



# Annual Report 2021

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 the 2021 Chairman's Report.

## COVID-19

When writing the 2020 report, I couldn't have imagined that 12 months later, COVID-19 would still be impacting our lives in such a significant way. It has been a challenging time for all of us and I thank our staff for continuing to provide financial services for our community.

I'd like to acknowledge our board of directors who have continued to volunteer their time while also managing the impact of COVID-19 on their professional and personal life.

Once again, I thank our customers who have been understanding of social distancing and safety protocols.

## BRANCH PERFORMANCE

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

A 3.4% increase in our customer numbers was positive however a 14.4% decrease in teller transactions highlights the COVID-19 impact on the traditional banking methods.

Reduced interest rates, the tightening of lending criteria, a reduction to the Market Development Fund and COVID-19 all negatively impacted our income. Despite these challenges, a before-tax profit of \$79,899 was achieved.

## COMMUNITY INVESTMENT

As a Community Bank, our community investment is at the heart of what we do. For the 2020 to 2021 period the co-operative was able to fund 49 local projects valued at \$129,703.

\$105,262 was contributed to the **Community Enterprise Foundation®** and I wish to thank their staff for facilitating our 2021 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

Communication with our Branch team continued as best it could while working with COVID imposed restrictions.

Under the strong leadership of our Branch Manager, Peta Dodson, the team remained committed to providing customer service excellence throughout the year, while maintaining community engagement whenever opportunities allowed.

Thank you to the entire team for your hard work, positive attitude and commitment to our community.

Sadly, in June 2021 Peta Dodson relocated to the Mornington Peninsula and has taken another Community Bank role. We thank Peta for her contribution and wish her every success in her new role.

We are pleased to introduce Andy Reid who has recently taken on the role of Branch Manager. We are confident that he is the right person to build on our strengths.

In April we welcomed Karen Barker to the Avoca branch in a 12-month Customer Service Officer role while Caitlin is on maternity leave. Karen has been a wonderful asset to the Avoca branch.

Kristy Jones was also recruited as a Relationship Consultant in St Arnaud. Kristy has many years of experience with another financial institution and is highly respected within the St Arnaud community.

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

## ST ARNAUD

In July 2021 Bruce and Casey Hando, who managed the St Arnaud Agency, sold their premises which resulted in the need for a new location.

Several businesses expressed interest in this opportunity and an agreement was finalised with the St Arnaud Pharmacy. I thank Daniel Eskanda and George Shehata and look forward to building a strong partnership.

I thank Bruce and Casey for their contribution and wish them well 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**

## Branch Report

The last 12 months have seen so many changes and challenges. The greatest of those challenges has been economic uncertainty due to COVID-19. These trying 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 restrictions.

Navigating as one, through these uncharted waters has enabled us to strengthen those relationships we hold with our customers and community groups. Throughout these continuous changes, we have pushed forward together as a united front.

I am very proud of the way the team within the Branch have performed and demonstrated leadership and support for each other during these trying times. Our Board, who have continued to meet monthly, have ensured that they were aware of the constantly changing conditions and provided their ongoing support.

### Business Figures as 30 June 2021:

Deposit Footings:           \$135.67 million  
(431.09% of target achieved)

Lending Footings:           \$65.37 million  
(126.26% of target achieved)

Rural & Wealth:             \$32.67 million  
(205.99% of target achieved)

Other Business:             \$6.084 million

**Total Business:             \$240.98 million**

Over the past financial year, we have seen continued growth with footings increasing from \$222.5 million to \$240.98 million, a net growth of \$18.48 million.

We continue to make a noticeable difference and further our activity in extending significant contributions in our local communities through provision of grants and sponsorships to many worthwhile projects. For the 2020/21 Financial year the co-operative funded 49 local projects valued at \$129,703 and \$105,262 was contributed to the **Community Enterprise Foundation™**.

During the year we farewelled two long standing staff members, firstly Peta Dodson our loved Senior Branch Manager after 6 years has relocated her family down to Rye end enjoying the coastal lifestyle. Peta's management of the 3 sites played a pivotal role in our success over the last 12 months. Caitlin Sleeman our CSO from Avoca went on leave for 12 months. Caitlin's experience and customer

service skills are missed as she is a valued member of our team.

We welcomed our new Branch Manager Andy Reid to the team; he brings a wealth of knowledge in banking and customer service experience to our team. Our new Relationship Consultant at our St Arnaud Agency, Kristy Jones commenced in May. Kristy is a St Arnaud local and brings a wealth of banking knowledge and customer service to support the St Arnaud Agency. This was a new position created to expand our support for St Arnaud & District area.

We also welcomed Karen, our new CSO at Avoca. She moved up to the Avoca area for a tree change and has settled in well as part of the team, a friendly face for the Avoca customers when they attend the Avoca branch.

I would like to thank the rest of our hard-working staff consisting of Allana Wytkamp, Aley Earl, Lewis Patten, Holly Beavis, Nancye Hillier, Zoe McHugh & Sheree Templeton for their ongoing hard work and support they provide to each other. The Bendigo Bank team is led by Paul Rains who has been a great source of encouragement and support. It is also important to acknowledge the tireless work the board of directors put in. A big thank you to our specialist team in Business Banking & Rural Bank who provide ongoing support to the branches.

I must also thank our customers; without you, we could not achieve what we do. It is because you choose to bank with us that our local communities enjoy the benefits. If you only hold a portion of your banking with the Community Bank, we would love the opportunity to compare and strengthen the relationship we have with you.

As we move into the next financial year, there is no doubt that the low interest rate environment presents its own challenges for some and opportunities for others. As a business we need to continue to drive the message that we are a full-service bank, we are open to assist all types of customers. Consumer Banking, Business Banking, Rural Banking, Insurance and Financial Planning are all solutions we offer.

We look forward to seeing existing and new customers over the next 12 months in the Branch or out on the road, where we offer modern solutions and opportunities supported by old fashioned personal customer service.

Thank you

Deanne McCarthy  
**Assistant Branch Manager**

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each other and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.



**Collin Brady**  
**Head of Community Development**

# Community Investment

Balance Sheet 2020/21



## Avoca District Co-Operative Limited



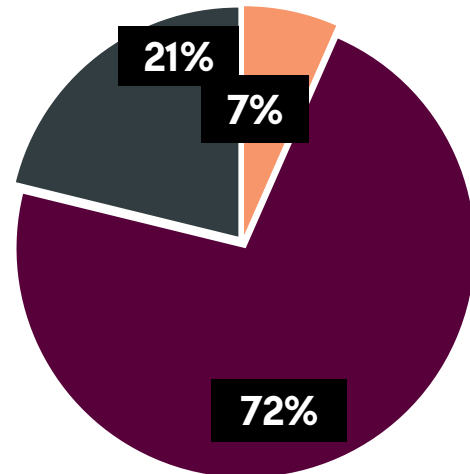
Projects  
Funded

49



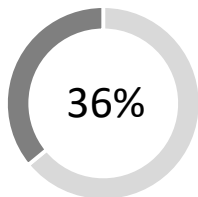
Community  
Project  
Investment

\$129,703.32



## Biggest Impact Area

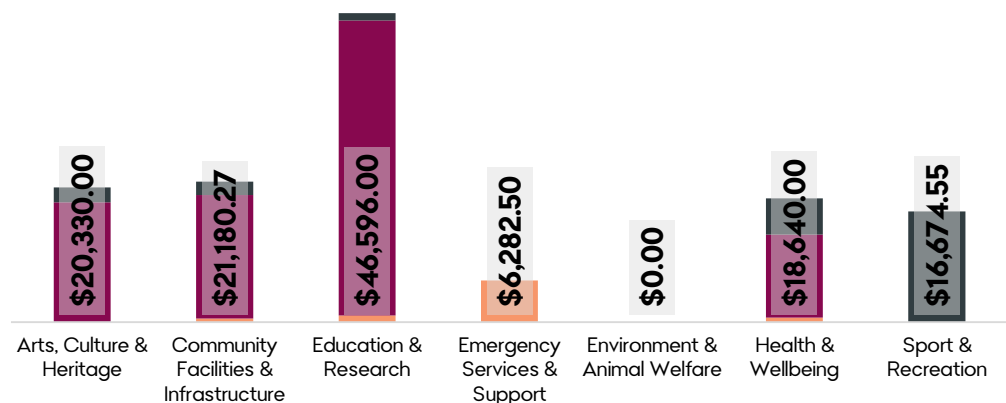
Education & Research



## Total Investment by Theme:

Donations	\$8,547.77
Grants	\$93,691.00
Sponsorships	\$27,464.55

## Total Investment by Sector:



## Branches

Community Bank Avoca

Bendigo Bank Maryborough

St Arnaud Agency

# Avoca District Co-operative Limited

ABN: 82 022 501 598

## Financial Statements

For the Year Ended 30 June 2021



Prepared by CountPro Pty Ltd  
20 Lydiard Street South  
Ballarat VIC 3350  
[www.countpro.com.au](http://www.countpro.com.au)

# **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 2021

The directors present their report on Avoca District Co-operative Limited for the financial year ended 30 June 2021.

#### 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
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
Naomi Medlyn	Qualifications and experience: CPA and Business Owner Interest in shares and options: Owner of 10 shares
Sarah Broad	Qualifications and experience: Administration 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 2021

### 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

Though down on the previous year, and despite the continuing uncertainty due to the COVID-19 pandemic, the Co-operative's business for the 2020/21 financial year, aided by the Government's Cash Flow Boost, performed in line with expectations. The strong performance despite an uncertain banking environment allowed the Co-operative to continue to provide significant investment back into the local community, as illustrated below:

	2021	2020
	\$	\$
Profit before tax and advertising, marketing and sponsorships	234,162	355,909
Less advertising, marketing and sponsorships	(49,001)	(44,453)
Less Community Enterprise Foundation contributions	(105,262)	(106,172)
Profit before tax	79,899	205,284
Less income tax expense	(12,577)	(40,403)
Profit attributable to members of the Co-operative	67,322	164,881

### 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 2021.

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

There have been no significant changes in the state of affairs of the Co-operative during the year.

## **Directors' Report**

### **For the Year Ended 30 June 2021**

#### **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 is an essential service provider and continued to operate throughout state imposed lockdowns and 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.

Since the reporting date, the Agents for the St Arnaud Agency, Bruce & Casey Hando have sold their business and have ceased the agency agreement. New Agents Daniel Eskander and George Shehata who operate the St Arnaud Pharmacy have since been appointed and minimal disruption is expected to our customers and business operations as a result.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the 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, 16 meetings of directors (excluding committees of directors) were held, including 5 special meetings to keep up to date with the impacts of COVID-19. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
D. Lloyd Gollop	16	16
Graeme J. Porter	16	14
Dianne Thiele	16	16
Donna Wardlaw	16	16
Kate Ashton	16	16
Lauren Dent	16	14
Naomi Medlyn	16	16
Sarah Broad	16	16
Scott Wilson	16	15

## Avoca District Co-operative Limited

ABN: 82 022 501 598

### Directors' Report

For the Year Ended 30 June 2021

#### 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

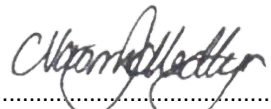
No person has applied for leave of court to bring proceedings on behalf of the Co-operative or intervene in any proceedings to which the Co-operative is a party for the purpose of taking responsibility on behalf of the Co-operative for all or any part of those proceedings. The Co-operative was not a 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 2021 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: 19 October 2021

**Avoca District Co-operative Limited**

ABN: 82 022 501 598

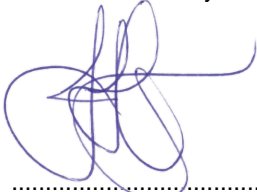
**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Avoca District Co-operative Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2021, 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.

*CountPro Audit Pty Ltd*

CountPro Audit Pty Ltd



Jason Hargreaves  
Director

20 Lydiard Street South, Ballarat, VIC 3350

Dated: 18 October 2021

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

### **For the Year Ended 30 June 2021**

		<b>2021</b>	<b>2020</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Revenue and other income	4	<b>1,358,919</b>	1,474,078
Administration expenses	5(a)	<b>(95,545)</b>	(100,207)
Depreciation and amortisation	5(b)	<b>(74,999)</b>	(79,946)
Employment expenses	5(c)	<b>(798,852)</b>	(782,295)
Finance costs	5(d)	<b>(3,573)</b>	(5,317)
Information technology costs		<b>(42,840)</b>	(41,730)
Motor vehicle expenses		<b>(5,779)</b>	(6,922)
Occupancy costs		<b>(43,418)</b>	(39,297)
Service delivery costs		<b>(59,751)</b>	(62,455)
<b>Operating profit before advertising, marketing and sponsorships</b>		<b>234,162</b>	355,909
Advertising, marketing and sponsorship	6	<b>(154,263)</b>	(150,625)
<b>Profit before income tax</b>		<b>79,899</b>	205,284
Income tax expense	7	<b>(12,577)</b>	(40,403)
<b>Profit for the year</b>		<b>67,322</b>	164,881
Other comprehensive income, net of income tax		-	-
<b>Total comprehensive income for the year</b>		<b>67,322</b>	164,881

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 2021**

	Note	2021 \$	2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	725,547	661,797
Trade and other receivables	11	119,932	142,926
Other assets	12	6,012	5,591
Current tax assets	15(a)	16,301	-
Total current assets		<u>867,792</u>	<u>810,314</u>
<b>Non-current assets</b>			
Property, plant and equipment	13	249,900	295,214
Intangible assets	14	65,376	92,060
Deferred tax assets	15(b)	9,279	12,979
Total non-current assets		<u>324,555</u>	<u>400,253</u>
Total assets		<u>1,192,347</u>	<u>1,210,567</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	120,714	81,419
Borrowings	17	6,980	4,098
Current tax liabilities	15(c)	-	10,010
Employee benefits	19	61,085	77,665
Lease liabilities	18(b)	21,007	32,330
Total current liabilities		<u>209,786</u>	<u>205,522</u>
<b>Non-Current Liabilities</b>			
Trade and other payables	16	30,094	60,187
Borrowings	17	-	6,980
Employee benefits	19	7,115	19,725
Lease liabilities	18(b)	20,878	41,415
Total non-current liabilities		<u>58,087</u>	<u>128,307</u>
Total liabilities		<u>267,873</u>	<u>333,829</u>
Net assets		<u>924,474</u>	<u>876,738</u>
<b>Equity</b>			
Issued capital	20	395,720	395,520
Retained earnings		<u>528,754</u>	<u>481,218</u>
Total equity		<u>924,474</u>	<u>876,738</u>

The accompanying notes form part of these financial statements.

## **Statement of Changes in Equity**

**For the Year Ended 30 June 2021**

**2021**

	<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 2020</b>	<b>395,520</b>	<b>481,218</b>	<b>876,738</b>
Profit attributable to members of the Co-operative	-	67,322	67,322
Shares issued during the year	200	-	200
Dividends paid or provided for	21(a) -	(19,786)	(19,786)
<b>Balance at 30 June 2021</b>	<b>395,720</b>	<b>528,754</b>	<b>924,474</b>

**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	21(a) -	(19,826)	(19,826)
<b>Balance at 30 June 2020</b>	<b>395,520</b>	<b>481,218</b>	<b>876,738</b>

## Statement of Cash Flows

For the Year Ended 30 June 2021

		2021	2020
	Note	\$	\$
<b>Cash flows from operating activities:</b>			
Receipts from customers		1,512,373	1,597,543
Payments to suppliers and employees		(1,390,793)	(1,422,682)
Interest received		3,209	8,398
Interest paid		(423)	(595)
Income taxes paid		(35,189)	(35,598)
Net cash provided by operating activities	25	<u>89,177</u>	<u>147,066</u>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment		(2,477)	(6,825)
Proceeds from disposal of plant and equipment		554	-
Net cash used in investing activities		<u>(1,923)</u>	<u>(6,825)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of shares		200	-
Payments for shares bought back		-	(21,800)
Repayment of borrowings		(4,098)	(4,294)
Dividends paid		(19,606)	(19,826)
Net cash used in financing activities		<u>(23,504)</u>	<u>(45,920)</u>
Net increase in cash and cash equivalents held		63,750	94,321
Cash and cash equivalents at beginning of year		661,797	567,476
Cash and cash equivalents at end of financial year	10	<u>725,547</u>	<u>661,797</u>



## **Notes to the Financial Statements**

### **For the Year Ended 30 June 2021**

The financial report covers Avoca District Co-operative Limited as an individual entity. Avoca District Co-operative Limited is a Co-operative limited by shares, incorporated and domiciled in Australia and is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The functional and presentation currency of Avoca District Co-operative Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 15 October 2021.

Comparatives are consistent with prior years, unless otherwise stated.

#### **1 Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Simplified Disclosures and the requirements of the *Corporations Act 2001* and the *Co-operatives National Law*.

The Co-operative has chosen to adopt Australian Accounting Standards - Simplified Disclosures ahead of its mandatory effective date of 1 July 2021. Other than the change in disclosure requirements, the adoption of the Australian Accounting Standards - Simplified Disclosures has no significant impact on the financial statements because the Co-operative's previous financial statements were prepared in full compliance with the recognition and measurement requirements of Australian Accounting Standards.

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 2021 have been adopted by the Co-operative.

##### **(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 2021**

### **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 2021**

### **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 2021**

### **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**

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.

##### **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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

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

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

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

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.

#### **(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, annual leave and long service leave.

The liability for annual leave and long service 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 recorded as current liabilities in the statement of financial position and are measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

##### *Long-term employee benefits*

Provision is made for the Co-operative's obligation for long-term employee benefits. Long-term employee benefits are benefits not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service including annual leave and long service leave. 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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

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

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

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 treated as short-term employee benefits and are presented as current provisions.

In the prior year the Co-operative had recorded a provision for sick leave entitlements on behalf of employees. No amount has been provided for in the current year as the obligation to meet the obligation only arises at the point in time that an employee accesses the leave entitlements and as a result the amounts form part of the normal employment expenses of the Co-operative.

#### **(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).

##### **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.

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 2 Summary of significant accounting policies

#### (k) Revenue and other income

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.

#### *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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

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

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

##### *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.

#### **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

Dividend and distribution income

Discretionary financial contributions (Market Development Fund)

Government stimulus

Other income

##### Revenue recognition policy.

Dividend and distribution income is recognised when the right to receive the payment is established.

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 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).

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.



## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

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

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

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*

In the previous 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.

#### **(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.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **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.

#### **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 2021

	2021 \$	2020 \$
<b>4 Revenue and other income</b>		
<b>Revenue from contracts with customers</b>		
Provision of services	<u>1,262,794</u>	<u>1,345,025</u>
	<u>1,262,794</u>	<u>1,345,025</u>
<b>Other income</b>		
Market development fund income	50,208	57,500
Government stimulus payments	37,500	62,500
Contractor income	1,964	-
Interest received	3,651	6,598
Profit on disposal of fixed assets	554	-
Rent contributions	1,248	1,200
Sponsorship contributions	<u>1,000</u>	<u>1,255</u>
	<u>96,125</u>	<u>129,053</u>
	<u>1,358,919</u>	<u>1,474,078</u>
<b>Disaggregation of revenue from contracts with customers</b>		
<b>(a) Timing of revenue recognition</b>		
At a point in time	<u>1,262,794</u>	<u>1,345,025</u>
	<u>1,262,794</u>	<u>1,345,025</u>
<b>(b) Type of contract</b>		
Margin income	916,583	1,001,931
Commission income	250,993	243,867
Fee income	<u>95,218</u>	<u>99,227</u>
	<u>1,262,794</u>	<u>1,345,025</u>

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

	2021 \$	2020 \$
<b>5 Expenses</b>		
<b>(a) Administration expenses</b>		
Accounting fees	18,275	18,955
Audit fees	3,885	3,780
Insurances	29,379	25,665
Printing and stationery	11,782	13,897
Postage and freight	4,412	5,623
Telephone	9,896	13,200
Other administration expenses	17,916	19,087
	<u>95,545</u>	<u>100,207</u>
<b>(b) Depreciation and amortisation</b>		
Buildings	1,757	1,794
Furniture, fixtures & fittings	7,599	8,689
Motor vehicles	3,122	4,162
Leasehold improvements	3,270	3,334
Intangibles	26,684	29,849
Right-of-use asset	32,567	32,118
	<u>74,999</u>	<u>79,946</u>
<b>(c) Employment expenses</b>		
Wages and salaries	703,900	664,278
Directors fees	16,200	8,100
Superannuation contributions	66,589	62,834
Fringe benefits tax	5,664	5,696
Movement in provision for employee entitlements	(28,630)	9,971
Other employment expenses	35,129	31,416
	<u>798,852</u>	<u>782,295</u>
<b>(d) Finance costs</b>		
Interest - motor vehicle	423	595
Interest - right-of-use-asset	3,150	4,722
	<u>3,573</u>	<u>5,317</u>

## Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$	2020 \$
<b>6 Advertising, marketing and sponsorship</b>		
<b>Sponsorship and community contributions</b>		
Advance Avoca Inc.	-	25
Avoca Community Arts & Gardens Inc.	2,000	-
Avoca Cricket Club	70	60
Avoca Football & Netball Club	1,000	1,000
Avoca Shire Turf Club	456	800
Carisbrook Football Netball Club	1,000	2,000
Committee for Maryborough	250	500
Country Fire Authority Brigades Donation Fund	1,545	-
Country Fire Authority Warrenmang	2,546	-
Lord Nelson Fundraising Group	2,000	-
Maryborough & Castlemaine Football Netball League	3,000	-
Maryborough District Health Services	3,540	-
Maryborough Education Centre	-	2,000
Maryborough Football Netball Club	1,000	-
Maryborough Harness Racing Club	5,000	5,000
Natte Bealiba Football Club	-	1,000
Pyrenees Grapegrowers & Winemakers	-	2,500
Royal Park Football Netball Club	1,000	1,000
St Arnaud Football Club	2,000	2,000
St Arnaud Young Farmers	-	2,000
St Arnaud Raillery Hub	-	690
Talbot Football Netball Club	1,000	1,000
	<b>27,407</b>	<b>21,575</b>
Advertising and marketing	<b>21,594</b>	<b>22,878</b>
	<b>49,001</b>	<b>44,453</b>
Community Enterprise Foundation	<b>105,262</b>	<b>106,172</b>
	<b>154,263</b>	<b>150,625</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$	2020 \$
<b>7 Income tax expense</b>		
<b>(a) The components of tax expense comprise:</b>		
Current tax	8,876	35,898
Deferred tax	3,701	4,505
	<u>12,577</u>	<u>40,403</u>
<b>(b) The prima facie tax on profit before income tax expense is reconciled to the income tax as follows:</b>		
Prima facie tax payable on profit from ordinary activities before income tax at 26% (2020: 27.5%)	20,774	56,453
Add tax effect of non-deductible depreciation and amortisation	1,182	389
Adjustment to deferred tax due to change in tax rate	371	749
Less tax effect of non-assessable income	(9,750)	(17,188)
Income tax expense	<u>12,577</u>	<u>40,403</u>
<b>8 Auditors' Remuneration</b>		
Remuneration of the auditors of the Co-operative, CountPro Audit Pty Ltd (formerly PPT Audit Pty Ltd), for:		
- Auditing the financial statements	3,885	3,780
	<u>3,885</u>	<u>3,780</u>
Remuneration of related entity, CountPro Pty Ltd (formerly PPT Professional Pty Ltd) for:		
- Accounting and other non-assurance services	18,275	18,955
	<u>18,275</u>	<u>18,955</u>
	<u>22,160</u>	<u>22,735</u>

Accounting and other non-assurance services include financial statement preparation and a range of accounting and taxation services. Phillip Brown, Director of CountPro Pty Ltd, is engaged to provide these services. No person involved in the provision of audit services is involved in the provision of non-assurance services to the Company.

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

### **9 Key management personnel disclosures**

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 \$16,200 (2020: \$8100).

#### **(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.

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>10 Cash and cash equivalents</b>		
Cash at bank	<b>86,499</b>	73,966
Short-term bank deposits	<b>639,048</b>	587,831
	<b><u>725,547</u></b>	<u>661,797</u>
<b>11 Trade and other receivables</b>		
Trade receivables	<b>118,397</b>	126,339
Accrued income	<b>895</b>	16,587
Other receivables	<b>640</b>	-
	<b><u>119,932</u></b>	<u>142,926</u>
<b>12 Other assets</b>		
Prepayments	<b>5,921</b>	5,409
Borrowing costs	<b>91</b>	182
	<b><u>6,012</u></b>	<u>5,591</u>

## Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$	2020 \$
<b>13 Property, plant and equipment</b>		
Land and buildings		
At cost	121,638	121,638
Accumulated depreciation	(28,221)	(26,464)
	<u>93,417</u>	<u>95,174</u>
Office furniture and equipment		
At cost	207,429	206,587
Accumulated depreciation	(179,604)	(173,640)
	<u>27,825</u>	<u>32,947</u>
Motor vehicles		
At cost	29,585	29,585
Accumulated depreciation	(20,221)	(17,099)
	<u>9,364</u>	<u>12,486</u>
Leasehold improvements		
At cost	159,647	159,647
Accumulated depreciation	(80,258)	(76,988)
	<u>79,389</u>	<u>82,659</u>
Right-of-use to land and buildings		
At cost	104,591	104,066
Accumulated depreciation	(64,686)	(32,118)
	<u>39,905</u>	<u>71,948</u>
<b>Total property, plant and equipment</b>	<u><u>249,900</u></u>	<u><u>295,214</u></u>



## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 13 Property, plant and equipment

#### (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 financial year:

	Land and buildings \$	Office furniture and equipment \$	Motor Vehicles \$	Leasehold improvements \$	Right-of-use to land and buildings \$	Total \$
<b>Year ended 30 June 2021</b>						
Balance at the beginning of year	95,174	32,947	12,486	82,659	71,948	295,214
Additions	-	2,477	-	-	-	2,477
Depreciation expense	(1,757)	(7,599)	(3,122)	(3,270)	(32,567)	(48,315)
Revaluation due to changes in lease payments	-	-	-	-	524	524
<b>Balance at the end of the year</b>	<b>93,417</b>	<b>27,825</b>	<b>9,364</b>	<b>79,389</b>	<b>39,905</b>	<b>249,900</b>
<b>Year ended 30 June 2020</b>						
Balance at the beginning of year	96,968	34,812	19,357	85,993	-	237,130
Additions	-	6,824	-	-	-	6,824
Initial adoption of AASB 16	-	-	-	-	101,826	101,826
Disposals at written down value	-	-	(2,709)	-	-	(2,709)
Depreciation expense	(1,794)	(8,689)	(4,162)	(3,334)	(32,118)	(50,097)
Revaluation due to changes in lease payments	-	-	-	-	2,240	2,240
<b>Balance at the end of the year</b>	<b>95,174</b>	<b>32,947</b>	<b>12,486</b>	<b>82,659</b>	<b>71,948</b>	<b>295,214</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$	2020 \$
<b>14 Intangible assets</b>		
Licenses and franchises		
At cost	357,584	357,584
Accumulated amortisation	(292,208)	(265,524)
<b>Total intangibles</b>	<b>65,376</b>	<b>92,060</b>
<b>(a) Movements in carrying amounts</b>		
Movement in the carrying amounts for each class of intangible asset between the beginning and the end of the financial year:		
Balance at the beginning of the year	92,060	121,909
Amortisation	(26,684)	(29,849)
<b>Balance at the end of the year</b>	<b>65,376</b>	<b>92,060</b>
<b>15 Tax</b>		
<b>(a) Current tax assets</b>		
Income tax receivable	16,301	-
	<b>16,301</b>	<b>-</b>
<b>(b) Deferred tax asset</b>		
Deferred tax assets/(liabilities) comprise the tax effect of:		
Accrued expenses	2,960	980
Provisions	17,050	25,321
Prepaid expenses	(1,480)	(1,406)
Right-of-use asset	495	466
Other	(9,746)	(12,382)
	<b>9,279</b>	<b>12,979</b>
<b>(c) Current tax liabilities</b>		
Income tax payable	-	10,010
	<b>-</b>	<b>10,010</b>

## Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$	2020 \$
<b>16 Trade and other payables</b>		
<b>Current</b>		
Trade payables	55,372	23,990
Accrued expenses	11,840	3,770
GST payable	9,751	14,923
PAYG Withholding	11,930	8,529
Franchise fees payable	30,093	30,093
Dividend payable	180	-
Other payables	1,548	114
	<u>120,714</u>	<u>81,419</u>
<b>Non-current</b>		
Franchise fees payable	30,094	60,187
	<u>30,094</u>	<u>60,187</u>
	<u>150,808</u>	<u>141,606</u>
<b>17 Borrowings</b>		
<b>Current</b>		
<b>Secured liabilities:</b>		
Motor vehicle finance	6,980	4,098
	<u>6,980</u>	<u>4,098</u>
<b>Non-current</b>		
<b>Secured liabilities:</b>		
Motor vehicle finance	-	6,980
	<u>-</u>	<u>6,980</u>
<b>Total borrowings</b>	<u>6,980</u>	<u>11,078</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.

## Notes to the Financial Statements

For the Year Ended 30 June 2021

### 18 Leases

#### Co-operative as a lessee

The Co-operative has operating leases over the 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 2021. The option under the existing lease for the Maryborough branch premises was exercised for a term of 5 years effective from 1 November 2016. The lease for the St Arnaud Railway commenced 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.

	2021 \$	2020 \$
<b>(a) Right-of-use assets</b>		
Balance at the beginning of the year	71,948	104,066
Depreciation charge	(32,568)	(32,118)
Revaluation of right-of-use assets	525	-
	<u>39,905</u>	<u>71,948</u>
<b>(b) Lease liabilities</b>		
<b>Current</b>		
Lease of premises	<u>21,007</u>	<u>32,330</u>
	<u>21,007</u>	<u>32,330</u>
<b>Non-current</b>		
Lease of premises	<u>20,878</u>	<u>41,415</u>
	<u>20,878</u>	<u>41,415</u>
	<u>41,885</u>	<u>73,745</u>

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

	< 1 year \$	1 - 5 years \$	> 5 years \$	Total undiscounted lease liabilities \$	Lease liabilities included in the Statement of Financial Position \$
<b>2021</b>					
Lease liabilities	<u>22,724</u>	<u>13,894</u>	<u>12,979</u>	<u>49,597</u>	<u>41,885</u>
<b>2020</b>					
Lease liabilities	<u>35,367</u>	<u>34,776</u>	<u>13,728</u>	<u>83,871</u>	<u>73,745</u>

## Notes to the Financial Statements

For the Year Ended 30 June 2021

<b>2021</b>	<b>2020</b>
<b>\$</b>	<b>\$</b>

### (c) Statement of profit or loss

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Company is a lessee are shown below:

Depreciation of right-of-use assets	<b>32,567</b>	32,118
Interest expense	<b>3,150</b>	4,723
	<b>35,717</b>	36,841

### 19 Employee benefits

#### Current

Provision for employee entitlements	<b>61,085</b>	77,665
	<b>61,085</b>	77,665

#### Non-current

Provision for employee entitlements	<b>7,115</b>	19,725
	<b>7,115</b>	19,725

<b>Total employee benefits</b>	<b>61,379</b>	97,390
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### 20 Issued capital

19,786 (2020: 19,776) ordinary shares issued at \$20.00 each	<b>395,720</b>	395,520
--	----------------	---------

<b>2021</b>	<b>2020</b>
<b>No.</b>	<b>No.</b>

#### Fully paid ordinary shares

Balance at the beginning of the year	<b>19,776</b>	20,866
Shares issued during the year	<b>10</b>	-
Shares bought back during the year	-	(1,090)
Balance at the end of the year	<b>19,786</b>	19,776

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.

## Notes to the Financial Statements

For the Year Ended 30 June 2021

	2021 \$	2020 \$
<b>21 Dividends</b>		
<b>(a) Dividends and distributions paid</b>		
Final franked ordinary dividends of \$1.00 per share (2020: \$1.00 ordinary dividends) per share were paid or provided for during the year.	<u>19,786</u>	<u>19,826</u>
Franked dividends declared or paid during the year were franked at the tax rate of 26% (2020: 27.5%).		
<b>(b) Franking account</b>		
The franking credits available for subsequent financial years	<u>350,703</u>	<u>348,715</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. The ability to use the franking credits is dependent upon the Co-operatives future ability to declare dividends.		
<b>22 Segment reporting</b>		
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.		
<b>23 Economic dependency</b>		
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.		
	2021 \$	2020 \$
<b>24 Financial risk management</b>		
<b>Financial assets</b>		
Held at amortised cost:		
Cash and cash equivalents	725,547	661,797
Trade receivables	<u>118,397</u>	<u>126,339</u>
<b>Total financial assets</b>	<u>843,944</u>	<u>788,136</u>
<b>Financial liabilities</b>		
Held at amortised cost:		
Borrowings	6,980	11,078
Trade payables	<u>55,372</u>	<u>23,990</u>
<b>Total financial liabilities</b>	<u>62,352</u>	<u>35,068</u>

## **Notes to the Financial Statements**

**For the Year Ended 30 June 2021**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>25 Cashflow information</b>		
Reconciliation of result for the year to cashflows from operating activities		
Operating profit from ordinary activities	<b>67,322</b>	164,881
- depreciation and amortisation	<b>74,999</b>	79,946
- net (profit)/loss on disposal of property, plant and equipment	<b>(554)</b>	2,709
- borrowing costs	<b>91</b>	92
- (increase)/decrease in trade and other receivables	<b>22,272</b>	(16,396)
- (increase)/decrease in other assets	<b>(62,477)</b>	(60,415)
- (increase)/decrease in prepayments	<b>(512)</b>	(476)
- increase/(decrease) in trade and other payables	<b>39,839</b>	(37,556)
- increase/(decrease) in income taxes payable	<b>(22,612)</b>	4,807
- increase/(decrease) in employee benefits	<b>(29,191)</b>	9,474
Cashflow from operations	<b>89,177</b>	147,066

## **26 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 2021 or 30 June 2020.

## **27 Events occurring after the reporting date**

The financial report was authorised for issue on 19 October 2021 by the board of directors.

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 is an essential service provider and continued to operate throughout state imposed lockdowns and 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.

Since the reporting date, the Agents for the St Arnaud Agency, Bruce & Casey Hando have sold their business and have ceased the agency agreement. New Agents Daniel Eskander and George Shehata who operate the St Arnaud Pharmacy have since been appointed and minimal disruption is expected to our customers and business operations as a result.

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

**Notes to the Financial Statements**  
**For the Year Ended 30 June 2021**

**28 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 9: 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.

	2021	2020
	\$	\$
Consultancy and design services were received from director, Ms D. Wardlaw (Bloom Creative Design)	-	671

**29 Co-operative details**

The registered office of the Co-operative is:  
Avoca District Co-operative Limited  
125a High Street  
Avoca Victoria 3467

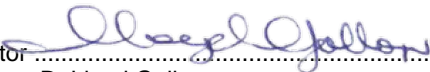


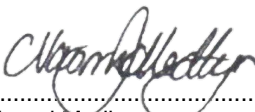
## **Directors' Declaration**

The directors of the Co-operative declare that:

1. the financial statements and notes for the year ended 30 June 2021 as set out on pages 6 to 33 are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards - Simplified Disclosures; and
  - b. give a true and fair view of the financial position and performance of the Co-operative as at 30 June 2021 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: 19 October 2021

## 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 2021, 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 2021 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Simplified Disclosures 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 - Simplified Disclosures 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

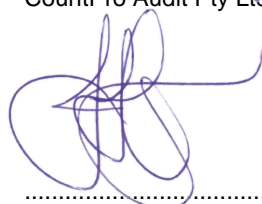
Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that 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.

CountPro Audit Pty Ltd  
CountPro Audit Pty Ltd



Jason D. Hargreaves  
Director

20 Lydiard Street South, BALLARAT, VIC, 3350

Dated: 20 October 2021

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Avoca VIC 3467  
Phone: 5465 3804

Community Bank · Maryborough  
123 High Street,  
Maryborough VIC 3465  
Phone: 5461 4384

St Arnaud Agency  
123 High Street,  
St Arnaud VIC 3478

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