

# Annual Report 2020

Tugun & District Finances  
Limited

Community Bank  
Tugun

ABN 57 102 056 306



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# Chair's report

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For year ending 30 June 2020

Of course, it has been a year of unprecedented challenges for all businesses, families and communities. The Board of Directors wishes to publicly acknowledge the dedication of our team of staff members, in ensuring continuity of banking services to our customers.

Our major success continues to be the strong relationships we've forged within the community. We're proud to have brought on new community partners, and expanded our reach to new groups and individuals within our local area.

It is this strong connection to community that has seen us deliver a resilient profit result, considering the unique circumstances that we've all encountered this year. An after tax profit of \$86,035 is just \$6,000 (or 6.5%) down on the prior financial year.

Since inception some 16 years ago, we have now paid out \$510,000 in dividends to local shareholders, which means if you bought a \$1 share at issue, you'd now have received 85 cents in dividends alone. In addition to this, we have also provided \$1.1 million in community contributions over that same time frame.

Highlighting the difficult trading conditions, and the ever-changing banking landscape, we can confirm that in August 2020, Bendigo Bank closed its 'company-owned' branch at Elanora. Having been made aware of this some time ago, the Board and staff have worked tirelessly over many months to assess how this would impact our business, and what course of action (if any) we should take. The end result of that assessment is that we have acquired all of the local business that was previously domiciled at Elanora. Though this required an initial investment, it will grow our deposit and loan book by approximately 50%, and therefore presents an opportunity for a material uplift in revenue and ultimately, profit. To be in a financial position to make this acquisition is a credit to former Directors, whose outstanding fiscal management has ensured sufficient funds to acquire the book from cash reserves. Congratulations and thank you to all staff and Directors that were involved in this acquisition.

In closing, to our shareholders and our community partners, thank you for your ongoing support. We are proud to service Tugun and our surrounding suburbs, and look forward to finding new ways to see business and community working together.

Regards,



**Cameron Window**  
**Co-Chair, Tugun & District Finances Limited**

# Manager's report

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For year ending 30 June 2020

This year has presented the team at Tugun and those throughout Australia with many challenges as we grapple with the ongoing effects of the bushfires and COVID-19 on our community, customers, staff, family and friends.

We have seen interest rates drop to historical lows, which has impacted our income and that of our customers who rely on investment income in their retirement.

Whilst there have been many challenges, there has been much to be excited and proud of.

A few positive highlights for the year include:

- Lending Applications up \$1.5 million on the previous year, although customers continue to deleverage and sell assets to reduce debt.
- Profit (before tax, sponsorships, marketing and donations) \$183,407 against a Budget \$136,174
- Total Business increased \$6.4 million against a Budget \$4.4 million; Growth came mainly from Deposits \$6.3 million. This is an excellent effort given our Financial Planning customers of approximately \$3 million were sold in August 2019.
- Our new Scholarship Program with an additional two at \$5,000. Scholarships were provided to local students to assist them in their studies and successful completion of the Tertiary Studies. This now brings our total to four students at \$5,000 each.
- Sponsorship of the Currumbin Wildlife Hospital \$15,000 at three years to assist with injured wildlife.
- The formation of the Virtual Youth Hub Committee
- Two Junior Board Observers from the PBC High School

The Community Bank Tugun provided sponsorships and donations of \$67,393 in the last 12 months to the following worthwhile local community groups:

Sponsorships and donations	
Alley Board Riders	PBC SHS – Comedy Writing Workshop
Connecting Southern Gold Coast	PBC State High School
Coolangatta State School	Pottsville Primary School
Coolangatta Tugun Catholic Parish	Rotary Club of Currumbin/Coolangatta/ Tweed
Cooly Rocks On	Scholarship Program
Creative Life Event @ Tugun	Shaping Outcomes
Currumbin Community Special School	Sommerset Storyfest
Currumbin Tennis Club	Southern Beaches Community Garden
Currumbin Vikings SLSC	Sustainable Schools Network
Dragons Abreast	Swell Sculpture Festival
Gecko Education Programs	Teenage Adventures Camp QLD
Gold Coast Hospital Foundation	Tugun Bowls Club

## Manager's report (continued)

Sponsorships and donations	
Green Heroes	Tugun Lights Up
Pacific Surf Life Savings Club	Tugun Seahawks JRLFC
Palm Beach Cricket Club	Tugun Surf Life Savings Club
Palm Beach Currumbin AFL Club	U3A
Palm Beach Currumbin Alleygators	Young Veteran Support Services
Palm Beach Surf Life Savings Club	Youth Music Venture
PBC Alliance	

I would like to take this opportunity to thank the Board of Directors, the Community Engagement Committee, the Finance, Risk & Audit Committee and their families, for their ongoing support, on a volunteer basis, which has enabled our business to continue to grow and be successful in our local community.

I would like to thank Maris Dirkx, Executive Assistant to the Board, who has worked tirelessly to coordinate and bring much of our marketing and sponsorship events throughout the years to fruition.

Finally, I would like to thank the staff at Tugun for their efforts throughout the year in what was a challenging year for all. The staff also worked as volunteers in the many community engagement activities throughout the year, which has helped the success of our sponsorship/grant programs throughout the year.

We look forward to another successful year ahead, the staff at Community Bank Tugun encourage our shareholders and customers to continue to tell their family and friends about us and what being a customer of our branch can do for this wonderful community.

Please keep safe in these challenging times and we hope to see you soon at the Community Bank Tugun, at a safe distance of course.



**Allan Merlehan**  
**Branch Manager**

# Bendigo and Adelaide Bank report

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## For year ending 30 June 2020

In the 20-plus years since the opening of the very first Community Bank branch, it's fair to say we haven't seen a year quite like 2020.

After many years of drought, the 2019 calendar year ended with bushfires burning across several states. A number of our Community Bank companies were faced with an unprecedented natural disaster that impacted lives, homes, businesses and schools in local communities.

As fires took hold, Bendigo and Adelaide Bank's head office phones started to ring, emails came in from all over the world and our customers, and non-customers, headed into our branches to donate to an appeal that we were still in the process of setting up.

Our reputation as Australia's most trusted bank and the goodwill established by 321 Community Bank branches across the country meant that people instinctively knew that Bendigo, and our Community Bank partners, would be there to help. An appeal was established and donations were received in branch and online from 135,000 donors from all around the world. More than \$45 million was donated.

Just as the fires had been extinguished and the Bank's foundation was working with government, not-for-profit organisations and impacted communities to distribute donations, the global COVID-19 pandemic arrived.

The impact of this pandemic was, and continues to be, more than about health. The impacts are far-reaching and banking is not immune. Your support as a shareholder, and a customer, of your local Community Bank company has never been so important.

You should be proud of your investment in your local Community Bank company. As the Australian workforce had to adjust its way of working, your Community Bank branch staff were classified as essential workers and turned up for work every day throughout the pandemic to serve your local customers.

Your Community Bank company, led by your local Directors, were committed to supporting local economies. Often it was the little things like purchasing coffees and meals from local cafes, not only for their branch staff but for other essential workers (teachers, nurses, hospital support staff, ambulance and police officers and aged care workers). This not only supported essential workers also supported many local businesses when they needed it the most.

What we've discovered in 2020 is that in times of crisis, Australia's Community Bank network has unofficially become Australia's 'second responder'. Local organisations and clubs look to their local Community Bank companies not only for financial assistance, but to take the lead in connecting groups and leading the community through a crisis.

So, what does this all mean? For Bendigo and Adelaide Bank, it reinforces the fact that you are a shareholder of a unique and caring company – run by locals to benefit not only your community but those in need.

As Australia's 5th largest bank with more than 1.9 million customers we are proud to partner with your community.

If 2020 has shown us anything, it's that we're stronger for the partnerships we have with the communities we operate in.

On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company Directors and shareholders and your branch staff and customers for your continued support throughout the year.



**Mark Cunneen**  
**Head of Community Support**  
**Bendigo and Adelaide Bank**

# Directors' report

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The directors present the financial statements of the company for the financial year ended 30 June 2020.

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## Directors

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The directors of the company who held office during or since the end of the financial year are:

Lisa Kathleen Fitz Gerald

Chair

Occupation: Swim Teacher

Qualifications, experience and expertise: Present - Client Liaison - Grower Services Support. 1989 to present - Special event and conference organiser. 2016 - 2011 - On a Mission & Adrenalin Festival Foundation Committee. 2009 - 2011 - St. Clare's Parish School Canteen Convenor. 2002 - 2006 - Mission Beach Outrigger Canoe Club Secretary. 1998 - 2002 - Tully Tennis Club Committee. 1998 - 2003 - St. Clare's Catholic Church Fundraising Co-ordinator Church renovation.

Special responsibilities: Community Engagement Committee

Interest in shares: 3,000 ordinary shares

Cameron Kenneth Window

Deputy Chair

Occupation: Executive Manager

Qualifications, experience and expertise: Qualifications: Bachelor of Business - QUT. Bachelor of Applied Science - QUT. Diploma of Financial Markets - AFMA. Occupations: Executive Manager - Fixed Income - MINT Partners (current). Associate Director - Fixed Income - FIIG Securities (2012 - 2016). Project Manager and Analyst - Flight Centre (2010 - 2012). Area Operations Leader - Flight Centre (2005 - 2010). Skills: Financial markets trading and analysis. Relationship/account management. Business operations and project management.

Special responsibilities: Finance Committee

Interest in shares: 10,500 ordinary shares

Robert William Marshall

Secretary

Occupation: Retired Solicitor

Qualifications, experience and expertise: Retired solicitor. Board member Lindisfarne Anglican School.

Special responsibilities: Finance Committee

Interest in shares: 5,500 ordinary shares

Kelly Marie Sawden

Treasurer

Occupation: Accountant

Qualifications, experience and expertise: Bachelor of Commerce (UQ), Bachelor of Laws (Hons) (UQ), Chartered Accountant, Registered Tax Agent. Managing Director of Ascend Financial Management (current). Previous roles include International Tax Manager at Billabong International Ltd, General Manager Corporate Services and Financial Controller at Queensland Airports Limited, and Corporate Tax Consultant at PricewaterhouseCoopers. Skills include accounting, tax, audit, corporate structuring, cashflow management, budgets and forecasts, financial and management reporting, financial control and business improvement.

Special responsibilities: Finance Committee Risk & Audit Committee

Interest in shares: nil share interest held

Colin Raymond Woodward

Non-executive director

Occupation: CPA - Retired

Qualifications, experience and expertise: Bachelor of Business, Fellow of CPA Australia, Fellow of Taxation Institute of Australia, Justice of the Peace (Qualified).

Special responsibilities: Finance Committee

Interest in shares: 1,000 ordinary shares

# Directors' report (continued)

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## Directors (continued)

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Norbert Anthony Benton

Non-executive director

Occupation: Environment Manager

Qualifications, experience and expertise: Over fifteen years professional experience in environmental management including ten years in current role as Environment Manager at Gold Coast Airport. Through my professional career and having completed a Bachelor of Science at Central Queensland university has equipped me with skills and knowledge in environmental management, sustainable development, governance and risk management practices along with forming good working relationships with an array of stakeholders including government agencies and community groups.

Special responsibilities: Finance Committee

Interest in shares: nil share interest held

Christopher John Crawford

Non-executive director

Occupation: Barrister

Qualifications, experience and expertise: Bachelor of Commerce (QLD) Bachelor of Laws (QLD), Master of Laws (Edin.), Doctor of Juridical Science (QUT). Solicitor of the Supreme Court of Queensland 2001-04. Barrister of the Supreme Court of Queensland 2004-present.

Special responsibilities:

Interest in shares: 5,000 ordinary shares

Peter Anthony Dirkx

Non-executive director (appointed 27 November 2019)

Occupation: Manager

Qualifications, experience and expertise: Peter has 16 years in Senior Management positions with Bendigo & Adelaide Bank, with over 10 years in the Community Banking team. He has over 30 years in management roles within the Banking and Finance sector. He has extensive experience on community consultation and engagement and in community banking and not for profit governance and strategic planning. Peter has attended and facilitated numerous Australian Institute of Company Directors (AICD) and Governance Institute of Australia (GIA) workshops, forums and seminars. He has expertise in facilitating community forums, director education workshops and conferences. Currently working as Partnerships Manager for a large Queensland based "for purpose" organisation that specialise in disability services and support.

Special responsibilities: Consultant to both the Finance Committee and Community Engagement Committee

Interest in shares: nil share interest held

Sean David Powell

Non-executive director (appointed 29 July 2020)

Occupation: Solicitor

Qualifications, experience and expertise: Sean is a Solicitor - Wills and estates; estate litigation; commercial litigation. Previously working as Solicitor - Property & commercial; wills and estates; family law; litigation. He holds a Bachelor of Laws (Hons) Queensland University of Technology, Bachelor Business (Marketing) Queensland University of Technology, Graduate Diploma (Legal Practice) Australian National University, Queensland Legal Practising Certificate, Solicitor of the Supreme Court of Queensland and Solicitor of the High Court of Australia. Sean is a member of the Queensland Law Society and the New South Wales Law Society.

Special responsibilities: Nil

Interest in shares: nil share interest held

Kerry May Shepherd

Non-executive director (resigned 26 February 2020)

Occupation: Self employed / Currumbin RSL

Qualifications, experience and expertise: Company Director of Landmatters Pty Ltd and Three Dev Pty Ltd. Community Relationships Manager at Currumbin RSL.

Special responsibilities: Nil

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.



## Directors' report (continued)

### Company Secretary

The company secretary is Robert William Marshall. Robert was appointed to the position of secretary on 23 January 2018.

### 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 2020	Year ended 30 June 2019
\$	\$
86,035	92,157

### Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Lisa Kathleen Fitz Gerald	-	3,000	3,000
Cameron Kenneth Window	-	10,500	10,500
Robert William Marshall	5,500	-	5,500
Kelly Marie Sawden	-	-	-
Colin Raymond Woodward	1,000	-	1,000
Norbert Anthony Benton	-	-	-
Christopher John Crawford	-	5,000	5,000
Peter Anthony Dirkx	-	-	-
Sean David Powell	-	-	-
Kerry May Shepherd	-	-	-

### Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	Cents per share	Total amount \$
Final fully franked dividend	7.0	42,000
Total amount	7.0	42,000

### New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: Leases (AASB 16) has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: Leases. See note 4 for further details.

# Directors' report (continued)

## Significant changes in the state of affairs

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

In the opinion of the directors 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

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

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

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 29 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

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.

## Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Finance		Community Engagement	
	<i>Eligible</i>	<i>Attended</i>	<i>Eligible</i>	<i>Attended</i>	<i>Eligible</i>	<i>Attended</i>
Lisa Kathleen Fitz Gerald	10	8	9	1	11	10
Cameron Kenneth Window	10	6	9	2	-	-
Robert William Marshall	10	9	9	8	-	-
Kelly Marie Sawden	10	8	9	9	-	-
Colin Raymond Woodward	10	8	9	7	-	-
Norbert Anthony Benton*	8	7	7	5	-	-
Christopher John Crawford	10	9	-	-	11	6
Peter Anthony Dirks	6	6	1	1	1	1
Sean David Powell	-	-	-	-	-	-
Kerry May Shepherd	7	4	-	-	-	-

\* Leave of absence between April 2020 to June 2020

## Directors' report (continued)

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### Proceedings on behalf of the company

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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*.

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### Non audit services

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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 28 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Finance Committee, 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 Finance Committee 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.

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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 11.

Signed in accordance with a resolution of the directors at Tugun, Queensland.



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Lisa Kathleen Fitz Gerald, Chair

Dated this 28th day of September 2020

# Auditor's independence declaration

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## **Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Tugun & District Finances Limited**

As lead auditor for the audit of Tugun & District Finances Limited for the year ended 30 June 2020, 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: 28 September 2020

**Joshua Griffin**  
**Lead Auditor**

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	8	930,610	984,208
Other revenue	9	30,731	31,278
Finance income	10	10,185	11,255
Employee benefit expenses	11c)	(515,103)	(499,220)
Charitable donations, sponsorship, advertising and promotion		(69,259)	(134,834)
Occupancy and associated costs		(22,825)	(95,799)
Systems costs		(20,044)	(20,948)
Depreciation and amortisation expense	11a)	(91,607)	(25,949)
Finance costs	11b)	(25,499)	-
General administration expenses		(113,041)	(122,878)
<b>Profit before income tax expense</b>		<b>114,148</b>	<b>127,113</b>
Income tax expense	12a)	(28,113)	(34,956)
<b>Profit after income tax expense</b>		<b>86,035</b>	<b>92,157</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>86,035</b>	<b>92,157</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic and diluted earnings per share:	31a)	14.34	15

The accompanying notes form part of these financial statements

# Financial statements (continued)

## Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13a)	514,266	437,315
Trade and other receivables	15a)	49,616	42,349
Other investments	14a)	101,142	134,615
<b>Total current assets</b>		<b>665,024</b>	<b>614,279</b>
<b>Non-current assets</b>			
Property, plant and equipment	16a)	92,118	75,441
Right-of-use assets	17a)	487,195	-
Intangible assets	18a)	35,260	48,482
<b>Total non-current assets</b>		<b>614,573</b>	<b>123,923</b>
<b>Total assets</b>		<b>1,279,597</b>	<b>738,202</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20a)	28,190	25,661
Current tax liabilities	19a)	7,197	8,796
Lease liabilities	21b)	47,761	-
Employee benefits	23a)	9,205	7,045
<b>Total current liabilities</b>		<b>92,353</b>	<b>41,502</b>
<b>Non-current liabilities</b>			
Trade and other payables	20b)	15,109	30,218
Lease liabilities	21c)	440,232	-
Provisions	22a)	20,879	-
Deferred tax liability	19b)	8,857	8,350
<b>Total non-current liabilities</b>		<b>485,077</b>	<b>38,568</b>
<b>Total liabilities</b>		<b>577,430</b>	<b>80,070</b>
<b>Net assets</b>		<b>702,167</b>	<b>658,132</b>
<b>EQUITY</b>			
Issued capital	24a)	600,000	600,000
Retained earnings	25	102,167	58,132
<b>Total equity</b>		<b>702,167</b>	<b>658,132</b>

The accompanying notes form part of these financial statements

## Financial statements (continued)

### Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
<b>Balance at 1 July 2018</b>		600,000	7,975	607,975
Total comprehensive income for the year		-	92,157	92,157
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	30a)	-	(42,000)	(42,000)
<b>Balance at 30 June 2019</b>		<b>600,000</b>	<b>58,132</b>	<b>658,132</b>
<b>Balance at 1 July 2019</b>		600,000	58,132	658,132
Total comprehensive income for the year		-	86,035	86,035
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	30a)	-	(42,000)	(42,000)
<b>Balance at 30 June 2020</b>		<b>600,000</b>	<b>102,167</b>	<b>702,167</b>

The accompanying notes form part of these financial statements

# Financial statements (continued)

## Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,055,540	1,126,794
Payments to suppliers and employees		(827,106)	(1,004,285)
Interest received		8,274	7,775
Lease payments (interest component)	11b)	(24,525)	-
Lease payments not included in the measurement of lease liabilities	11d)	(6,698)	-
Income taxes paid		(29,205)	(17,843)
<b>Net cash provided by operating activities</b>	26	<b>176,280</b>	<b>112,441</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(30,817)	(26,193)
Payments for intangible assets		(13,735)	(13,735)
Payments for investments		-	(30,000)
Proceeds from sale of investments		30,765	-
<b>Net cash used in investing activities</b>		<b>(13,787)</b>	<b>(69,928)</b>
<b>Cash flows from financing activities</b>			
Lease payments (principal component)	21a)	(43,542)	-
Dividends paid	30a)	(42,000)	(42,000)
<b>Net cash used in financing activities</b>		<b>(85,542)</b>	<b>(42,000)</b>
<b>Net cash increase in cash held</b>		<b>76,951</b>	<b>513</b>
Cash and cash equivalents at the beginning of the financial year		437,315	436,802
<b>Cash and cash equivalents at the end of the financial year</b>	13a)	<b>514,266</b>	<b>437,315</b>

The accompanying notes form part of these financial statements



# Notes to the financial statements

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For year ended 30 June 2020

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## Note 1 Reporting entity

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This is the financial report for Tugun & District Finances 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
Occulus Accounting Pty Ltd 39 Wharf Street Tweed Heads South NSW 2485	Shop 1 to 3 482 Golden Four Drive Tugun QLD 4224

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 29.

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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, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

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 2020 were authorised for issue in accordance with a resolution of the directors on 28 September 2020.

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

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The company initially applied AASB 16 *Leases* from 1 July 2019. AASB Interpretation 23 *Uncertainty over Income Tax Treatments* is also effective from 1 July 2019 but is not expected to have a material impact on the company's financial statements. The company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: *Leases*.

### a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease*. The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 21.

On transition to AASB 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

# Notes to the financial statements (continued)

## Note 3 Changes in accounting policies, standards and interpretations (continued)

### b) As a lessee

As a lessee, the company leases assets including property and IT equipment. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the company. Under AASB 16, the company recognises right-of-use assets and lease liabilities for most of these leases (i.e. these leases are on balance sheet).

#### *Leases classified as operating leases under AASB 117*

Previously, the company classified property and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the company applied this approach to all other leases.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The company has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The practical expedients include that the company:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

### c) As a lessor

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

### d) Impact on financial statements

On transition to AASB 16, the company recognised additional right-of-use assets, and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	Note	1 July 2019 \$
<b>Asset</b>		
Right-of-use assets - land and buildings	17b)	551,440
<b>Liability</b>		
Lease liabilities	21a)	(531,535)
Provision for make-good	22b)	(19,905)
<b>Equity</b>		
Retained earnings		-

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.79%.

#### *Lease liabilities reconciliation on transition*

Operating lease disclosure as at June 2019	246,495
Add: additional options now expected to be exercised	268,905
Add: variable market review / index based increase	139,546
Less: present value discounting	(123,411)
Lease liability as at 1 July 2019	531,535

## Notes to the financial statements (continued)

### Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 3).

#### 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.

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).

#### *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.

# Notes to the financial statements (continued)

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

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

#### *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.

#### *Ability to change financial return*

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return that 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

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.

#### Revenue

#### Revenue recognition policy

Dividend and distribution income	Dividend and distribution income is recognised when the right to receive the payment is established.
Discretionary financial contributions (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).

# Notes to the financial statements (continued)

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

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### b) Other revenue (continued)

#### *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.

#### *Cash flow boost*

During the financial year, 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 businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received or receivable is 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 when the cash flow of the company improves.

### 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.

# Notes to the financial statements (continued)

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

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### c) Economic dependency - Bendigo Bank (*continued*)

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.

### 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 (including non-monetary benefits), annual leave, and sick leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating sick leave are recognised 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.

#### *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.

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

#### *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 estimate 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.

# Notes to the financial statements (continued)

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

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### e) Taxes (continued)

#### *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.

#### *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.
- when receivables and payables are stated with the amount of GST included.

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, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### g) Property, plant and equipment

#### *Recognition and measurement*

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

# Notes to the financial statements (continued)

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

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### g) Property, plant and equipment (*continued*)

#### *Subsequent expenditure*

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

#### *Depreciation*

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value 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>
Leasehold improvements	Straight-line	5 to 20 years
Plant and equipment	Straight-line	3 to 10 years
Motor vehicles	Straight-line	3 to 5 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 include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

#### *Recognition and measurement*

Intangible assets acquired separately are measured on initial recognition at cost.

#### *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

#### *Amortisation*

Intangible assets 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.



# Notes to the financial statements (continued)

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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 or one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, leases, equity securities (shares, managed funds, ETFs).

Sub-note i) and j) refer to the following acronyms:

<u>Acronym</u>	<u>Meaning</u>
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

#### *Recognition and initial measurement*

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### *Classification and subsequent measurement*

##### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. The election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### Financial assets - business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

# Notes to the financial statements (continued)

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

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### i) Financial instruments (continued)

#### *Classification and subsequent measurement (continued)*

##### Financial assets - subsequent measurement and gains and losses

- |   |                                    |   |
|---|------------------------------------|---|
| - | Financial assets at FVTPL          | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.  |
| - | Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |

##### Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

#### *Derecognition*

##### Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

##### Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### *Offsetting*

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.

# Notes to the financial statements (continued)

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

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### j) Impairment

#### *Non-derivative financial assets*

The company recognises a loss allowance for ECL on:

- financial assets that are measured at FVTOCI;
- lease receivables;
- loan commitments that are not measured at FVTPL; and
- financial guarantee contracts that are not measured at FVTPL.

Loss allowance is not recognised for:

- financial assets measured at FVTPL; or
- equity instruments measured at FVTOCI.

ECL's 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, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime ECL at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

#### Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The directors have assessed the ECL and noted it is not material.

#### *Non-financial assets*

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

### k) Issued capital

#### *Ordinary shares*

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.

# Notes to the financial statements (continued)

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

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### l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

The company is required to restore the leased premises to its original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

### m) Leases

The company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

#### *Policy applicable from 1 July 2019*

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

#### As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

# Notes to the financial statements (continued)

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

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### m) Leases (continued)

*Policy applicable from 1 July 2019 (continued)*

#### As a lessee (continued)

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the company is reasonably certain to exercise that option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### 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.

A short-term lease is lease that, at commencement date, has a lease term of 12 months or less.

#### As a lessor

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

*Policy applicable before 1 July 2019*

For contracts entered into before 1 July 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

# Notes to the financial statements (continued)

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

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### **m)    Leases (continued)**

*Policy applicable before 1 July 2019 (continued)*

#### As a lessee

In the comparative period, as a lessee the company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

#### As a lessor

The company has not been a party in an arrangement where it is a lessor.

### **n)    Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the company has access at that date. The fair value of a liability reflects its non-performance risk.

The company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The best evidence of the fair value of a financial instrument on initial recognition is the transaction price - i.e. the fair value of the consideration given or received.

### **o)    Standards issued but not yet effective**

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the company's financial statements.

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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.

# Notes to the financial statements (continued)

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## Note 5 Significant accounting judgements, estimates, and assumptions (*continued*)

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### a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

<u>Note</u>	<u>Judgement</u>
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: <ul style="list-style-type: none"><li>- the amount;</li><li>- the lease term;</li><li>- economic environment; and</li><li>- other relevant factors.</li></ul>

### b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 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 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 27 - fair value	determining the fair value less costs to sell of the disposal group on the basis of significant unobservable inputs;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

# Notes to the financial statements (continued)

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**Note 5 Significant accounting judgements, estimates, and assumptions (continued)**

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**c) Measurement of fair values**

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The company recognises transfers between levels of the fair value hierarchy at the end of each reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 27 - financial instruments;

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**Note 6 Financial risk management**

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The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

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 and investments in debt securities.

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank.

**b) Liquidity risk**

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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.

The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.



# Notes to the financial statements (continued)

## Note 6 Financial risk management (continued)

### b) Liquidity risk (continued)

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	Contractual cash flows		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Lease liabilities	487,993	70,108	302,105	214,666
Trade payables	1,267	1,267	-	-
	<u>489,260</u>	<u>71,375</u>	<u>302,105</u>	<u>214,666</u>

30 June 2019

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	Contractual cash flows		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Trade payables	3,894	3,894	-	-
	<u>3,894</u>	<u>3,894</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 primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

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

#### Sensitivity analysis - equity price risk

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX).

	Profit or loss	
	10% increase	10% decrease
30 June 2020:		
Equity securities	10,114	(10,114)
	<u>10,114</u>	<u>(10,114)</u>
	Profit or loss	
	10% increase	10% decrease
30 June 2019:		
Equity securities	13,462	(13,462)
	<u>13,462</u>	<u>(13,462)</u>

# Notes to the financial statements (continued)

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## Note 6 Financial risk management (continued)

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### c) Market risk (continued)

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

Interest-bearing assets 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 \$514,266 at 30 June 2020 (2019: \$437,315). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

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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 2020 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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The company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The company is entitled to a share of the margin earned by Bendigo Bank.

#### *Revenue from contracts with customers*

Revenue:

	2020 \$	2019 \$
- Revenue from contracts with customers	930,610	984,208
	<u>930,610</u>	<u>984,208</u>

#### *Disaggregation of revenue from contracts with customers*

At a point in time:

- Margin income	799,913	849,991
- Fee income	63,673	65,708
- Commission income	67,024	68,509
	<u>930,610</u>	<u>984,208</u>

There was no revenue from contracts with customers recognised over time during the financial year.

# Notes to the financial statements (continued)

## Note 9 Other revenue

The company generated other sources of revenue from dividends and distributions of financial instruments, discretionary contributions received from the franchisor and Cash flow boost income from the Australian Government.

<i>Other revenue</i>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Revenue:		
- Market development fund income	17,500	25,000
- Cash flow boost	10,000	-
- At FVTPL - equity instruments	2,709	4,211
- Other income	522	2,067
	<b>30,731</b>	<b>31,278</b>

## Note 10 Finance income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

<i>Finance income</i>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
At amortised cost:		
- Term deposits	5,299	5,847
At FVTPL:		
- Investments - managed funds	4,886	5,408
	<b>10,185</b>	<b>11,255</b>

## Note 11 Expenses

<b>a) Depreciation and amortisation expense</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	8,965	8,360
- Plant and equipment	4,550	4,367
- Motor vehicles	625	-
	<b>14,140</b>	<b>12,727</b>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	64,245	-
	<b>64,245</b>	<b>-</b>

# Notes to the financial statements (continued)

## Note 11 Expenses (continued)

### a) Depreciation and amortisation expense (continued)

	2020 \$	2019 \$
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,204	2,204
- Franchise renewal process fee	11,018	11,018
	<u>13,222</u>	<u>13,222</u>
Total depreciation and amortisation expense	<u>91,607</u>	<u>25,949</u>

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 4g and 4h).

### b) Finance costs

	Note	2020 \$	2019 \$
<i>Finance costs:</i>			
- Lease interest expense	21a)	24,525	-
- Unwinding of make-good provision		974	-
		<u>25,499</u>	<u>-</u>

Finance costs are recognised as expenses when incurred using the effective interest rate.

### c) Employee benefit expenses

	2020 \$	2019 \$
Wages and salaries	483,672	470,607
Contributions to defined contribution plans	3,684	1,640
Expenses related to long service leave	7,208	6,530
Other expenses	20,539	20,443
	<u>515,103</u>	<u>499,220</u>

### d) Recognition exemption

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	2020 \$	2019 \$
Expenses relating to low-value leases	6,698	-
	<u>6,698</u>	<u>-</u>

Expenses relating to leases exempt from recognition are included in systems costs.

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

# Notes to the financial statements (continued)

## Note 12 Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

a) Amounts recognised in profit or loss	2020 \$	2019 \$
<i>Current tax expense</i>		
- Current tax	28,341	29,400
- Net benefit of franking credits on distributions received	(734)	-
- Movement in deferred tax	1,017	5,556
- Reduction in company tax rate	(511)	-
	<u>28,113</u>	<u>34,956</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a gain of \$511 related to the remeasurement of deferred tax assets and liabilities of the company.

b) <i>Prima facie</i> income tax reconciliation	2020 \$	2019 \$
Operating profit before taxation	114,148	127,113
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	31,391	34,956
Tax effect of:		
- Non-deductible expenses	514	-
- Temporary differences	(1,016)	(5,556)
- Other assessable income	(2,548)	-
- Movement in deferred tax	1,017	5,556
- Net benefit of franking credits on distributions received	(734)	-
- Reduction in company tax rate	(511)	-
	<u>28,113</u>	<u>34,956</u>

## Note 13 Cash and cash equivalents

### a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

	2020 \$	2019 \$
- Cash at bank and on hand	256,610	181,231
- Term deposits	257,656	256,084
	<u>514,266</u>	<u>437,315</u>

## Notes to the financial statements (continued)

### Note 14 Other investments

The company classifies investments as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

a) Current investments	2020 \$	2019 \$
Equity securities - at FVTPL	101,142	134,615
	<u>101,142</u>	<u>134,615</u>

### Note 15 Trade and other receivables

a) Current assets	2020 \$	2019 \$
Trade receivables	37,558	31,917
Prepayments	11,534	8,632
Other receivables and accruals	524	1,800
	<u>49,616</u>	<u>42,349</u>

### Note 16 Property, plant and equipment

a) Carrying amounts	2020 \$	2019 \$
<i>Leasehold improvements</i>		
At cost	169,673	169,673
Less: accumulated depreciation	(123,214)	(114,249)
	<u>46,459</u>	<u>55,424</u>
<i>Plant and equipment</i>		
At cost	136,867	136,867
Less: accumulated depreciation	(121,400)	(116,850)
	<u>15,467</u>	<u>20,017</u>
<i>Motor vehicles</i>		
At cost	30,817	-
Less: accumulated depreciation	(625)	-
	<u>30,192</u>	<u>-</u>
Total written down amount	<u>92,118</u>	<u>75,441</u>

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

## Notes to the financial statements (continued)

### Note 16 Property, plant and equipment (continued)

#### b) Reconciliation of carrying amounts

	2020 \$	2019 \$
<i>Leasehold improvements</i>		
Carrying amount at beginning	55,424	46,953
Additions	-	16,831
Depreciation	(8,965)	(8,360)
Carrying amount at end	46,459	55,424
<i>Plant and equipment</i>		
Carrying amount at beginning	20,017	15,022
Additions	-	9,362
Depreciation	(4,550)	(4,367)
Carrying amount at end	15,467	20,017
<i>Motor vehicles</i>		
Carrying amount at beginning	-	-
Additions	30,817	-
Depreciation	(625)	-
Carrying amount at end	30,192	-
Total written down amount	92,118	75,441

#### c) Changes in estimates

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 17 Right-of-use assets

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

#### a) Carrying amounts

	2020 \$	2019 \$
<i>Leased land and buildings</i>		
At cost	551,440	-
Less: accumulated depreciation	(64,245)	-
Total written down amount	487,195	-

# Notes to the financial statements (continued)

## Note 17 Right-of-use assets (continued)

b) Reconciliation of carrying amounts	Note	2020 \$	2019 \$
<i>Leased land and buildings</i>			
Carrying amount at beginning		-	-
Initial recognition on transition	3d)	551,440	-
Depreciation		(64,245)	-
Total written down amount		<u>487,195</u>	<u>-</u>

## Note 18 Intangible assets

a) Carrying amounts	2020 \$	2019 \$
<i>Franchise fee</i>		
At cost	94,059	94,059
Less: accumulated depreciation	(88,183)	(85,979)
	<u>5,876</u>	<u>8,080</u>
<i>Franchise renewal process fee</i>		
At cost	170,182	170,182
Less: accumulated depreciation	(140,798)	(129,780)
	<u>29,384</u>	<u>40,402</u>
Total written down amount	<u>35,260</u>	<u>48,482</u>
<b>b) Reconciliation of carrying amounts</b>		
<i>Franchise fee</i>		
Carrying amount at beginning	8,080	10,284
Amortisation	(2,204)	(2,204)
Carrying amount at end	<u>5,876</u>	<u>8,080</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	40,402	51,420
Amortisation	(11,018)	(11,018)
Carrying amount at end	<u>29,384</u>	<u>40,402</u>
Total written down amount	<u>35,260</u>	<u>48,482</u>

## c) Changes in estimates

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.



# Notes to the financial statements (continued)

## Note 19 Tax assets and liabilities

### a) Current tax

	2020 \$	2019 \$
Income tax payable	7,197	8,796

### b) Deferred tax

Movement in the company's deferred tax balances for the year ended 30 June 2020:

	30 June 2019	Recognised in profit or loss	30 June 2020
	\$	\$	\$
<i>Deferred tax assets</i>			
- expense accruals	797	(797)	-
- employee provisions	1,937	456	2,393
- make-good provision	-	5,429	5,429
- lease liability	-	126,878	126,878
Total deferred tax assets	2,734	131,966	134,700
<i>Deferred tax liabilities</i>			
- income accruals	495	(383)	112
- fair value of investments	-	595	595
- property, plant and equipment	10,589	5,590	16,179
- right-of-use assets	-	126,671	126,671
Total deferred tax liabilities	11,084	132,473	143,557
Net deferred tax assets (liabilities)	(8,350)	(507)	(8,857)

Movement in the company's deferred tax balances for the year ended 30 June 2019:

	30 June 2018	Recognised in profit or loss	30 June 2019
	\$	\$	\$
<i>Deferred tax assets</i>			
- expense accruals	810	(13)	797
- employee provisions	2,033	(96)	1,937
Total deferred tax assets	2,843	(109)	2,734
<i>Deferred tax liabilities</i>			
- income accruals	684	(189)	495
- property, plant and equipment	4,954	5,635	10,589
Total deferred tax liabilities	5,638	5,446	11,084
Net deferred tax assets (liabilities)	(2,795)	(5,555)	(8,350)

## Notes to the financial statements (continued)

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### Note 19 Tax assets and liabilities (continued)

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#### c) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

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### Note 20 Trade creditors and other payables

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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	2020 \$	2019 \$
Trade creditors	1,267	3,894
Other creditors and accruals	26,923	21,767
	<u>28,190</u>	<u>25,661</u>
b) Non-current liabilities		
Other creditors and accruals	15,109	30,218
	<u>15,109</u>	<u>30,218</u>

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### Note 21 Lease liabilities

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Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The company has applied judgement in estimating the remaining lease term including the effects of any extension or termination options reasonably expected to be exercised, applying hindsight where appropriate.

#### *Lease portfolio*

The company's lease portfolio includes:

- Tugun Branch                      The current lease agreement was renewed for 5 years in February 2018. The lease has one further five year extension options available. The company is reasonably certain to exercise the final five-year lease term.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

# Notes to the financial statements (continued)

## Note 21 Lease liabilities (continued)

### a) Lease liability measurement

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

<i>Lease liabilities on transition</i>	<b>Note</b>	<b>2020</b> <b>\$</b>	<b>2019</b> <b>\$</b>
Balance at the beginning (finance lease liabilities)		-	-
Initial recognition on AASB 16 transition	3d)	531,535	-
Lease payments - interest		24,525	-
Lease payments		(68,067)	-
		<u>487,993</u>	<u>-</u>

### b) Current lease liabilities

Property lease liabilities	70,108	-
Unexpired interest	(22,347)	-
	<u>47,761</u>	<u>-</u>

### c) Non-current lease liabilities

Property lease liabilities	516,771	-
Unexpired interest	(76,539)	-
	<u>440,232</u>	<u>-</u>

### d) Maturity analysis

- Not later than 12 months	70,108	-
- Between 12 months and 5 years	302,105	-
- Greater than 5 years	214,666	-
Total undiscounted lease payments	<u>586,879</u>	<u>-</u>
Unexpired interest	(98,886)	-
Present value of lease liabilities	<u>487,993</u>	<u>-</u>

### e) Impact on the current reporting period

During the financial year, the company has mandatorily adopted AASB 16 for the measurement and recognition of its leases. The primary impact on the profit or loss is that lease payments are split between interest and principal payments and the right-of-use asset depreciates. This is in contrast to the comparative reporting period where lease payments under AASB 117 were expensed as incurred. The following note presents the impact on the profit or loss for the current reporting period.

## Notes to the financial statements (continued)

### Note 21 Lease liabilities (continued)

#### e) Impact on the current reporting period (continued)

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of \$15,716.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	68,066	(68,066)	-
- Depreciation and amortisation expense	-	64,245	64,245
- Finance costs	-	25,499	25,499
Increase in expenses - before tax	68,066	21,678	89,744
- Income tax expense / (credit) - current	(18,718)	18,718	-
- Income tax expense / (credit) - deferred	-	(24,680)	(24,680)
Increase in expenses - after tax	49,348	15,716	65,064

### Note 22 Provisions

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

#### a) Non-current liabilities

	2020 \$	2019 \$
Make-good on leased premises	20,879	-
	20,879	-

#### b) Make-good provision

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term.

The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process.

Provision	Note	2020 \$	2019 \$
Balance at the beginning		-	-
Present value unwinding		974	-
Provision remeasurements	3d)	19,905	-
		20,879	-

#### c) Changes in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts.

The lease is due to expire on 31 January 2028 at which time it is expected the face-value costs to restore the premises will fall due.

# Notes to the financial statements (continued)

## Note 23 Employee benefits

a) Current liabilities	2020 \$	2019 \$
Provision for annual leave	3,435	1,832
Provision for long service leave	5,770	5,213
	<u>9,205</u>	<u>7,045</u>

## b) Key judgement and assumptions

### Employee attrition rates

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

## Note 24 Issued capital

a) Issued capital	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	600,000	600,000	600,000	600,000
	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>

## 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).

# Notes to the financial statements (continued)

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## Note 24 Issued capital (continued)

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

#### 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.

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 25 Retained earnings

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	Note	2020 \$	2019 \$
Balance at beginning of reporting period		58,132	7,975
Net profit after tax from ordinary activities		86,035	92,157
Dividends provided for or paid	30a)	(42,000)	(42,000)
Balance at end of reporting period		<u>102,167</u>	<u>58,132</u>

# Notes to the financial statements (continued)

## Note 26 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	86,035	92,157
Adjustments for:		
- Depreciation	78,385	12,727
- Amortisation	13,222	13,222
- (Increase)/decrease in fair value of equity instruments designated at FVTPL	2,709	(4,211)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(7,267)	10,940
- (Increase)/decrease in other assets	-	2,762
- Increase/(decrease) in trade and other payables	1,155	(29,158)
- Increase/(decrease) in employee benefits	2,159	(349)
- Increase/(decrease) in provisions	975	-
- Increase/(decrease) in tax liabilities	(1,093)	14,351
Net cash flows provided by operating activities	<u>176,280</u>	<u>112,441</u>

## Note 27 Financial instruments - fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. 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.

*Accounting classifications and fair values for the year ended 30 June 2020:*

		Carrying amount			Fair value		
	Note	FVTPL	At amortised cost	Total	Level 1	Level 2	Total
<b>Financial assets measured at fair value:</b>							
Equity securities	14	101,142	-	101,142	101,142	-	101,142
		<u>101,142</u>	<u>-</u>	<u>101,142</u>	<u>101,142</u>	<u>-</u>	<u>101,142</u>
<b>Financial assets not measured at fair value:</b>							
Trade and other receivables	15	-	37,558	37,573	-	-	-
Cash and cash	13	-	256,610	256,623	-	-	-
Term deposits	14	-	257,656	257,670	-	-	-
		<u>-</u>	<u>551,824</u>	<u>551,866</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value:</b>							
Trade and other payables	20	-	1,267	1,287	-	-	-
		<u>-</u>	<u>1,267</u>	<u>1,287</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Notes to the financial statements (continued)

## Note 27 Financial instruments - fair value (continued)

Accounting classifications and fair values for the year ended 30 June 2019:

		Carrying amount			Fair value		
	Note	FVTPL	At amortised cost	Total	Level 1	Level 2	Total
Financial assets measured at fair value:							
Equity securities	14	134,615	-	134,629	134,615	-	134,615
		134,615	-	134,629	134,615	-	134,615
Financial assets not measured at fair value:							
Trade and other receivables	15	-	31,917	31,932	-	-	-
Cash and cash	13	-	181,231	181,244	-	-	-
Term deposits	14	-	256,084	256,098	-	-	-
		-	469,232	469,274	-	-	-
Financial liabilities not measured at fair value:							
Trade and other payables	20	-	3,894	3,914	-	-	-
		-	3,894	3,914	-	-	-

Valuation techniques and significant unobservable inputs

There were no Level 2 or Level 3 classifications held during the relevant financial years.

Transfers between Levels 1 and 2

There were no transfers between Level 1 and Level 2 during the financial year. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the financial year.

## Note 28 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.	2020 \$	2019 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	4,800	4,600
	<u>4,800</u>	<u>4,600</u>
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	3,735	2,685
- Share registry services	3,163	3,233
- Valuation services	1,250	-
	<u>8,748</u>	<u>6,518</u>
Total auditor's remuneration	<u>13,548</u>	<u>11,118</u>



# Notes to the financial statements (continued)

## Note 29 Related parties

### a) Details of key management personnel

The directors of the company during the financial year were:

Lisa Kathleen Fitz Gerald  
Cameron Kenneth Window  
Robert William Marshall  
Kelly Marie Sawden  
Colin Raymond Woodward  
Norbert Anthony Benton  
Christopher John Crawford  
Peter Anthony Dirkx  
Sean David Powell

### 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.

### c) Related party transactions

No director or related entity has entered into a material contract with the company.

## Note 30 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 cash flows and statement of changes in equity.

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Fully franked dividend	7.00	42,000	7.00	42,000
Total dividends paid during the financial year	7.00	42,000	7.00	42,000

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

### b) Franking account balance

	2020 \$	2019 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	92,985	91,073
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	27,277	30,164
- Franking credits(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	1,928	(12,321)
- Franking credits from franked distributions received	734	-
- Franking debits from the payment of franked distributions	(15,931)	(15,931)
Franking account balance at the end of the financial year	106,993	92,985
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	7,197	8,796
Franking credits available for future reporting periods	114,190	101,781

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

## Notes to the financial statements (continued)

### Note 31 Earnings per share

#### 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.

	2020 \$	2019 \$
Profit attributable to ordinary shareholders	86,035	92,157
	Number	Number
Weighted-average number of ordinary shares	600,000	600,000
	Cents	Cents
Basic and diluted earnings per share	14.34	15

### Note 32 Commitments

#### a) Lease commitments

Following adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can now be found in 'Lease liabilities' (Note 21).

	2020 \$	2019 \$
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	67,226
- between 12 months and 5 years	-	179,269
Minimum lease payments payable	-	246,495

#### b) Other commitments

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

### Note 33 Contingencies

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

### Note 34 Subsequent events

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.

# Directors' declaration

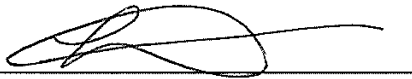
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In accordance with a resolution of the directors of Tugun & District Finances Limited, we state that:

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 2020 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.



Lisa Kathleen Fitz Gerald, Chair

Dated this 28th day of September 2020

# Independent audit report

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Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
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## Independent auditor's report to the members of Tugun & District Finances Limited

### Report on the audit of the financial report

#### Our opinion

In our opinion, the accompanying financial report of Tugun & District Finances 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 2020 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### What we have audited

Tugun & District Finances Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Statement of financial position
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the company.

#### 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.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. 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.

#### **Directors' responsibility 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 responsibility 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.

**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 28 September 2020

**Joshua Griffin**  
Lead Auditor

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 /TugunCommunityBankBranch

