

# Annual Report 2021

Tongala & District Financial  
Services Limited

Community Bank  
Tongala & District

ABN 22 094 331 665



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# Chair's report

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While COVID-19 prevails and remains a challenge for us all, the year 2020/21 was a year of stabilisation for Tongala & District Financial Services Limited. This has enabled the Board of Directors re-align our strategies and ambitions moving forward. Some of this has been to accommodate Bendigo and Adelaide Bank's transformation program and some to allow Community Bank Tongala to become a better fit within the communities of Tongala and Mathoura.

There have been minimal changes to the Staff and Board during this period with Jenny Johnson resigning to take up a post with Kyabram Community Bank. Hannah Tuxworth was promoted to Customer Relations Officer role which meant the bank was operating with one less staff member. This has allowed the Bank to accommodate less foot traffic within the branch.

Branch Manager Kevin Livingston continues lead from the front and is capably supported by Hannah, Customer Service Officers Kate Nunn and Morgan Madill and Marketing Manager Leanne Cuffe. On behalf of the Board of Directors may I convey our sincere appreciation for your efficient and affable demeanour as the frontline representatives of the Company.

There has only been one departure from the Board of Directors during past 12 months, that of Lyn Cosham who we thank for her diligent service over the past 10 years. In her stead, the Board welcomes Tyler Stagg the owner operator of Tongala Post Office. Jill Regan has also indicated that she wishes to retire from the Board. Jill has been a Director since the inauguration of Tongala & District Financial Services Limited. Well done!

As alluded to earlier, 2020/21 has been a year of stabilisation for the Company, we've updated our Mission and Vision Statements, Business Plan, Sponsorship & Grants Policy and Governance Policy. In future, these policies will be reviewed and improved on a regular basis. To facilitate this the Board of Directors will need to remain focused in a competitive and rapidly changing environment.

In a year that has been challenging for community groups to stage both sporting and community events, we've seen the completion of the Kyvalley Tennis Club's synthetic court upgrade and stage 1 of the improvements to the 3<sup>rd</sup> Cavalry Regiment's Avenue of Honour. Both projects have been a pleasure for Community Bank Tongala to be involved and we look forward to continuing our relationship with them.

Twenty twenty-one will realise the first year of our increased commitment to education when we offer 6 Secondary School Scholarships to Tongala and St. Patrick's Primary and Mathoura Public Schools. These bursaries will be on a needs basis and will help to offset some of the costs for children transitioning from primary to secondary school. These scholarships will accompany the Company's Richard Herbert Tertiary Scholarship.

A new initiative instigated by Hannah is the Bank's quarterly Newsletter with the first edition hitting the streets in July. Many thanks to Hannah and Leanne for pulling this

publication together, this will be available in both printed and digital form as we go forward. Another initiative given a boost was the Learner Driver Program which was introduced to the Tongala Football Netball Club's U/17 netballers and footballers by Hannah and myself. Community Bank Tongala's presence continues to grow in Mathoura where negotiations are under way with the view of upgrading the Bank's signage at the Mathoura Service Centre. Community Bank Tongala realised another first when they partnered with Mathoura Football Netball Club's Indigenous Round. The Company is again to be associated with the 5<sup>th</sup> annual Mathoura Speed Shear after the event was cancelled last year.

2020 saw the inauguration of Tongala Development Group who achieved much in their first year of operations. The Xmas and Easter Hay Bale Trails were a huge success and so was Eats'n'Beats. Community Bank Tongala congratulates the group for their foresight and endeavour and we look forward to a co-operative relationship in years to come.

Tongala & District Financial Services Limited will be celebrating its 21<sup>st</sup> Birthday on Friday December 10<sup>th</sup> commencing at 4.00pm at the Sound Shell (Covid and weather permitting) shareholders, customers and the general public are invited to join the Board and Staff of Community Bank Tongala on celebrating the occasion. Special Guests include Marnie Baker, Richard Herbert and many more. We look forward to seeing you!

John Bentley  
Chair

# Manager's report

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For year ending 30 June 2021

It is with pleasure that I submit my annual branch manager's report for the Tongala and District Community Bank for the 2020-2021 financial year.

Every business has witnessed significant impacts as a result of COVID-19 and our community bank is no different. Challenges have included the erosion of profits due to historically low interest rates however, despite this we have been able to achieve some key goals in the past 12 months.

Our business is ready to take advantage of the opportunities ahead. Our customer focus, high trust ratings, and customer advocacy unite to provide the perfect platform for business growth.

In an environment where many are disillusioned with their current bank, the time for our Bank to cement our position as Australia's bank of choice is now. We'll continue to tell our story and ask people to join us to bring about changes they want to see.

To my staff Hannah, Kate, and Morgan – a very big thank you for your continue work, passion and commitment. I would also like to thank Jodi and the team at the Mathoura agency for their ongoing support and enthusiasm in helping us continue to build our business.

I would like to acknowledge our board members who are great advocates for our Community Bank and continue to volunteer their time. A special thank you to our board chairman John for his ongoing support, assistance, and commitment to our cause.

On behalf of all branch staff we look forward to another year of servicing our current and potential customers, growing our business and continuing to support our communities.

Thank you,

Kevin Livingston  
Branch manager

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# Tongala & District Financial Services Limited

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ABN: 22 094 331 665

Financial Report  
For the year ended  
30 June 2021

# Tongala & District Financial Services Limited

## Directors' Report

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2021.

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### Directors

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The directors of the company who held office during the financial year and to the date of this report are:

John Charles Bentley

Chairperson

Occupation: Retired

Qualifications, experience and expertise: Water Industry employee for 28 years. Member of Club, League and Recreational Reserve Committees for 27 years.

Special responsibilities: Business Development Committee

Interest in shares: 1,000 ordinary shares

Jill Maree Regan

Non-executive director

Occupation: Farmer

Qualifications, experience and expertise: Board Member - Tongala & District Memorial Aged Care.

Special responsibilities: Business Development Committee

Interest in shares: 2,000 ordinary shares

Gregory James Rossborough

Non-executive director

Occupation: Semi-retired

Qualifications, experience and expertise: Previously Corporate Westpac Manager (26 years). General Manager in Licenced Club industry (20 years). Treasurer Tongala Football Netball Club.

Special responsibilities: Finance, Budget, Shares and Audit Sub Committee and Strategies, Procedures and H.R Sub Committee.

Interest in shares: nil share interest held

Paige Hannah Wade

Non-executive director

Occupation: Accountant

Qualifications, experience and expertise: Paige is a Senior accountant at Stubberfield Group. Paige holds a Bachelor of Commerce majoring in Accounting, Certified Practicing Certificate III in Agriculture. She is the past treasurer and a current coach and member of the Tongala Football Netball Club.

Special responsibilities: Company Secretary

Interest in shares: nil share interest held

Karen Maree Palmer

Non-executive director

Occupation: Coordinator / Manager

Qualifications, experience and expertise: Previous CSO at bank - Tongala Community Bank. Current 'CERT' First Responder.

Currently employed TCAC - co-ordinator. Other current directorships include Tongala Health - Governance Committee.

Special responsibilities: Sponsorship & Marketing Committee

Interest in shares: nil share interest held

Tyler Stagg

Non-executive director (appointed 28 October 2020)

Occupation: Owner/ Licensee Tongala Post Office

Qualifications, experience and expertise: Former International & Australian Chef, 8 years service in Australian Army Reserve.

Chairman Tongala Development Group Inc

Special responsibilities: Nil

Interest in shares: nil share interest held



# Tongala & District Financial Services Limited

## Directors' Report

### Directors (continued)

Lynette Dawn Cosham

Secretary (resigned 2 December 2020)

Occupation: Retired

Qualifications, experience and expertise: Previously was Administration Officer for the Shire.

Special responsibilities: Governance Committee

Interest in shares: 1,000 ordinary shares

Deidre Edwina Madill

Non-executive director (resigned 26 August 2020)

Occupation: Governance Officer

Qualifications, experience and expertise: Deidre is a Government employee professional with a diverse range of experience in management and administration. Her knowledge in the area of governance has been a significant contribution to each of her roles. Deidre holds a Cert IV in Training and Assessment and a Diploma of Management. Advocating on behalf of communities remains her real passion.

Special responsibilities: Sponsorship Committee and Governance Committee

Interest in shares: nil share interest held

Directors were in office for this entire year unless otherwise stated.

No directors have material interest in contracts or proposed contracts with the company.

### Company Secretary

The company secretary is Paige Wade. Paige was appointed to the position of secretary on 26 February 2020.

### Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of these activities during the financial year.

### Operating results

The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
8,088	15,559

### Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
John Charles Bentley	1,000	-	1,000
Jill Maree Regan	2,000	-	2,000
Gregory James Rossborough	-	-	-
Paige Hannah Wade	-	-	-
Karen Maree Palmer	-	-	-
Tyler Stagg	-	-	-
Lynette Dawn Cosham	1,000	-	1,000
Deidre Edwina Madill	-	-	-

# Tongala & District Financial Services Limited

## Directors' Report

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### **Dividends**

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No dividends were declared or paid for the previous financial year and the directors recommend that no dividend be paid in the current financial year.

### **Significant changes in the state of affairs**

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Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the company's financial performance so far, uncertainty remains on the future impact of COVID-19 to the company's operations.

In the opinion of the directors there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

### **Events since the end of the financial year**

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There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

### **Likely developments**

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The company will continue its policy of facilitating banking services to the community.

### **Environmental regulation**

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The company is not subject to any significant environmental regulation.

### **Directors' benefits**

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No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 26 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

### **Indemnification and insurance of directors and officers**

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

# Tongala & District Financial Services Limited

## Directors' Report

### Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the financial year were:

	Board Meetings		Committee Meetings					
			Marketing & Sponsorship		Finance		Business Development	
	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
<i>E - eligible to attend</i>								
<i>A - number attended</i>								
John Charles Bentley	11	11	10	8	11	11	6	6
Jill Maree Regan	11	10	-	-	-	-	-	-
Gregory James Rossborough	11	11	-	-	11	11	6	6
Paige Hannah Wade	11	11	-	-	11	11	6	6
Karen Maree Palmer	11	10	10	10	-	-	-	-
Tyler Stagg	11	9	-	-	-	-	-	-
Lynette Dawn Cosham	4	4	-	-	-	-	-	-
Deidre Edwina Madill	4	-	-	-	-	-	-	-

### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

### Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 25.

The board of directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

# Tongala & District Financial Services Limited

## Directors' Report


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### Auditor's independence declaration

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A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the directors at Tongala, Victoria.



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**John Charles Bentley , Chair**

Dated this 30th day of September 2021

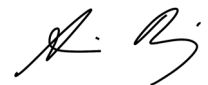
## Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Tongala & District Financial Services Limited

As lead auditor for the audit of Tongala & District Financial Services Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of 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.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 30 September 2021



**Adrian Downing**  
Lead Auditor

Tongala & District Financial Services Limited  
Statement of Profit or Loss and Other  
Comprehensive Income  
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	414,494	489,062
Other revenue	9	45,555	60,907
Finance income	10	537	1,774
Employee benefit expenses	11c)	(253,325)	(285,617)
Charitable donations, sponsorship, advertising and promotion	11b)	(21,200)	(62,123)
Occupancy and associated costs		(16,281)	(10,755)
Systems costs		(16,994)	(17,112)
Depreciation and amortisation expense	11a)	(24,202)	(20,055)
Finance costs	11b)	(42)	(807)
General administration expenses		(120,469)	(142,182)
<b>Profit before income tax credit</b>		<b>8,073</b>	<b>13,092</b>
Income tax credit	12a)	15	2,467
<b>Profit after income tax credit</b>		<b>8,088</b>	<b>15,559</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>8,088</b>	<b>15,559</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic and diluted earnings per share:	28a)	2.37	4.56

The accompanying notes form part of these financial statements

Tongala & District Financial Services Limited  
Statement of Financial Position  
as at 30 June 2021

	Notes	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	227,162	189,243
Trade and other receivables	14a)	29,859	38,509
Current tax assets	17a)	7,032	5,545
<b>Total current assets</b>		<b>264,053</b>	<b>233,297</b>
<b>Non-current assets</b>			
Property, plant and equipment	15a)	189,896	195,292
Intangible assets	16a)	57,589	71,740
Deferred tax asset	17b)	-	3,897
<b>Total non-current assets</b>		<b>247,485</b>	<b>270,929</b>
<b>Total assets</b>		<b>511,538</b>	<b>504,226</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18a)	96,517	95,126
Loans and borrowings	19a)	-	4,605
Employee benefits	20a)	14,644	14,063
<b>Total current liabilities</b>		<b>111,161</b>	<b>113,794</b>
<b>Non-current liabilities</b>			
Employee benefits	20b)	2,391	1,894
Deferred tax liability	17b)	1,360	-
<b>Total non-current liabilities</b>		<b>3,751</b>	<b>1,894</b>
<b>Total liabilities</b>		<b>114,912</b>	<b>115,688</b>
<b>Net assets</b>		<b>396,626</b>	<b>388,538</b>
<b>EQUITY</b>			
Issued capital	21a)	341,350	341,350
Retained earnings	22	55,276	47,188
<b>Total equity</b>		<b>396,626</b>	<b>388,538</b>

The accompanying notes form part of these financial statements

Tongala & District Financial Services Limited  
Statement of Changes in Equity  
for the year ended 30 June 2021

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2019</b>		341,350	52,110	393,460
Total comprehensive income for the year		-	15,559	15,559
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	27a)	-	(20,481)	(20,481)
<b>Balance at 30 June 2020</b>		<b>341,350</b>	<b>47,188</b>	<b>388,538</b>
<b>Balance at 1 July 2020</b>		341,350	47,188	388,538
Total comprehensive income for the year		-	8,088	8,088
<b>Balance at 30 June 2021</b>		<b>341,350</b>	<b>55,276</b>	<b>396,626</b>

The accompanying notes form part of these financial statements



Tongala & District Financial Services Limited  
Statement of Cash Flows  
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		511,296	606,536
Payments to suppliers and employees		(463,432)	(548,867)
Interest received		939	3,318
Interest paid		(42)	(807)
Lease payments not included in the measurement of lease liabilities	11d)	(5,367)	(5,182)
Income taxes refunded/(paid)		3,785	(573)
<b>Net cash provided by operating activities</b>	23	<b>47,179</b>	<b>54,425</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(4,655)	(65,327)
<b>Net cash used in investing activities</b>		<b>(4,655)</b>	<b>(65,327)</b>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings		(4,605)	(14,757)
Dividends paid	27a)	-	(20,481)
<b>Net cash used in financing activities</b>		<b>(4,605)</b>	<b>(35,238)</b>
<b>Net cash increase/(decrease) in cash held</b>		<b>37,919</b>	<b>(46,140)</b>
Cash and cash equivalents at the beginning of the financial year		189,243	235,383
<b>Cash and cash equivalents at the end of the financial year</b>	13	<b>227,162</b>	<b>189,243</b>

The accompanying notes form part of these financial statements

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 1 Reporting entity

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This is the financial report for Tongala & District Financial Services Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
35 Mangan Street Tongala VIC 3621	35 Mangan Street Tongala VIC 3621

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 26.

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### Note 2 Basis of preparation and statement of compliance

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The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis. The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 30 September 2021.

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### Note 3 Changes in accounting policies, standards and interpretations

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There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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### Note 4 Summary of significant accounting policies

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The company has consistently applied the following accounting policies to all periods presented in these financial statements.

#### a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share 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 company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

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

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 4 Summary of significant accounting policies *(continued)*

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#### a) Revenue from contracts with customers *(continued)*

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* (AASB 15), revenue recognition for the company'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 company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as 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.

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

#### *Revenue calculation*

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

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

#### *Margin*

Margin is arrived 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 Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

#### *Commission*

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

The company receives trailing commission for products and services sold. Ongoing trailing commission payments 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 company, 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 Bank Group entities including fees for loan applications and account transactions.

#### *Core banking products*

Bendigo Bank 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 Bank branded home loans, term deposits and at call deposits.

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 4 Summary of significant accounting policies *(continued)*

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#### a) Revenue from contracts with customers *(continued)*

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

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

The change may be to the method of calculation of margin, the amount of 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 company receives on a particular product or service.

Bendigo Bank 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 Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

#### b) Other revenue

The company's activities include the 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 company and can be reliably measured.

<u>Revenue</u>	<u>Revenue recognition policy</u>
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is 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 goods and services are provided.

All revenue is stated net of the amount of Goods and Services Tax (GST).

##### *Discretionary financial contributions*

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo Bank has also made MDF payments to the company.

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.

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

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 4 Summary of significant accounting policies (*continued*)

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#### b) Other revenue (*continued*)

##### *Cash flow boost*

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

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company'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.

#### c) Economic dependency - Bendigo Bank

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank.

The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry.

The company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo Bank entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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**Note 4 Summary of significant accounting policies (continued)**

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**d) Employee benefits***Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

*Defined superannuation contribution plans*

The company contributes to a defined contribution plan. Obligations for superannuation contributions to defined contribution plans are expensed as the related service is provided.

*Other long-term employee benefits*

The company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior reporting periods.

That benefit is discounted to determine its present value. Consideration is given to expected future wage and salary levels plus related on-costs, experience of employee departures, and years of service achieved. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements are recognised in profit or loss in the period in which they arise.

**e) Taxes**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

*Current income tax*

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised for all deductible temporary differences, carried-forward tax losses, and unused tax credits to the extent that it is probable that future taxable profits will be available against which they can be used.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax is measured at the rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the entity intends to settle its tax assets and liabilities on a net basis.

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 4 Summary of significant accounting policies (continued)

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#### e) Taxes (continued)

##### Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

#### f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

#### g) Property, plant and equipment

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the company.

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Building	Straight-line	10 to 40 years
Plant and equipment	Straight-line	5 to 10 years

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

#### h) Intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)

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

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 4 Summary of significant accounting policies (*continued*)

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#### i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade and other debtors and creditors, cash and cash equivalents and borrowings.

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company currently has a legally enforceable right to set off the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### j) Impairment

##### *Non-derivative financial assets*

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2021.

##### *Non-financial assets*

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

#### k) Issued capital

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

#### l) Leases

##### *Short-term leases and leases of low-value assets*

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 5 Significant accounting judgements, estimates, and assumptions

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In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

#### a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

<u>Note</u>	<u>Assumptions</u>
- Note 17 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 20 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;

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### Note 6 Financial risk management

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The company has exposure to credit, liquidity and market risk arising from financial instruments. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

Risk management is carried out directly by the board of directors.

#### a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

#### b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 6 Financial risk management (continued)

#### b) Liquidity risk (continued)

##### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Trade and other payables	96,517	96,517	-	-
	<u>96,517</u>	<u>96,517</u>	<u>-</u>	<u>-</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Contractual cash flows</u>		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	4,605	4,605	-	-
Trade and other payables	95,126	95,126	-	-
	<u>99,731</u>	<u>99,731</u>	<u>-</u>	<u>-</u>

#### c) Market risk

##### Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

##### Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

##### Cash flow and fair value interest rate risk

Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of \$227,162 at 30 June 2021 (2020: \$189,243). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 7 Capital management

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The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2021 can be seen in the statement of profit or loss and other comprehensive Income.

There were no changes in the company's approach to capital management during the year.

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### Note 8 Revenue from contracts with customers

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	2021	2020
	\$	\$
- Margin income	339,168	408,300
- Fee income	41,205	49,600
- Commission income	34,121	31,162
	<u>414,494</u>	<u>489,062</u>

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### Note 9 Other revenue

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	2021	2020
	\$	\$
- Market development fund income	37,500	37,500
- Cash flow boost	7,653	22,959
- Other income	402	448
	<u>45,555</u>	<u>60,907</u>

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### Note 10 Finance income

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	2021	2020
	\$	\$
- Term deposits	537	1,774

Finance income is recognised when earned using the effective interest rate method.

Tongala & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2021

**Note 11 Expenses**

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Buildings	4,277	3,814
- Plant and equipment	5,774	4,944
	<u>10,051</u>	<u>8,758</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	1,988	2,260
- Franchise renewal process fee	12,163	9,037
	<u>14,151</u>	<u>11,297</u>
Total depreciation and amortisation expense	<u>24,202</u>	<u>20,055</u>
<b>b) Finance costs</b>		
- Bank loan interest paid or accrued	<u>42</u>	<u>807</u>
Finance costs are recognised as expenses when incurred using the effective interest rate.		
<b>c) Employee benefit expenses</b>		
Wages and salaries	220,024	248,131
Contributions to defined contribution plans	24,331	30,116
Expenses related to long service leave	1,718	(4,080)
Other expenses	7,252	11,450
	<u>253,325</u>	<u>285,617</u>

**d) Recognition exemption**

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

	2021 \$	2020 \$
Expenses relating to low-value leases	<u>5,367</u>	<u>5,182</u>

**Note 12 Income tax expense**

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense/(credit)</i>		
- Future income tax benefit attributable to losses	-	(5,801)
- Changes in estimates related to prior years	(288)	-
- Movement in deferred tax	(174)	3,109
- Reduction in company tax rate	(54)	-
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	501	225
	<u>(15)</u>	<u>(2,467)</u>

Tongala & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2021

**Note 12 Income tax expense (continued)**

b) <i>Prima facie</i> income tax reconciliation	2021 \$	2020 \$
Operating profit before taxation	8,073	13,092
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	2,099	3,600
Tax effect of:		
- Non-deductible expenses	217	23
- Temporary differences	175	(3,110)
- Other assessable income	(1,990)	(6,314)
- Movement in deferred tax	(174)	3,109
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	(54)	-
- Under/(over) provision of income tax in the prior year	(288)	225
	<u>(15)</u>	<u>(2,467)</u>

**Note 13 Cash and cash equivalents**

	2021 \$	2020 \$
- Cash at bank and on hand	46,771	33,790
- Term deposits	180,391	155,453
	<u>227,162</u>	<u>189,243</u>

**Note 14 Trade and other receivables**

a) Current assets	2021 \$	2020 \$
Trade receivables	29,290	35,190
Prepayments	569	3,319
	<u>29,859</u>	<u>38,509</u>

**Note 15 Property, plant and equipment**

a) Carrying amounts	2021 \$	2020 \$
<i>Land</i>		
At cost	<u>33,155</u>	<u>33,155</u>
<i>Buildings</i>		
At cost	148,125	148,125
Less: accumulated depreciation	(10,585)	(6,308)
	<u>137,540</u>	<u>141,817</u>

Tongala & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2021

**Note 15 Property, plant and equipment (continued)**

<b>a) Carrying amounts (continued)</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Plant and equipment</i>		
At cost	153,876	149,221
Less: accumulated depreciation	(134,675)	(128,901)
	<u>19,201</u>	<u>20,320</u>
<i>Motor vehicles</i>		
At cost	20,894	20,894
Less: accumulated depreciation	(20,894)	(20,894)
	<u>-</u>	<u>-</u>
Total written down amount	<u>189,896</u>	<u>195,292</u>
<b>b) Reconciliation of carrying amounts</b>		
<i>Land</i>		
Carrying amount at beginning	<u>33,155</u>	<u>33,155</u>
<i>Buildings</i>		
Carrying amount at beginning	141,817	87,448
Additions	-	117,595
Disposals	-	(59,412)
Depreciation	(4,277)	(3,814)
	<u>137,540</u>	<u>141,817</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	20,320	18,332
Additions	4,655	7,834
Disposals	-	(902)
Depreciation	(5,774)	(4,944)
	<u>19,201</u>	<u>20,320</u>
Total written down amount	<u>189,896</u>	<u>195,292</u>
<b>c) Changes in estimates</b>		

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

**Note 16 Intangible assets**

<b>a) Carrying amounts</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise fee</i>		
At cost	72,093	72,093
Less: accumulated amortisation	(61,893)	(59,905)
	<u>10,200</u>	<u>12,188</u>

Tongala & District Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2021

**Note 16 Intangible assets (continued)**

<b>a) Carrying amounts (continued)</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise renewal process fee</i>		
At cost	99,168	99,168
Less: accumulated amortisation	(51,779)	(39,616)
	<u>47,389</u>	<u>59,552</u>
Total written down amount	<u>57,589</u>	<u>71,740</u>
<b>b) Reconciliation of carrying amounts</b>		
<i>Franchise fee</i>		
Carrying amount at beginning	12,188	3,652
Additions	-	10,796
Amortisation	(1,988)	(2,260)
	<u>10,200</u>	<u>12,188</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	59,552	14,608
Additions	-	53,981
Amortisation	(12,163)	(9,037)
	<u>47,389</u>	<u>59,552</u>
Total written down amount	<u>57,589</u>	<u>71,740</u>
<b>c) Changes in estimates</b>		

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods. There were no changes in estimates for the current reporting period.

**Note 17 Tax assets and liabilities**

<b>a) Current tax</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Income tax refundable	<u>(7,032)</u>	<u>(5,545)</u>
<b>b) Deferred tax</b>		
<i>Deferred tax assets</i>		
- expense accruals	775	1,402
- employee provisions	4,259	4,149
- carried-forward tax losses	-	5,485
Total deferred tax assets	<u>5,034</u>	<u>11,036</u>
<i>Deferred tax liabilities</i>		
- property, plant and equipment	6,394	7,139
Total deferred tax liabilities	<u>6,394</u>	<u>7,139</u>
Net deferred tax assets (liabilities)	<u>(1,360)</u>	<u>3,897</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(5,257)</u>	<u>2,468</u>

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 18 Trade creditors and other payables

Where the company is liable to settle an amount within 12 months of reporting date, the liability is classified as current. All other obligations are classified as non-current.

a) Current liabilities	2021 \$	2020 \$
Trade creditors	17,319	21,600
Other creditors and accruals	79,198	73,526
	<u>96,517</u>	<u>95,126</u>

### Note 19 Loans and borrowings

a) Current liabilities	2021 \$	2020 \$
Secured bank loans	-	4,605

#### b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	5.64%	Floating	-	-	4,605	4,605

### Note 20 Employee benefits

a) Current liabilities	2021 \$	2020 \$
Provision for annual leave	11,168	11,535
Provision for long service leave	3,476	2,528
	<u>14,644</u>	<u>14,063</u>
<b>b) Non-current liabilities</b>		
Provision for long service leave	<u>2,391</u>	<u>1,894</u>

#### c) Key judgement and assumptions

The company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

### Note 21 Issued capital

a) Issued capital	2021		2020	
	Number	\$	Number	\$
Ordinary shares - fully paid	<u>341,350</u>	<u>341,350</u>	<u>341,350</u>	<u>341,350</u>



# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 21 Issued capital (*continued*)

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#### b) Rights attached to issued capital

##### *Ordinary shares*

##### Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank branch have the same ability to influence the operation of the company.

##### Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

##### Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

##### *Prohibited shareholding interest*

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 21 Issued capital (continued)

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#### b) Rights attached to issued capital (continued)

##### Prohibited shareholding interest (continued)

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

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### Note 22 Retained earnings

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	Note	2021 \$	2020 \$
Balance at beginning of reporting period		47,188	52,110
Net profit after tax from ordinary activities		8,088	15,559
Dividends provided for or paid	27a)	-	(20,481)
Balance at end of reporting period		55,276	47,188

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### Note 23 Reconciliation of cash flows from operating activities

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	2021 \$	2020 \$
Net profit after tax from ordinary activities	8,088	15,559
Adjustments for:		
- Depreciation	10,051	8,758
- Amortisation	14,151	11,297
- (Profit)/loss on disposal of non-current assets	-	212
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	8,649	37,458
- (Increase)/decrease in other assets	2,409	964
- Increase/(decrease) in trade and other payables	1,393	(14,055)
- Increase/(decrease) in employee benefits	1,078	(5,768)
- Increase/(decrease) in tax liabilities	1,360	-
Net cash flows provided by operating activities	47,179	54,425

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 24 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2021 \$	2020 \$
<b>Financial assets</b>			
Cash and cash equivalents	13	46,771	33,790
Term deposits	13	180,391	155,453
Trade and other receivables	14	29,290	35,190
		<u>256,452</u>	<u>224,433</u>
<b>Financial liabilities</b>			
Trade and other payables	18	96,517	95,126
Secured bank loans	19	-	4,605
		<u>96,517</u>	<u>99,731</u>

### Note 25 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	1,600	1,400
- General advisory services	2,880	4,090
- Valuation services	-	3,500
Total auditor's remuneration	<u>9,480</u>	<u>13,790</u>

### Note 26 Related parties

#### a) Details of key management personnel

The directors of the company during the financial year were:

John Charles Bentley  
 Jill Maree Regan  
 Gregory James Rossborough  
 Paige Hannah Wade  
 Karen Maree Palmer  
 Tyler Stagg  
 Lynette Dawn Cosham  
 Deidre Edwina Madill

#### b) Key management personnel compensation

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 26 Related parties (continued)

#### c) Related party transactions

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
	\$	\$
<i>Transactions with related parties</i>		
- Paige Wade provided the company with secretarial and board support services. The total benefit received was:	2,728	2,400
- Greg Rossborough provided the company bookkeeping services. The total benefit received was:	8,400	8,400
Total transactions with related parties	11,128	10,800

### Note 27 Dividends provided for or paid

#### a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Changes in Equity and Statement of Cash Flows.

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	-	-	6.00	20,481

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

#### b) Franking account balance

	2021	2020
	\$	\$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	94,135	101,331
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	3,608	9,550
- Franking credits/(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(7,393)	(8,977)
- Franking debits from the payment of franked distributions	-	(7,769)
Franking account balance at the end of the financial year	90,350	94,135
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	(7,032)	(5,545)
Franking credits available for future reporting periods	83,318	88,590

The ability to utilise franking credits is dependent upon the company's ability to declare dividends.

# Tongala & District Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 28 Earnings per share

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#### a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	8,088	15,559
	<b>Number</b>	<b>Number</b>
Weighted-average number of ordinary shares	341,350	341,350
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	2.37	4.56

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### Note 29 Commitments

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The company has no commitments contracted for which would be provided for in future reporting periods.

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### Note 30 Contingencies

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There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

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### Note 31 Subsequent events

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There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

# Tongala & District Financial Services Limited

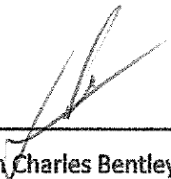
## Directors' Declaration

In accordance with a resolution of the directors of Tongala & District Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.



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**John Charles Bentley, Chair**

Dated this 30th day of September 2021

# Independent auditor's report to the Directors of Tongala & District Financial Services Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Tongala & District Financial Services Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Tongala & District Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Other Information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

## Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that it 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



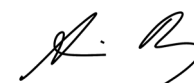
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of 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 Company'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 Company 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.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 30 September 2021



**Adrian Downing**  
Lead Auditor





Community Bank Tongala & District  
35 Mangan St,  
Tongala VIC 3621  
Phone: 03 5859 0401 Fax: 03 5859 1407  
Email: [tongala@bendigoadelaide.com.au](mailto:tongala@bendigoadelaide.com.au)  
Web: [bendigobank.com.au/tongala](http://bendigobank.com.au/tongala)

Mathoura Rural Transaction Centre  
23 Moama St,  
Mathoura NSW 2710  
Phone: 1300 087 004 Fax: 03 5884 3720

Franchisee: Tongala & District Financial Services Limited  
ABN: 22 094 331 665  
35 Mangan St, Tongala VIC 3621  
Phone: (03) 5859 1401 Fax: (03) 5859 1407  
Email: [tongala@bendigoadelaide.com.au](mailto:tongala@bendigoadelaide.com.au)

Share Registry - Richmond Sinnott & Delahunty  
10-16 Forest St, Bendigo VIC 3550  
Postal Address:  
PO Box 30, Bendigo VIC 3552  
Phone: (03) 5445 4200 Fax: (03) 5444 4344



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 **Bendigo Bank**