

Tugun & District Finances Limited

ABN: 57 102 056 306

Financial Statements

For the half-year ended 31 December 2019

Tugun & District Finances Limited

Directors' Report

Your directors submit the financial report of the company for the half-year ended 31 December 2019.

Directors

The names of directors who held office during the half-year and until the date of this report are as below:

Lisa Kathleen Fitzgerald	Norbert Anthony Benton
Cameron Kenneth Window	Christopher John Crawford
Robert William Marshall	Kerry May Shepherd
Kelly Sawden	Peter Dirkx (<i>Appointed 27 November 2019</i>)
Colin Raymond Woodward	

Principal activities

The principal activities of the company during the financial period were facilitating Community Bank services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

Review of operations

Operations have continued to perform in line with expectations. The net profit of the company for the financial period after the provision of income tax was:

Half-year ended	Half-year ended
31 December 2019	31 December 2018
\$	\$
40,227	71,982

New Accounting Standards implemented

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

Events after the end of the reporting period

There are no matters or circumstances that have arisen since the end of the half year reporting period 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.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

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

Chair



Lisa Kathleen Fitzgerald

Dated this 10th day of March 2020

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

We declare that, to the best of our knowledge and belief, for the half-year ended 31 December 2019 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- ii. any applicable code of professional conduct in relation to the review.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 10 March 2020



Joshua Griffin
Lead Auditor

Tugun & District Finances Limited

Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	2019 \$	2018 \$
Revenue from ordinary activities	498,312	511,931
Employee benefits expense	(252,588)	(253,541)
Charitable donations, sponsorship, advertising and promotion	(42,202)	(22,437)
Occupancy and associated costs	(8,376)	(50,228)
Systems costs	(10,040)	(10,508)
Depreciation and amortisation expense	(45,546)	(12,779)
Finance costs	(13,002)	-
General administration expenses	(66,624)	(63,155)
Profit before income tax	59,934	99,283
Income tax expense	(19,707)	(27,301)
Profit after income tax	40,227	71,982
Total comprehensive income for the half-year attributable to the ordinary shareholders of the company:	40,227	71,982
Earnings per share	¢	¢
- Basic and diluted earnings per share:	6.70	12.00

Tugun & District Finances Limited

Statement of Financial Position

For the half-year ended 31 December 2019

	Note	31-Dec-19 \$	30-Jun-19 \$
ASSETS			
Current assets			
Cash and cash equivalents		475,638	437,315
Trade and other receivables		32,967	42,349
Financial assets		135,387	134,615
Total current assets		643,992	614,279
Non-current assets			
Property, plant and equipment		68,629	75,441
Right of use assets	7	519,317	-
Intangible assets		41,870	48,482
Total non-current assets		629,816	123,923
TOTAL ASSETS		1,273,808	738,202
LIABILITIES			
Current liabilities			
Trade and other payables		35,383	25,661
Current tax liabilities		16,317	8,796
Lease liabilities	7	45,613	-
Provisions		7,697	7,045
Total current liabilities		105,010	41,502
Non-current liabilities			
Trade and other payables		30,218	30,218
Lease liabilities	7	454,969	-
Provisions		20,387	-
Deferred tax liabilities		6,865	8,350
Total non-current liabilities		512,439	38,568
TOTAL LIABILITIES		617,449	80,070
NET ASSETS		656,359	658,132
EQUITY			
Issued capital		600,000	600,000
Retained earnings		56,359	58,132
TOTAL EQUITY		656,359	658,132

The accompanying notes form part of these financial statements

Tugun & District Finances Limited

Statement of Changes in Equity

For the half-year ended 31 December 2019

	Note	Issued capital	Retained earnings	Total equity
		\$	\$	\$
Balance at 1 July 2018		600,000	7,975	607,975
Total comprehensive income for the half-year		-	71,982	71,982
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	8	-	(42,000)	(42,000)
Balance at 31 December 2018		600,000	37,957	637,957
Balance at 1 July 2019		600,000	58,132	658,132
Total comprehensive income for the half-year		-	40,227	40,227
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	8	-	(42,000)	(42,000)
Balance at 31 December 2019		600,000	56,359	656,359

Tugun & District Finances Limited

Statement of Cash Flows

For the half-year ended 31 December 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		551,377	561,270
Payments to suppliers and employees		(441,202)	(472,608)
Lease payments (interest component)	7	(12,521)	-
Interest received		5,689	7,073
Income taxes paid		(1,928)	(6,983)
Net cash provided by operating activities		101,415	88,752
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(10,408)
Purchase of investment assets		-	(30,000)
Net cash used in investing activities		-	(40,408)
Cash flows from financing activities			
Lease payments (principal component)	7	(21,092)	-
Dividends paid	8	(42,000)	(42,000)
Net cash used in financing activities		(63,092)	(42,000)
Net cash increase in cash held		38,323	6,344
Cash and cash equivalents at the beginning of the financial year		437,315	436,802
Cash and cash equivalents at the end of the half-year		475,638	443,146

Tugun & District Finances Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 1. Summary of significant accounting policies

Statement of Compliance

This general purpose financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

Basis of preparation

This financial report is intended to provide users with an update on the latest annual financial statements and does not include all the notes of the type normally included in an annual financial report. Accordingly the report shall be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by the company during the period.

Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial report and the previous corresponding interim period, apart from new Accounting Standard detailed below.

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

New Accounting Standards Implemented

The company has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The company had to change its accounting policies and make adjustments as a result of adopting AASB 16.

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 2.

Note 2. Changes in accounting policies

This note describes the nature and effect of the adoption of AASB 16 on the company's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

a) Types of leases

The company has entered into non-cancellable leases on its branch premises.

b) Impact on comparatives

The company has applied AASB 16 using the modified retrospective approach and elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. Comparative information has not been restated.

c) Leases

The company as lessee

At inception of a contract, the company assess if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the company where the company is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.

Tugun & District Finances Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 2. Changes in accounting policies *(continued)*

d) Initial application of AASB 16

The company has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under in now inoperative AASB 117: *Leases* where the company is the lessee.

Lease liabilities are shown at the present value of the remaining lease payments. The company's incremental borrowing rate as at 1 July 2019 has been used to discount the lease payments.

The following practical expedients have been used by the company in applying AASB 16 for the first time:

- A single discount rate has been applied.
- Leases that have a remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.

e) Financial impact

Impacts on the financial statements and notes as at and for the half-year ended 31 December 2019 are shown throughout this report. As at the date of transition the impact of the new standard is summarised below in the noted items:

Balance sheet as at 1 July 2019	\$
Right-of-use assets	551,440
Make-good provision	(19,905)
Lease liabilities	<u>(531,535)</u>
Retained earnings	<u><u>-</u></u>
Lease liabilities reconciliation on transition	
Operating lease disclosure as at 30 June 2019	246,495
Add: additional options now expected to be exercised	268,905
Add: variable market review increase	139,546
Less: discounted to present value	<u>(123,411)</u>
Lease liability as at 1 July 2019	<u><u>531,535</u></u>

Lease liabilities were discounted using a weighted average discount rate of 4.79%.

f) 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.

	31-Dec-19	31-Dec-18
	\$	\$
Expenses relating to low value leases	<u>1,481</u>	<u>-</u>

Note 3. Events subsequent to reporting date

There have been no events subsequent to reporting date that would materially affect the financial statements at the reporting date.

Tugun & District Finances Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 4. Contingent assets and liabilities

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

Note 5. Segment reporting

The economic entity operates in a single service sector where it facilitates community banking services in Tugun, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 6. Related parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2019 annual financial report.

Note 7. Leases

The company's lease arrangements includes its branch premises. The lease term commenced February 2003 and was most recently renewed in February 2018 for a non-cancellable term of five years plus one option reasonably expected to be exercised of five years.

a) 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 was 4.79%.

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

The company has estimated remaining lease terms including the effects of any renewal options or termination options expected to be reasonably exercised, applying hindsight where appropriate.

	31-Dec-19	30-Jun-19
	\$	\$
Current:		
Lease liabilities	69,075	-
Unexpired interest	(23,462)	-
	<u>45,613</u>	<u>-</u>
Non-current		
Lease liabilities	542,398	-
Unexpired interest	(87,429)	-
	<u>454,969</u>	<u>-</u>

Tugun & District Finances Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 7. Leases (continued)

a) Lease liabilities (continued)	31-Dec-19	30-Jun-19
Impact on the current reporting period:	\$	\$
Lease liabilities		
Initial recognition on adoption	531,535	-
Measurement adjustment	(9,861)	-
Lease payment (interest component)	12,521	-
Lease payments	(33,613)	-
Lease liabilities as at 31 December 2019	<u>500,582</u>	<u>-</u>
Maturity analysis		
- not later than 12 months	69,075	-
- between 12 months and 5 years	304,147	-
- greater than 5 years	238,251	-
Lease payments total	<u>611,473</u>	<u>-</u>
Less unexpired interest	(110,891)	-
Present value of lease liabilities	<u>500,582</u>	<u>-</u>
b) Right-of-use assets		
Right-of-use assets were measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.		
Impact on the current reporting period:		
Right-of-use assets		
Initial recognition on adoption	551,440	-
Depreciation expense	(32,123)	-
Right-of-use assets as at 31 December 2019	<u>519,317</u>	<u>-</u>
c) Impact on the profit or loss		
Comparison under current AASB 16 and former AASB 117	\$	
Decrease in occupancy and associated costs	33,613	
Increase in finance costs	(13,003)	
Increase in depreciation and amortisation expense	(32,123)	
Decrease in profit before tax	<u>(11,513)</u>	
Decrease in current income tax expense	(9,244)	
Increase in current income tax expense - deferred tax	12,410	
Decrease in profit after tax	<u>(8,347)</u>	

Tugun & District Finances Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 8. Dividends provided for or paid	31-Dec-19		31-Dec-18	
	Cents	\$	Cents	\$
a) Dividends paid during the period				
Fully franked dividend	7	42,000	7	42,000

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).

Note 9. 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 quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets and liabilities have been classified into the three levels prescribed under the accounting standards, as outlined above.

At 31 December 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements:				
Unlisted investments:				
- shares in other corporations	135,387	-	-	135,387
Total assets at fair value	135,387	-	-	135,387

At 30 June 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements:				
Unlisted investments:				
- shares in other corporations	134,615	-	-	134,615
Total assets at fair value	134,615	-	-	134,615

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

Tugun & District Finances Limited

Directors' Declaration

In the opinion of the directors of Tugun & District Finances Limited ("the company"):

1. The financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
 - a. giving a true and fair view of the financial position of the entity as at 31 December 2019 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;
 - b. complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. 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.

Chair



Lisa Kathleen Fitzgerald

Dated this 10 day of March 2020.

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

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Tugun & District Finances Limited, which comprises the balance sheet as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Tugun & District Finances Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

Auditor's opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tugun & District Finances Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position at 31 December 2019 and of its performance for the half-year ended on that date
- b. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 10 March 2020



Joshua Griffin
Lead Auditor

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in success



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