Tugun & District Finances Limited

ABN 57 102 056 306

2021 Annual Report

Community Bank · Tugun

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Chair's report

For year ending 30 June 2021

Our active community funding programs and business outreach initiatives are creating business opportunities for our branch which in turn allows us to continue to support our community.

I am pleased to present the Chair's report for the year ending 30 June 2021.

The extraordinary challenges that COVID-19 has presented to our company and the operations of Community Bank Tugun have meant that the ability to be flexible, patient and focused is truly tested on a daily, weekly and monthly basis. We all hope for a safe and vibrant emergence from this claustrophobic environment and have faith that as a community we will prosper doing what we do best, lean in together.

During these challenging times, as a company, we have continued to focus on connecting our community and we have achieved this with the Community Sponsorship Program, Scholarship Program and our business networking events. All of these initiatives have provided the opportunity to connect and collaborate with local members of our community. Our active community funding programs and business outreach initiatives are creating business opportunities for our branch which in turn allows us to continue to support our community.

Our Community Sponsorship Program provided 23 organisations, schools and clubs with funding to support their projects and initiatives. The applications were for a variety of categories and purposes and have resulted in many positive outcomes.

Another benefit that was evident from these projects is the far reaching impact of these actions, otherwise known as the ripple effect. As an example, funding that was provided to a community garden to purchase gardening equipment allowed the 25 volunteer members to participate, learn and enjoy gardening.

What we also know is the produce from the garden is donated to an organisation to help feed those less fortunate. The freshly grown vegetables help create over 7,000 meals annually. Now that is a ripple effect!

Although we will never fully realise the total impact of the ripple effect, we can take comfort in the knowledge that someone in need is enjoying a meal today, someone who is struggling to cope has a smile on their face, someone who is elderly and lonely can enjoy interaction with others and someone experiencing social and financial challenges can pursue tertiary studies.

And how is all this achieved? By simply banking with Community Bank Tugun. A portion of the profits generated from our customers' banking business is redirected to support our community. The more banking support we gain from the community, the more we can support our community. It's as simple as that.

If you would like to consider Community Bank Tugun as your banking alternative, our staff ably led by our Branch Manager Allan Merlehan will be more than happy to assist by phone or by dropping into the branch.

In conclusion, I would like to take the opportunity to thank our shareholders for their ongoing support and the southern beaches community for banking with us, supporting us and asking for help when needed. Yes, thank you for asking for help as this reflects the esteem and trust in which you hold us. We do not say no lightly and we give where and when we can. When we can’t give money, we activate our greatest power which is to connect our community.

Thank you to our Branch Manager Allan Merlehan and Team Tugun. Yes, they get paid but you can’t buy the commitment and care that our branch team have shown over the past 20 months. Allan has led his team with clear focus, skill and compassion and has full support from the Board.

A very special thank you to Maris Dirkx, Executive Assistant to the Board, whose dedication and skill at keeping us organised and connected, is beyond par.

Thank you to our skilled, passionate Board and Committee members. Good governance is our foundation, giving back is our mission.

Lisa Fitz Gerald
Co-chair

Manager's report

For year ending 30 June 2021

We look forward to another successful year ahead and 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.

I don't know where to start to describe the year that was.

COVID-19 continued to provide ongoing challenges locally and throughout Australia.

The property market locally has risen to levels not seen since 1989, which has provided opportunities for locals to sell and downsize with some healthy equity left over. We have also seen lending opportunities as new people move to the area.

Bendigo Bank Elanora closed in August 2020, which provided an opportunity for us to acquire more customers.

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

A few positive highlights for the year include;

- Customers have increased 56% and we now have 4,883 customers
- Total Business increased $96.2 million, with $56 million coming in from Elanora, growth of $40 million for the year is outstanding, against a Budget $5 million
- Lending Approval $25 million, up $5 million on the previous year.
- Profit (before Tax, Sponsorships, Marketing and Donations) $212,008 against a Budget $128,000
- Our growing Scholarship Program providing $31,000 to support seven local students with the successful completion of their Tertiary Studies
- The progress of the Virtual Youth Hub.

Community Bank Tugun provided sponsorships and donations of $117,081 in the last 12 months to the following worthwhile local community groups;

Alley Board Riders	Hubble GC Inc.
C3 Church Currumbin Community Services	Palm Beach Cricket Club
Cooee GC	PBC State High School
Currumbin Alleygators	Shout Out fest
Currumbin Happy Group	Somerset Storyfest on the Road
Currumbin Tennis Club	SWELL Sculpture Festival
Currumbin Vikings Surf Life Saving Club	Tugun Lights Up
Currumbin Wildlife Hospital	Tugun Nippers

Dragons Abreast	Tugun Progress Association
Elanora State High School	Tugun Surf Life Saving Club
Gold Coast United Football Club	Youth Music Venture
Heal.ed Tribe	

I would like to take this opportunity to thank the Board of Directors, the Community Engagement Committee, the Finance 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 for the Board and our branch to coordinate our marketing and sponsorship events throughout the year.

It's been a while since we have had any personnel changes and over the last 12 months we have seen several changes.

- Renae Woods has changed careers and moved into a Marketing role. Renae has been a shining light at our branch over more than five years and her positive energy and can-do attitude will be missed. We wish Renae, Ryan, Miller and the family all the best for the future.
- Bronwyn Mullens has recently announced her retirement as of 4 August 2021. Bronwyn has been with us since we opened in 2003 and her local knowledge and passion for helping our customers will be sorely missed. We wish Bronny and Mick all the best in the next chapter of their lives.
- Cameron McDonald has moved on to another financial institution after more than five years with Community Bank Tugun. Cameron has learned many lessons in that time and his knowledge will be missed. We wish Cameron and Hayley all the best for the future.
- Dorri Janusz has joined Team Tugun as a part-time Customer Service Officer and has previously worked with Bendigo Bank on the Gold Coast. Dorri has become a valued member of the team in a short period of time.
- Taylah Woodward has joined Team Tugun as a part-time Customer Service Officer and is new to banking. Taylah's enthusiasm and willingness to have a go is greatly appreciated.

Finally, I would like to thank the staff at Community Bank 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 was helped the success of our sponsorship/grant programs.

We look forward to another successful year ahead and 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 branch, at a safe distance of course.

Allan Merlehan
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2021

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

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

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

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

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

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

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

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

Collin Brady
Head of Community Development

Directors' report

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

Directors

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

Lisa Kathleen Fitz Gerald
Co-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
Co-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 Risk & Audit 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 Risk & Audit 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 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 Risk & Audit Committee
Interest in shares: 1,000 ordinary shares

Directors *(continued)*

Norbert Anthony Benton
Non-executive director
Occupation: Environment Manager
Qualifications, experience and expertise: Almost twenty years professional experience in environmental management and sustainability including over fifteen years in his current role as Environment Manager at Gold Coast Airport. Through his professional career and having completed a Bachelor of Science at Central Queensland university has equipped Norbert 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 industry, government agencies and community groups.
Special responsibilities: Finance Risk & Audit Committee
Interest in shares: nil share interest held

Peter Anthony Dirkx
Deputy Chair
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 to a Gold Coast Arts & Cultural organisation that provide visual and performing arts, cultural performances and programs, entertainment and hospitality services.
Special responsibilities: Consultant to both the Finance Risk & Audit Committee and Community Engagement Committee
Interest in shares: 1,000 ordinary shares

Sean David Powell
Non-executive director (appointed 29 July 2020)
Occupation: Solicitor
Qualifications, experience and expertise: Sean is a Solicitor - Wills and estates; estate Iitigation; commercial Iitigation. Previously working as Solicitor - Property & commercial; wills and estates; family Iaw; Iitigation. 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

Heidi Belinda Wallace
Non-executive director (appointed 27 January 2021)
Occupation: Marketing and Communications, PBC SHS
Qualifications, experience and expertise: Heidi has a Diploma of Marketing Management with 25 years of experiance in the field. Her current roles include Marketing and Communications for Palm Beach Currumbin SHS and PBC Alliance (five years), Power Super Foods Murwillumbah (two years), BrandPoint Ashmore (one year), Marketing & Administration Manager for Wallace Homes Tweed Heads (ten years), and Product Manager for Trimex Pty Ltd Rosebery. Heidi also has experience in community organisations including one year CEC Committee with Tugun & District Finances Ltd, two years with Tweed Netball Committee, and two years with St James Primary Banora Point Committee.
Special responsibilities: Nil
Interest in shares: nil share interest held

Directors *(continued)*

Christopher John Crawford
Non-executive director (resigned 24 November 2020)
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: Nil
Interest in shares: 5,000 ordinary shares

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

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

Company Secretary

The company secretary is 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 2021 $	Year ended 30 June 2020 $
65,053	86,035

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	-	-	-
Peter Anthony Dirkx	-	1,000	1,000
Sean David Powell	-	-	-
Heidi Belinda Wallace	-	-	-
Christopher John Crawford	5,000	-	5,000

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	42,000

Significant changes in the state of affairs

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

On 21 August the company acquired from the closed Bendigo Bank corporate branch at Elanora the rights in relation to the income stream from its loans, deposits and other revenue generating business. The purchase price was for $350,000 (exc. GST) and has been paid by the company using cash.

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.

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		Committee Meetings			
			Finance Risk & Audit		Community Engagement	
	Eligible	*Attended*	*Eligible*	*Attended*	*Eligible*	*Attended*
Lisa Kathleen Fitz Gerald	11	7	-	-	8	6
Cameron Kenneth Window	11	6	-	-	-	-
Robert William Marshall	11	11	10	9	-	-
Kelly Marie Sawden	11	11	10	8	-	-
Colin Raymond Woodward	11	9	10	9	-	-
Norbert Anthony Benton*	4	4	4	3	-	-
Peter Anthony Dirkx	11	11	-	-	-	-
Sean David Powell	11	8	10	5	-	-
Heidi Belinda Wallace	5	5	-	-	7	5
Christopher John Crawford	5	2	-	-	-	-

**Leave of absence between July 2020 and February 2021*

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 29 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 Risk & Audit 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 Risk & Audit 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 13.

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

Lisa Kathleen Fitz Gerald, Chair

Dated this 29th day of September 2021

Auditor's independence declaration

61 Bull Street
Bendigo VIC 3550
afs@afsbendigo.com.au
03 5443 0344

Independent 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 2021, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 29 September 2021

Adrian Downing
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	9	1,119,147	930,610
Other revenue	10	17,842	30,731
Finance income	11	3,066	10,185
Employee benefit expenses	12c)	(602,900)	(515,103)
Charitable donations, sponsorship, advertising and promotion		(117,081)	(69,259)
Occupancy and associated costs		(24,603)	(22,825)
Systems costs		(22,418)	(20,044)
Depreciation and amortisation expense	12a)	(123,780)	(91,607)
Finance costs	12b)	(23,370)	(25,499)
General administration expenses		(130,976)	(113,041)
Profit before income tax expense		94,927	114,148
Income tax expense	13a)	(29,874)	(28,113)
Profit after income tax expense		65,053	86,035
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		65,053	86,035
Earnings per share		¢	¢
- Basic and diluted earnings per share:	32a)	10.84	14.34

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	14	278,234	514,266
Trade and other receivables	16a)	55,093	49,616
Other investments	15a)	77,109	101,142
Total current assets		410,436	665,024
Non-current assets			
Property, plant and equipment	17a)	73,090	92,118
Right-of-use assets	18a)	422,950	487,195
Intangible assets	19a)	344,753	35,260
Total non-current assets		840,793	614,573
Total assets		1,251,229	1,279,597
LIABILITIES			
Current liabilities			
Trade and other payables	21a)	43,868	37,281
Current tax liabilities	20a)	18,455	7,197
Lease liabilities	22a)	52,249	47,761
Employee benefits	24a)	9,944	9,205
Total current liabilities		124,516	101,444
Non-current liabilities			
Trade and other payables	21b)	-	15,109
Lease liabilities	22b)	387,983	440,232
Provisions	23a)	21,902	20,879
Deferred tax liability	20b)	699	8,857
Total non-current liabilities		410,584	485,077
Total liabilities		535,100	586,521
Net assets		716,129	693,076
EQUITY			
Issued capital	25a)	600,000	600,000
Retained earnings	26	116,129	93,076
Total equity		716,129	693,076

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the year ended 30 June 2021

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2019		600,000	58,132	658,132
Total comprehensive income for the year		-	86,035	86,035
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	31a)	-	(42,000)	(42,000)
Balance at 30 June 2020		600,000	102,167	702,167
Balance at 1 July 2020		600,000	102,167	702,167
Impact of restatement	8		(9,091)	(9,091)
Restated balance at 1 July 2020		600,000	93,076	693,076
Total comprehensive income for the year		-	65,053	65,053
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	31a)	-	(42,000)	(42,000)
Balance at 30 June 2021		600,000	116,129	716,129

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		1,244,029	1,055,540
Payments to suppliers and employees		(1,003,044)	(827,106)
Interest received		3,494	8,274
Lease payments (interest component)	12b)	(22,347)	(24,525)
Lease payments not included in the measurement of lease liabilities	12d)	(7,895)	(6,698)
Income taxes paid		(26,772)	(29,205)
Net cash provided by operating activities	27	187,465	176,280
Cash flows from investing activities			
Payments for property, plant and equipment		-	(30,817)
Payments for intangible assets		(363,736)	(13,735)
Proceeds from sale of investments		30,000	30,765
Net cash used in investing activities		(333,736)	(13,787)
Cash flows from financing activities			
Lease payments (principal component)		(47,761)	(43,542)
Dividends paid	31a)	(42,000)	(42,000)
Net cash used in financing activities		(89,761)	(85,542)
Net cash increase/(decrease) in cash held		(236,032)	76,951
Cash and cash equivalents at the beginning of the financial year		514,266	437,315
Cash and cash equivalents at the end of the financial year	14	278,234	514,266

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2021

Note 1 Reporting entity

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	Shop 1 to 3
39 Wharf Street	482 Golden Four Drive
Tweed Heads South NSW 2485	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 30.

Note 2 Basis of preparation and statement of compliance

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 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 2021 were authorised for issue in accordance with a resolution of the directors on 29 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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:

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

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

Revenue	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

Fee income

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

Core banking products

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

Ability to change financial return

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

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service.

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

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

Ability to change financial return (continued)

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

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

Discretionary financial contributions

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

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and grants. It is for the board to decide how to use the MDF.

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

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

d) Employee benefits *(continued)*

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

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

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line method over their estimated useful lives, and is recognised in profit or loss.

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

Asset class	Method	Useful life
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 relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

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

The franchise fees paid by the company and domiciled customer accounts acquired 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:

Asset class	Method	Useful life
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Domiciled customer accounts	Straight-line	11 years

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade and other debtors and creditors, cash and cash equivalents, lease liabilities and equity securities (shares, managed funds, ETFs).

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

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

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

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

j) Impairment

Non-derivative financial assets

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

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

Non-financial assets

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

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

k) Issued capital

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

l) 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.

m) Leases

At inception of a contract, the company assesses whether a contract contains or is 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 and obtain substantially all the economic benefits from the use of that asset.

As a lessee

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 company's incremental borrowing rate.

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 fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

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

m) Leases *(continued)*

As a lessee (continued)

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.

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.

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.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 a lease that, at commencement date, has a lease term of 12 months or less.

n) Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are based on the quoted market price at the close of business at the end of the reporting period.
- Level 2 inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3 inputs are unobservable inputs for the asset or liability.

Note 5 Significant accounting judgements, estimates, and assumptions

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.

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

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:

Note	Judgement
- Note 22 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to control the use of the identified asset for a period of time in exchange for consideration and obtain substantially all the economic
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 the amount, the lease term, economic environment and other relevant factors.

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 20 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 28 - fair value	determining the fair value less costs to sell of the disposal group on the basis of quoted market price at the close of business at the end of the reporting period;
- Note 17 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 24 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 23 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement.

Note 6 Financial risk management

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

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

a) Credit risk

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

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

Note 6 Financial risk management *(continued)*

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.

Exposure to liquidity risk

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

30 June 2021

Non-derivative financial liability	Carrying amount	Contractual cash flows Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	440,232	72,211	311,167	133,392
Trade and other payables	43,868	43,868	-	-
	484,100	116,079	311,167	133,392

30 June 2020

Non-derivative financial liability	Carrying amount	Contractual cash flows Not later than 12 months	Between 12 months and five years	Greater than five years
Lease liabilities	487,993	70,108	302,105	214,666
Trade and other payables	52,390	37,281	15,109	-
	540,383	107,389	317,214	214,666

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.

Note 6 Financial risk management *(continued)*

c) Market risk *(continued)*

Sensitivity analysis - equity price risk

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX).Changes in equity securities value is recognise through profit or loss.

	2021 $		2020 $	
	10% increase	10% decrease	10% increase	10% decrease
Equity securities	7,711	(7,711)	10,114	(10,114)

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of $278,234 at 30 June 2021 (2020: $514,266). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

(a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 8 Correction of error

During the period it was identified an accrued sponsorship expense liability had not been recorded for the year ending 30 June 2020, resulting in prior period liabilities and expenses being understated. The comparative figures have been adjusted to correct this.

The following table summaries the impacts on the financial statements:

	As previously reported $	Adjustment $	As restated $
30 June 2020			
Statement of Financial Position (extract)			
LIABILITIES			
Current liabilities			
Trade and other payables	(28,190)	(9,091)	(37,281)
TOTAL LIABILITIES	(577,430)	(9,091)	(586,521)
NET ASSETS	702,167	(9,091)	693,076
TOTAL EQUITY	702,167	(9,091)	693,076

Retained earnings has been adjusted by the accrued expense amount as at 30 June 2020 as shown in the statement of Changes in Equity.

Note 9 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	969,122	799,913
- Fee income	74,222	63,673
- Commission income	75,803	67,024
	1,119,147	930,610

Note 10 Other revenue

	2021 $	2020 $
- Market development fund income	1,875	17,500
- Cash flow boost	10,000	10,000
- Fair value gains on investments	5,967	2,709
- Other income	-	522
	17,842	30,731

Note 11 Finance income

	2021 $	2020 $
- Term deposits	521	-
- Investments	2,545	10,185
	3,066	10,185

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

Note 12 Expenses

a) Depreciation and amortisation expense

	2021 $	2020 $
Depreciation of non-current assets:		
- Leasehold improvements	8,577	8,965
- Plant and equipment	4,288	4,550
- Motor vehicles	6,163	625
	19,028	14,140
Depreciation of right-of-use assets		
- Leased land and buildings	64,245	64,245
Amortisation of intangible assets:		
- Franchise fee	2,204	2,204
- Franchise renewal process fee	11,018	11,018
- Domiciled customer accounts	27,285	-
	40,507	13,222
Total depreciation and amortisation expense	123,780	91,607

b) Finance costs

	2021 $	2020 $
- Lease interest expense	22,347	24,525
- Unwinding of make-good provision	1,023	974
	23,370	25,499

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

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	543,209	483,672
Contributions to defined contribution plans	2,523	3,684
Expenses related to long service leave	12,486	7,208
Other expenses	44,682	20,539
	602,900	515,103

d) Recognition exemption

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

	2021 $	2020 $
Expenses relating to low-value leases	7,895	6,698

Note 13 Income tax expense

a) Amounts recognised in profit or loss	2021 $	2020 $
Current tax expense		
- Current tax	38,634	28,341
- Net benefit of franking credits on distributions received	(605)	(734)
- Movement in deferred tax	(8,127)	1,017
- Reduction in company tax rate	(28)	(511)
	29,874	28,113

b) *Prima facie* income tax reconciliation

Operating profit before taxation	94,927	114,148
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	24,681	31,391
Tax effect of:		
- Non-deductible expenses	8,269	514
- Temporary differences	8,127	(1,016)
- Other assessable income	(2,443)	(2,548)
- Movement in deferred tax	(8,127)	1,017
- Net benefit of franking credits on distributions received	(605)	(734)
- Reduction in company tax rate	(28)	(511)
	29,874	28,113

Note 14 Cash and cash equivalents

	2021 $	2020 $
- Cash at bank and on hand	227,285	256,610
- Term deposits	50,949	257,656
	278,234	514,266

Note 15 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	2021 $	2020 $
Equity securities - at FVTPL	77,109	101,142

Note 16 Trade and other receivables

a) Current assets	2021 $	2020 $
Trade receivables	46,089	37,558
Prepayments	9,003	11,534
Other receivables and accruals	1	524
	55,093	49,616

Note 17 Property, plant and equipment

a) Carrying amounts

	2021 $	2020 $
Leasehold improvements		
At cost	169,673	169,673
Less: accumulated depreciation	(131,791)	(123,214)
	37,882	46,459
Plant and equipment		
At cost	136,867	136,867
Less: accumulated depreciation	(125,688)	(121,400)
	11,179	15,467
Motor vehicles		
At cost	30,817	30,817
Less: accumulated depreciation	(6,788)	(625)
	24,029	30,192
Total written down amount	73,090	92,118

b) Reconciliation of carrying amounts

	2021 $	2020 $
Leasehold improvements		
Carrying amount at beginning	46,459	55,424
Depreciation	(8,577)	(8,965)
	37,882	46,459
Plant and equipment		
Carrying amount at beginning	15,467	20,017
Depreciation	(4,288)	(4,550)
	11,179	15,467
Motor vehicles		
Carrying amount at beginning	30,192	-
Additions	-	30,817
Depreciation	(6,163)	(625)
	24,029	30,192
Total written down amount	73,090	92,118

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 18 Right-of-use assets

a) Carrying amounts	2021 $	2020 $
Leased land and buildings		
At cost	551,440	551,440
Less: accumulated depreciation	(128,490)	(64,245)
Total written down amount	422,950	487,195

b) Reconciliation of carrying amounts		
Leased land and buildings		
Carrying amount at beginning	487,195	-
Initial recognition on transition	-	551,440
Depreciation	(64,245)	(64,245)
Total written down amount	422,950	487,195

Note 19 Intangible assets

a) Carrying amounts	2021 $	2020 $
Franchise fee		
At cost	94,059	94,059
Less: accumulated depreciation	(90,387)	(88,183)
	3,672	5,876
Franchise renewal process fee		
At cost	170,182	170,182
Less: accumulated depreciation	(151,816)	(140,798)
	18,366	29,384
Cash-generating unit - domiciled accounts		
At cost	350,000	-
Less: accumulated amortisation	(27,285)	-
	322,715	-
Total written down amount	344,753	35,260

b) Reconciliation of carrying amounts		
Franchise fee		
Carrying amount at beginning	5,876	8,080
Amortisation	(2,204)	(2,204)
	3,672	5,876
Franchise renewal process fee		
Carrying amount at beginning	29,384	40,402
Amortisation	(11,018)	(11,018)
	18,366	29,384

Note 19 Intangible assets *(continued)*

b) Reconciliation of carrying amounts *(continued)*

	2021 $	2020 $
Cash-generating unit - domiciled accounts		
Additions	350,000	-
Amortisation	(27,285)	-
	322,715	-
Total written down amount	344,753	35,260

On 21 August the company purchased a portion of the book from the closed Bendigo Bank corporate branch at Elanora, which includes the rights in relation to the income stream from its loans and deposits. The purchase price was for $350,000 (exc. GST) and has been paid by the company using cash.

c) Changes in estimates

During the financial year, the company assessed estimates used for intangible assets including useful lives, residual values, and amortisation methods.

The company has assessed the useful life of its cash-generating unit for business domiciled from Bendigo Bank to the company based on information from Bendigo Bank relating to the customer product life cycle.

The company has determined the intangible asset has a finite useful life from aquisition to 30 June 2032.

The financial effect of the assessment, assuming the assets are held until the end of their useful lives and no other impairment indicators are present, on actual and expected amortisation expense was as follows:

	2021 $	2022 $	2023 $	2024 $	2025-32 $
Increase in amortisation expense	27,285	31,818	31,818	31,818	227,261

Note 20 Tax assets and liabilities

a) Current tax

	2021 $	2020 $
Income tax payable	18,455	7,197

b) Deferred tax

	2021 $	2020 $
Deferred tax assets		
- employee provisions	2,486	2,393
- make-good provision	5,476	5,429
- lease liability	110,058	126,878
Total deferred tax assets	118,020	134,700
Deferred tax liabilities		
- income accruals	-	112
- fair value of investments	426	595
- property, plant and equipment	12,556	16,179
- right-of-use assets	105,737	126,671
Total deferred tax liabilities	118,719	143,557
Net deferred tax assets (liabilities)	(699)	(8,857)
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(8,158)	(507)

Note 21 Trade creditors and other payables

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

a) Current liabilities	2021 $	2020 $
Trade creditors	2,495	1,267
Other creditors and accruals	41,373	36,014
	43,868	37,281

b) Non-current liabilities		
Other creditors and accruals	-	15,109

Note 22 Lease liabilities

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

The company's lease portfolio includes:

- Tugun Branch — A 5 year renewal option was exercised in February 2018. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is February 2028.

a) Current lease liabilities	2021 $	2020 $
Property lease liabilities	72,211	70,108
Unexpired interest	(19,962)	(22,347)
	52,249	47,761
b) Non-current lease liabilities		
Property lease liabilities	444,559	516,771
Unexpired interest	(56,576)	(76,539)
	387,983	440,232
c) Reconciliation of lease liabilities		
Balance at the beginning	487,993	-
Initial recognition on AASB 16 transition	-	531,535
Lease payments - interest	22,347	24,525
Lease payments - total cash outflow	(70,108)	(68,067)
	440,232	487,993

Note 22 Lease liabilities *(continued)*

d) Maturity analysis

	2021 $	2020 $
- Not later than 12 months	72,211	70,108
- Between 12 months and 5 years	311,167	302,105
- Greater than 5 years	133,392	214,666
Total undiscounted lease payments	516,770	586,879
Unexpired interest	(76,538)	(98,886)
Present value of lease liabilities	440,232	487,993

Note 23 Provisions

a) Non-current liabilities

	2021 $	2020 $
Make-good on leased premises	21,902	20,879

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision as at $30,000 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. 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.

Note 24 Employee benefits

a) Current liabilities

	2021 $	2020 $
Provision for annual leave	3,320	3,435
Provision for long service leave	6,624	5,770
	9,944	9,205

b) Key judgement and assumptions

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 25 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	600,000	600,000	600,000	600,000

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.

Note 25 Issued capital *(continued)*

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

Ordinary shares (continued)

Voting rights (*continued)*

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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.

Note 26 Retained earnings

	Note	2021 $	2020 $
Balance at beginning of reporting period		93,076	58,132
Net profit after tax from ordinary activities		65,053	86,035
Impact of restatement	8	-	(9,091)
Dividends provided for or paid	31a)	(42,000)	(42,000)
Balance at end of reporting period		116,129	93,076

Note 27 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net profit after tax from ordinary activities	65,053	86,035
Adjustments for:		
- Depreciation	83,273	78,385
- Amortisation	40,507	13,222
- (Increase)/decrease in fair value of equity instruments designated at FVTPL	(5,967)	2,709
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(5,477)	(7,267)
- Increase/(decrease) in trade and other payables	5,212	1,155
- Increase/(decrease) in employee benefits	739	2,159
- Increase/(decrease) in provisions	1,023	975
- Increase/(decrease) in tax liabilities	3,102	(1,093)
Net cash flows provided by operating activities	187,465	176,280

Note 28 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.

		Carrying amount				Fair value level	
		2021	2021	2020	2020	2021	2020
		$	$	$	$	$	$
	Note	FVTPL	At amortised cost	FVTPL	At amortised cost	Level 1	Level 1
Financial assets measured at fair value:							
Equity securities	15	77,109	-	101,142	-	77,109	101,142
Financial assets not measured at fair value:							
Cash and cash	14	-	227,285	-	256,610	-	-
Term deposits	14	-	50,949	-	257,656	-	-
Trade and other receivables	16	-	55,093	-	49,616	-	-
		-	55,093	-	49,616	-	-
Financial liabilities not measured at fair value:							
Trade and other payables	21	-	43,868	-	52,390	-	-
Lease liabilities	22	-	440,232	-	487,993	-	-
		-	484,100	-	540,383	-	-

Note 29 Auditor's remuneration

Amount received or due and receivable by the auditor of the company for the financial year.

	2021	2020
Audit and review services	$	$
- Audit and review of financial statements	5,000	4,800
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	3,095	3,735
- Share registry services	3,285	3,163
- Valuation services	-	1,250
Total auditor's remuneration	11,980	13,548

Note 30 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
Peter Anthony Dirkx
Sean David Powell
Heidi Belinda Wallace

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 31 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	30 June 2021		30 June 2020	
	Cents	$	Cents	$
Fully franked dividend	7.00	42,000	7.00	42,000

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

Note 31 Dividends provided for or paid *(continued)*

b) Franking account balance

	2021 $	2020 $
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	106,993	92,985
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	30,033	27,277
- Franking credits(debits) from the payment/(refund) of income tax following lodgement of annual income tax return	(3,261)	1,928
- Franking credits from franked distributions received	605	734
- Franking debits from the payment of franked distributions	(14,757)	(15,931)
Franking account balance at the end of the financial year	119,613	106,993
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	18,455	7,197
Franking credits available for future reporting periods	138,068	114,190

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Note 32 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.

	2021 $	2020 $
Profit attributable to ordinary shareholders	65,053	86,035
	Number	Number
Weighted-average number of ordinary shares	600,000	600,000
	Cents	Cents
Basic and diluted earnings per share	10.84	14.34

Note 33 Commitments

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

Note 34 Contingencies

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

Note 35 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

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

In the opinion of the directors:

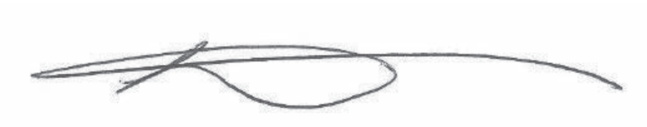
(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Lisa Kathleen Fitz Gerald, Chair

Dated this 29th day of September 2021

Independent audit report

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Independent auditor's report to the Directors of Tugun & District Finances Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Tugun & District Finances Limited's (the company), which comprises:

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

In our opinion, the accompanying financial report of 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 2021 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AFS
Partners in success
Chartered Accountants

61 Bull Street
Bendigo VIC 3550

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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 29 September 2021

Adrian Downing
Lead Auditor

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