shares issued at \$20.00 each	<u>395,520</u>	<u>417,320</u>

**Fully paid ordinary shares**

	2020	2019
	No.	No.
At the beginning of the reporting period	20,866	21,226
Shares issued during the year	-	10
Shares bought back during the year	<u>(1,090)</u>	<u>(370)</u>
At the end of the reporting period	<u>19,776</u>	<u>20,866</u>

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up in proportion to the number of shares held. At shareholders meetings of the Co-Operative, each member has one vote in person regardless of the number of shares held.

**20 Segment reporting**

The economic entity operates community bank branches of the Bendigo & Adelaide Bank Limited in the Avoca and Maryborough districts together with an agency of the Bendigo & Adelaide Bank Limited in the St Arnaud district.

**21 Economic dependency**

The normal trading activities of the Co-operative (which undertakes the branch activities of the Bendigo & Adelaide Bank in the Avoca and Maryborough districts) rely on the franchise contracts with the Bendigo & Adelaide Bank Group.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **22 Financial risk management**

The main risks the Co-operative is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and equity price risk.

The Co-Operative's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable and bank loans.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>		
Cash and cash equivalents	<b>661,797</b>	567,476
Trade receivables	<b>126,339</b>	123,367
<b>Total financial assets</b>	<b>788,136</b>	690,843
<b>Financial liabilities</b>		
Borrowings	<b>11,078</b>	15,372
Trade payables	<b>23,990</b>	65,175
<b>Total financial liabilities</b>	<b>35,068</b>	80,547

### **23 Cashflow information**

Reconciliation of result for the year to cashflows from operating activities

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Operating profit from ordinary activities	<b>164,881</b>	73,694
- depreciation and amortisation	<b>79,946</b>	40,476
- net loss on disposal of property, plant and equipment	<b>2,709</b>	-
- borrowing costs	<b>92</b>	91
- (increase)/decrease in trade and other receivables	<b>(16,396)</b>	(1,189)
- (increase)/decrease in other assets	<b>(60,415)</b>	4,950
- (increase)/decrease in prepayments	<b>(476)</b>	(226)
- increase/(decrease) in trade and other payables	<b>(37,556)</b>	(33,840)
- increase/(decrease) in income taxes payable	<b>4,807</b>	9,227
- increase/(decrease) in employee benefits	<b>9,474</b>	25,251
Cashflow from operations	<b>147,066</b>	118,434

### **24 Contingent liabilities and contingent assets**

In the opinion of the Directors, the Co-Operative did not have any contingent assets or liabilities at 30 June 2020 or 30 June 2019.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2020**

### **25 Events Occurring After the Reporting Date**

The financial report was authorised for issue on 17 November 2020 by the board of directors.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Co-Operative, the results of those operations, or the state of affairs of the Co-Operative in future financial years.

### **26 Related party transactions**

#### **Related parties**

The Co-operative's main related parties are as follows:

#### **Key management personnel**

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity is considered key management personnel. In the opinion of the Board, the only key management personnel of the entity are the Directors.

For details of disclosures relating to key management personnel, refer to Note 7: Remuneration and retirement benefits.

#### **Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Consultancy and design services were received from director, Ms D. Wardlaw (Bloom Creative Design)	<b>671</b>	<b>1,788</b>

### **27 Co-operative details**

The registered office of the Co-operative is:

Avoca District Co-operative Limited  
125a High Street  
Avoca Victoria 3467

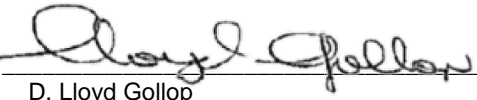


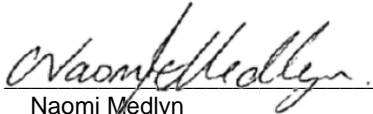
## **Directors' Declaration**

The directors of the Co-Operative declare that:

1. the financial statements and notes for the year ended 30 June 2020 as set out on pages 6 to 33 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
  - b. give a true and fair view of the financial position and performance of the Co-Operative as at 30 June 2020 and of the performance for the year ended on that date;
2. in the directors' opinion, there are reasonable grounds to believe that the Co-Operative 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   
D. Lloyd Gollop

Director   
Naomi Medlyn

Dated: 17 November 2020

## **Avoca District Co-operative Limited**

# **Independent Audit Report to the members of Avoca District Co-operative Limited**

### **Opinion**

We have audited the financial report of Avoca District Co-operative Limited (the Co-operative), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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.

In our opinion, the accompanying financial report of the Co-operative is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Co-operative's financial position as at 30 June 2020 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements 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 Co-operative 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 Co-operative, 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 Directors for the Financial Report**

The directors of the Co-operative 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 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 Co-operative'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 Co-operative 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 Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the 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 Co-operative'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 the directors' 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 Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Co-operative to cease 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.

PPT Audit Pty Ltd  
PPT Audit Pty Ltd



Jason D. Hargreaves  
Director

20 Lydiard Street South, BALLARAT, VIC, 3350

Dated: 18 November 2020

Avoca Community Bank  
125A High St,  
Avoca VIC 3467  
Phone: 5465 3804 Fax: 5465 3810  
Email: [avoca@bendigoadelaide.com.au](mailto:avoca@bendigoadelaide.com.au)  
Web: [bendigobank.com.au/avoca](http://bendigobank.com.au/avoca)

Maryborough  
54 Tuaggra St,  
Maryborough VIC 3465  
Phone: 5461 4384 Fax: 5461 5440  
Email: [maryborough@bendigoadelaide.com.au](mailto:maryborough@bendigoadelaide.com.au)  
Web: [bendigobank.com.au/maryborough](http://bendigobank.com.au/maryborough)

St Arnaud  
113 - 115 Napier St,  
St Arnaud VIC 3478  
Phone: 5495 1283 Fax: 5495 3187  
Web: [bendigobank.com.au/agency/vic/sportfirst-st-arnaud](http://bendigobank.com.au/agency/vic/sportfirst-st-arnaud)

Franchisee: Avoca District Co-operative Limited  
ABN: 82 022 501 598  
PO Box 81,  
Avoca Vic 3467  
Phone: 0411 234 800  
Email: [secretary@avocacoop.com.au](mailto:secretary@avocacoop.com.au)



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