

Wyong Town Financial Services Ltd
ABN 59 100 313 120

Annual Report - 2021



Wyong Town Financial Services Limited

ABN 59 100 313 120

Chairman's Report

I am pleased to present my 12th report to you on the progress of the Community Bank Wyong Branch during the 2020/2021 financial year.

The 2020/2021 year has again seen many challenges due to the ongoing COVID-19 pandemic however our staff have done a fantastic job to service our customers, keep everyone safe and maintain the business during this time. The year has seen us make a profit before tax of \$151,096 which has allowed us to again pay a dividend.

I am extremely grateful for all the efforts and input from my fellow directors. I am fortunate to have many dedicated and talented people giving freely of their time to serve the board and the local community. Again the challenges of COVID have seen us move many meetings online, including for the first time, our Annual General Meeting. This has not held us back and we continue to work hard to ensure the success of our branch moving forward.

Thanks to the support of Community Bank customers and shareholders, the Australia-wide network has now returned more than \$250 million to support and strengthen local communities.

Our Community Bank company has played a key role in this milestone, returning more than \$650,271.39 to our local community. These community grants and sponsorships have made a significant difference to several local projects & organisations. We look forward to continuing to support these groups and others as more people bank with us and we become more successful.

We are still looking for a major community project or initiative to lend our support to in the coming year. We request our shareholders to put forward any suggestions of worthwhile initiatives for consideration.

We have continued to work collaboratively with the other Community Bank companies on the Coast to promote the brand and to increase our community involvement. We have undertaken initiatives to support many organisations including Central Coast Heart Netball Team, Century Challenge Cycle Ride, Central Coast Relay for Life and The Fathers Table.

I would urge all our shareholders to bank with us and be an advocate for Community Banking as these are the best ways to ensure we are not only profitable but are able to contribute significantly to our local community.

I would like to thank our Regional team as well as our locally based Business Banking team for their assistance to the board, staff and our customers throughout the year.

I look forward to seeing you online at the AGM, and invite you to feel free to contact me at any time if you have any questions or concerns.

I wish you a safe and Happy Christmas and a prosperous new year.

Ray Davidson



Chairman

Wyong Town Financial Services Limited

ABN 59 100 313 120

Manager's Report

Community Bank Wyong

It gives me great pleasure to report to you on the 2020/21 financial year.

The Wyong Branch has survived another year of disruption to economic and social activity brought about by the COVID-19 health pandemic, as we continue to provide an essential service to the local community, providing personal and business banking products and services in partnership with Bendigo Bank.

It has been a tough year on our Team of Staff and some of our business results. Despite achieving Home Loan Settlements of over \$6.6M, this was offset by Discharges of over \$8.6M, which when combined with ongoing amortisation (regular loan repayments) resulted in overall net Lending Growth of **-\$4.3M** for the 2020/21 Financial Year.

Despite this, due to the hard work and dedication of our Team of Staff, overall, the business grew! Deposits grew from \$50M to \$56M and the Total Branch Footings increased from \$114M to end the year at \$118M, which is a fantastic result under the circumstances and more importantly some good decisions were made which resulted in stronger than expected results for the business financially.

With the support of the Board of Directors, and Regional Manager Alan Fardon, we managed the business through some staff departures, and welcome to the Team our new Trainee Nikita Thorne and Mobile Lender, Jane Partington, who will be capitalising on the opportunity to expand our offering of great Home Loan products and services to the people of Newcastle and the Hunter Region.

The Branch continues to achieve strong performance with offering General Insurance solutions and SME Business Banking products and services to our customers.

Given the current banking environment, the business decisions we have made in the past 12 months has meant the financial returns to the business and the community have been extremely positive with profits far exceeding Budget. Not easy to do when managing day to day challenges and getting through COVID restrictions and NSW Government Lockdown conditions.

Our Team's method of operation continues to be placing the Customer at the centre of importance for everything we do. All of this hard work and dedication has helped us achieve another year's profit, which means we are able to again pay you, our shareholders a dividend in 2021.

Our sincere thanks to our shareholders and customers for supporting the branch through banking with us. The more you utilise our products and services the more we can give back to your community, and of course you the shareholder, through dividends. There have been many cancellations, postponements, and hibernation of activity for local businesses and community groups over the past 12 months, and we look forward to brighter times ahead for everyone.

Lastly again thank you to our Board of Directors for your dedication, commitment and support. We are all committed to working collaboratively for the continued success of our Community Bank branch and running a profitable enterprise for shareholder and most importantly our community.

Mark Cooper
Business Development Manager

Wyong Town Financial Services Limited
ABN 59 100 313 120

Annual Report
For The Year Ended
30 June 2021

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Wyong Town Financial Services Limited

ABN: 59 100 313 120

Annual Report

For the year ended

30 June 2021

Wyong Town Financial Services Limited

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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:

Elizabeth Ada North

Non-executive director

Occupation: Business Proprietor

Qualifications, experience and expertise: Liz became a director in May 2006 and is a proprietor of Add-Vantage Systems Pty Ltd (AVS Windows and Doors) located in Tuggerah. She is a long-term resident of Wyong Shire and business leader. Liz has been in business in the Wyong area since 1978 and has employed many local people during that time. Liz is actively involved in the business community and NFP sector. Liz has an adult daughter and two grandchildren.

Interest in shares: 15,000 ordinary shares

Ray Davidson

Non-executive director

Occupation: Company Director

Qualifications, experience and expertise: Ray became a director in February 2008 and is the Managing Director and founder of Ausiports Pty Ltd Home Improvements and has been a resident of the Wyong Shire for 30 years. He has been President of The Entrance Junior Cricket Club, Wyong District Netball association, Central Coast Junior Cricket association, Bateau Bay Dolphins Netball club & Mingara Killarney Netball Club. He is a life member of The Entrance Junior Cricket Club and Bateau Bay Dolphins Netball Club. Ray brings to the board experience in marketing and general business management gained through running his own business for over 30 years. Ray is married with two adult children.

Interest in shares: 1,000 ordinary shares

David Brine

Non-executive director

Occupation: Accountant

Qualifications, experience and expertise: David became a director in February 2011 and is a director, Senior Accountant and Business Adviser of Better Business Advice, a family owned business in Wyong. David was born and raised in Norville and attended Toukley Primary and Gorokan High School. He has completed his Bachelor of Accounting and Diploma of Financial Services and is a member of CPA Australia, thus allowing him to bring practical financial and business knowledge to the board.

Interest in shares: 500 ordinary shares

David Harris

Non-executive director

Occupation: MACE Dip Management, Dip Teach Grad Cert Ed Studies

Qualifications, experience and expertise: David joined the board in November 2011. He has lived in Wyong Shire for more than 20 years and is married with two children. David is currently a member of the NSW Legislative Assembly for the seat of Wyong. He holds the positions of Shadow Minister for the Central Coast, Regional Transport, Aboriginal Affairs and Treaty. Previously, David was the Principal at Point Clare Public School and has over 20 years' experience in teaching and school executive roles in a very small to large Primary Schools. David was a member of the NSW Parliament representing the seat of Wyong from 2007 - 2011 and was Parliamentary Secretary for Education and Training and Central Coast. David currently holds the positions of President of Central Coast Men of Football and is a former President and current member of Soldiers Beach SLSC. He is dedicated to working with a variety of charities including Wyong Lions and the Iris Foundation (Youth suicide). David is Patron of Wyong Hospital Auxiliary, Wyong Family History Association, Wyong Historical Society and Central Coast National Serviceman's Association (Toukley).

Interest in shares: 500 ordinary shares

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Directors' Report

Directors (continued)

David Evans

Non-executive director

Occupation: Sales

Qualifications, experience and expertise: David joined the board in October 2012. David has been working with a local business on the Central Coast since 2007 and has had over 30 years of business exposure on the coast in previous roles. David's past positions include Board Level Executive Management - Sales & Marketing as well as sales based roles. David offers the board his experience in business development through marketing, sales, management and negotiation. David has 2 teenage daughters. Interests outside of work revolve around family, cars, bikes and boats.

Interest in shares: 1,500 ordinary shares

Garry Whitaker

Non-executive director

Occupation: Business Proprietor

Qualifications, experience and expertise: Garry joined the Board in June 2015 and has over thirty years' experience in training, organisation development and change. Garry has extensive management experience in executive roles and has run his own consulting business since 1993. Garry's community service appointments include;

- Chairman of the Board - Wyong Race Club.
- Director of the Newcastle Anglican Church Corporation.
- President Yarramalong School Community Centre Reserve Trust.
- Represents WTFS on the Central Coast Cluster Collaborative Marketing Group.
- Life Member with fourteen years' as a Director, Vice President and President of Berowra RSL Bowling & Community Club Ltd.
- 2004 to 2008 Hornsby Shire Council - Deputy Mayor (2005/06), "A Ward" Councillor.
- 2004 to 2011 MigrantLink Australia - Non-Executive Director.
- NSW State Emergency Service - 47 years volunteering including four years as local controller (Wyong).
- NSW Rural Fire Service - 15 years volunteering, currently with Yarramalong Brigade.

Interest in shares: 1,000 ordinary shares

Geoff Hetherington

Non-executive director

Occupation: Business Advisor and Coach

Qualifications, experience and expertise: Geoff is an energetic, internationally experienced senior executive with other 30 years' experience as a C Suite Executive across several industries and iconic companies. He runs two businesses - The Clarity CEO Business Advisory and the Elite Business Institute - an invitation only on-line mastermind. A Certified Advisory Board Chair, Business Advisor Coach & Mentor he has lived on the Central Coast for nearly 20 years. He was the youngest person ever elected to the YMCA National Board of Directors (age 17) as the chairman of Skillshare project for 5 years and most recently served for 3 years as the Chairman of the Central Coast Business Enterprise Centre. Currently he runs a Governance Board for a major Traffic Management company. Happily married, he has 4 children all of whom have become fine young adults.

Interest in shares: 500 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 David Evans. David was appointed to the position of secretary on 23 September 2020.

Principal activity

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

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

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Directors' Report

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 |
|----------------------------|----------------------------|
| \$ | \$ |
| 118,630 | 74,143 |

Directors' interests

| | Fully paid ordinary shares | | |
|---------------------|------------------------------------|-------------------------------|----------------------------------|
| | Balance at start of the year | Changes during the year | Balance at end of the year |
| Elizabeth Ada North | 15,000 | - | 15,000 |
| Ray Davidson | 500 | 500 | 1,000 |
| David Brine | 500 | - | 500 |
| David Harris | 500 | - | 500 |
| David Evans | 1,500 | - | 1,500 |
| Garry Whitaker | 1,000 | - | 1,000 |
| Geoff Hetherington | 500 | - | 500 |

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 | 5.50 | 35,751 |

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.

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.

Wyong Town Financial Services Limited

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Wyong Town Financial Services Limited

Directors' Report

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 30 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

| <i>E - eligible to attend</i> <i>A - number attended</i> | Board Meetings | |
|---|-----------------------|----------|
| | <i>E</i> | <i>A</i> |
| Elizabeth Ada North | 11 | 11 |
| Ray Davidson | 11 | 10 |
| David Brine | 11 | 8 |
| David Harris | 11 | 10 |
| David Evans | 11 | 8 |
| Garry Whitaker | 11 | 5 |
| Geoff Hetherington | 11 | 11 |

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 is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

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Wyong Town Financial Services Limited

Directors' Report

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 6.

Signed in accordance with a resolution of the directors at Wyong, New South Wales.



Ray Davidson, Director

Dated this 23rd day of September 2021

Handwritten signature



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Wyong Town Financial Services Limited

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Wyong Town Financial Services Limited

Statement of Profit or Loss and Other

Comprehensive Income

for the year ended 30 June 2021

| | Notes | 2021 \$ | 2020 \$ |
|--|-------|----------------|---------------|
| Revenue from contracts with customers | 8 | 730,341 | 772,104 |
| Other revenue | 9 | 78,489 | 87,151 |
| Finance income | 10 | 260 | 1,517 |
| Employee benefit expenses | 11d) | (371,205) | (445,928) |
| Charitable donations, sponsorship, advertising and promotion | 11c) | (84,923) | (78,325) |
| Occupancy and associated costs | | (11,197) | (18,272) |
| Systems costs | | (20,720) | (22,581) |
| Depreciation and amortisation expense | 11a) | (56,664) | (66,201) |
| Finance costs | 11b) | (19,749) | (21,242) |
| General administration expenses | | (105,585) | (116,557) |
| Fair value gains/(losses) on investments | 12 | 12,049 | (6,496) |
| Profit before income tax expense | | 151,096 | 85,170 |
| Income tax expense | 13a) | (32,466) | (11,027) |
| Profit after income tax expense | | 118,630 | 74,143 |
| Total comprehensive income for the year attributable to the ordinary shareholders of the company: | | 118,630 | 74,143 |
| Earnings per share | | ¢ | ¢ |
| - Basic and diluted earnings per share: | 32a) | 18.25 | 11.41 |

The accompanying notes form part of these financial statements

Wyong Town Financial Services Limited

ABN 59 100 313 120

Wyong Town Financial Services Limited

Statement of Financial Position

as at 30 June 2021

| | Notes | 2021 \$ | 2020 \$ |
|--------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 14 | 362,271 | 367,420 |
| Trade and other receivables | 16a) | 70,934 | 69,866 |
| Inventory | | - | 182 |
| Total current assets | | 433,205 | 437,468 |
| Non-current assets | | | |
| Other investments | 15a) | 219,348 | 107,300 |
| Property, plant and equipment | 17a) | 70,341 | 80,368 |
| Right-of-use assets | 18a) | 318,629 | 350,715 |
| Intangible assets | 19a) | 19,282 | 36,361 |
| Deferred tax asset | 20b) | 10,751 | 12,546 |
| Total non-current assets | | 638,351 | 587,290 |
| Total assets | | 1,071,556 | 1,024,758 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 21a) | 36,888 | 24,883 |
| Current tax liabilities | 20a) | 11,108 | 17,754 |
| Lease liabilities | 22a) | 43,698 | 38,493 |
| Employee benefits | 24a) | 81,353 | 82,254 |
| Total current liabilities | | 173,047 | 163,384 |
| Non-current liabilities | | | |
| Trade and other payables | 21b) | - | 24,442 |
| Lease liabilities | 22b) | 278,604 | 299,963 |
| Employee benefits | 24b) | 10,469 | 11,448 |
| Provisions | 23a) | 19,774 | 18,738 |
| Total non-current liabilities | | 308,847 | 354,591 |
| Total liabilities | | 481,894 | 517,975 |
| Net assets | | 589,662 | 506,783 |
| EQUITY | | | |
| Issued capital | 25a) | 650,010 | 650,010 |
| Accumulated losses | 26 | (60,348) | (143,227) |
| Total equity | | 589,662 | 506,783 |

The accompanying notes form part of these financial statements

Wyong Town Financial Services Limited

ABN 59 100 313 120

Wyong Town Financial Services Limited

Statement of Changes in Equity

for the year ended 30 June 2021

| | Notes | Issued capital \$ | Accumulated losses \$ | Total equity \$ |
|--|-------|-------------------------|-----------------------------|-----------------------|
| Balance at 1 July 2019 | | 650,010 | (171,869) | 478,141 |
| Total comprehensive income for the year | | - | 74,143 | 74,143 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | 31a) | - | (45,501) | (45,501) |
| Balance at 30 June 2020 | | 650,010 | (143,227) | 506,783 |
| Balance at 1 July 2020 | | 650,010 | (143,227) | 506,783 |
| Total comprehensive income for the year | | - | 118,630 | 118,630 |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends provided for or paid | 31a) | - | (35,751) | (35,751) |
| Balance at 30 June 2021 | | 650,010 | (60,348) | 589,662 |

The accompanying notes form part of these financial statements

Wyong Town Financial Services Limited

ABN 59 100 313 120

Wyong Town Financial Services Limited

Statement of Cash Flows

for the year ended 30 June 2021

| | Notes | 2021 \$ | 2020 \$ |
|---|-------|------------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 863,419 | 899,401 |
| Payments to suppliers and employees | | (647,609) | (676,830) |
| Interest received | | 260 | 1,517 |
| Interest paid | | (909) | (893) |
| Lease payments (interest component) | 11b) | (17,805) | (19,367) |
| Lease payments not included in the measurement of lease liabilities | 11e) | (11,384) | (26,222) |
| Dividends received | | 14,977 | 4,940 |
| Income taxes paid | | (37,316) | (24,523) |
| Net cash provided by operating activities | 27 | 163,633 | 158,023 |
| Cash flows from investing activities | | | |
| Proceeds from sale of right-of-use assets | | 31,818 | - |
| Payments for right-of-use assets | | (37,493) | - |
| Payments for intangible assets | | (11,202) | (11,202) |
| Payments for investments | | (100,000) | - |
| Net cash used in investing activities | | (116,877) | (11,202) |
| Cash flows from financing activities | | | |
| Proceeds from lease liabilities | | 41,797 | - |
| Lease payments (principal component) | | (57,951) | (36,463) |
| Dividends paid | 31a) | (35,751) | (45,501) |
| Net cash used in financing activities | | (51,905) | (81,964) |
| Net cash increase/(decrease) in cash held | | (5,149) | 64,857 |
| Cash and cash equivalents at the beginning of the financial year | | 367,420 | 302,563 |
| Cash and cash equivalents at the end of the financial year | 14 | 362,271 | 367,420 |

The accompanying notes form part of these financial statements

Wyong Town Financial Services Limited

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Wyong Town Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 1 Reporting entity

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

| | |
|--------------------|-----------------------------|
| Registered Office | Principal Place of Business |
| 88 Pacific Highway | 88 Pacific Highway |
| Wyong NSW 2259 | Wyong NSW 2259 |

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 equity financial assets that are measured at 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 23 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.

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)*Ability to change financial return*

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

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

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

b) Other revenue

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

| <u>Revenue</u> | <u>Revenue recognition policy</u> |
|---|---|
| Dividend and distribution income | Dividend and distribution income is recognised when the right to receive the payment is established. |
| Sale of property, plant and equipment | Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset. |
| Discretionary financial contributions (also "Market Development Fund" or "MDF") | 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.

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

b) Other revenue (continued)*Cash flow boost*

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

Other long-term employee benefits

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

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

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

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

e) Taxes (continued)*Goods and Services Tax*

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

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line and diminishing value 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:

| <u>Asset class</u> | <u>Method</u> | <u>Useful life</u> |
|----------------------------------|-------------------|--------------------|
| Leasehold improvements | Straight-line | 40 years |
| Furniture, fixtures and fittings | Diminishing value | 4 to 15 years |
| Motor vehicles | Diminishing value | 10 years |

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

h) Intangible assets

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

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

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

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

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

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

Wyong Town Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

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 debtors and creditors, cash and cash equivalents, 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.

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.

Wyong Town Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2021

Note 4 Summary of significant accounting policies (continued)

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 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.

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.

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Notes to the Financial Statements

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Note 4 Summary of significant accounting policies (continued)

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

a) Judgements

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.

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

| <u>Note</u> | <u>Judgement</u> |
|---------------------|---|
| - Note 22 - leases: | |
| a) control | a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset; |
| b) lease term | b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options; |
| c) discount rates | c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including 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:

| <u>Note</u> | <u>Assumptions</u> |
|--|--|
| - 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 17 - estimation of useful lives of assets | key assumptions on historical experience and the condition of the asset; |

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Notes to the Financial Statements

for the year ended 30 June 2021

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

b) Assumptions and estimation uncertainties (continued)

- 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.

b) Liquidity risk

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

Exposure to liquidity risk

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

30 June 2021

| <u>Non-derivative financial liability</u> | <u>Carrying amount</u> | <u>Not later than 12 months</u> | <u>Contractual cash flows</u> | |
|---|------------------------|---------------------------------|---|--------------------------------|
| | | | <u>Between 12 months and five years</u> | <u>Greater than five years</u> |
| Lease liabilities | 322,302 | 59,127 | 205,460 | 123,192 |
| Trade and other payables | 36,888 | 36,888 | - | - |
| | <u>359,190</u> | <u>96,015</u> | <u>205,460</u> | <u>123,192</u> |

30 June 2020

| <u>Non-derivative financial liability</u> | <u>Carrying amount</u> | <u>Not later than 12 months</u> | <u>Contractual cash flows</u> | |
|---|------------------------|---------------------------------|---|--------------------------------|
| | | | <u>Between 12 months and five years</u> | <u>Greater than five years</u> |
| Lease liabilities | 338,456 | 55,829 | 196,656 | 167,989 |
| Trade and other payables | 49,325 | 24,883 | 24,442 | - |
| | <u>387,781</u> | <u>80,712</u> | <u>221,098</u> | <u>167,989</u> |

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (continued)

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

Sensitivity analysis - equity price risk

All of the company's listed equity investments are listed on the Australian Stock Exchange (ASX) or the National Stock Exchange (NSX). All unlisted equity investments trade shares through a Low Volume Financial Market. Changes in equity securities value is recognised through profit or loss or other comprehensive income.

| | 2021 \$ | | 2020 \$ | |
|-------------------|--------------|--------------|--------------|--------------|
| | 10% increase | 10% decrease | 10% increase | 10% decrease |
| Equity securities | 21,935 | (21,935) | 10,730 | (10,730) |

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of \$362,271 at 30 June 2021 (2020: \$367,420). 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.

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Notes to the Financial Statements

for the year ended 30 June 2021

Note 8 Revenue from contracts with customers

| | 2021 \$ | 2020 \$ |
|-------------------------|----------------|----------------|
| - Margin and fee income | 646,480 | 703,172 |
| - Commission income | 83,861 | 68,932 |
| | <u>730,341</u> | <u>772,104</u> |

Note 9 Other revenue

| | 2021 \$ | 2020 \$ |
|---|---------------|---------------|
| - Dividend and distribution income | 14,977 | 4,940 |
| - Market development fund income | 22,500 | 25,000 |
| - Cash flow boost | 28,572 | 47,620 |
| - Sale of property, plant and equipment | 2,815 | - |
| - Other income | 9,625 | 9,591 |
| | <u>78,489</u> | <u>87,151</u> |

Note 10 Finance income

| | 2021 \$ | 2020 \$ |
|----------------|------------|------------|
| - Cash at bank | 260 | 1,517 |

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

Note 11 Expenses

a) Depreciation and amortisation expense

| | 2021 \$ | 2020 \$ |
|--|---------------|---------------|
| <i>Depreciation of non-current assets:</i> | | |
| - Leasehold improvements | 1,355 | 1,355 |
| - Furniture and fittings | 8,672 | 8,753 |
| | <u>10,027</u> | <u>10,108</u> |

Depreciation of right-of-use assets

| | | |
|-----------------------------|---------------|---------------|
| - Leased land and buildings | 36,324 | 36,323 |
| - Leased motor vehicles | 4,252 | 4,294 |
| | <u>40,576</u> | <u>40,617</u> |

Amortisation of intangible assets:

| | | |
|---|---------------|---------------|
| - Franchise fee | 2,204 | 2,579 |
| - Franchise renewal process fee | 3,857 | 12,897 |
| | <u>6,061</u> | <u>15,476</u> |
| Total depreciation and amortisation expense | <u>56,664</u> | <u>66,201</u> |

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Note 11 Expenses (continued)

| b) Finance costs | 2021 \$ | 2020 \$ |
|------------------------------------|---------------|---------------|
| - Lease interest expense | 17,805 | 19,367 |
| - Unwinding of make-good provision | 1,035 | 981 |
| - Other | 909 | 894 |
| | <u>19,749</u> | <u>21,242</u> |

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

c) Charitable donations, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

| | 2021 \$ | 2020 \$ |
|---|---------------|---------------|
| - Direct sponsorship, advertising, and promotion payments | 34,923 | 53,325 |
| - Contribution to the Community Enterprise Foundation™ | 50,000 | 25,000 |
| | <u>84,923</u> | <u>78,325</u> |

The funds contributed are held by the Community Enterprise Foundation™ (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

| d) Employee benefit expenses | 2021 \$ | 2020 \$ |
|---|----------------|----------------|
| Wages and salaries | 329,339 | 365,098 |
| Contributions to defined contribution plans | 31,212 | 39,465 |
| Expenses related to annual and long service leave | (1,881) | 29,102 |
| Other expenses | 12,535 | 12,263 |
| | <u>371,205</u> | <u>445,928</u> |

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Note 11 Expenses (continued)

e) 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.

The company pays for the right to use indoor plants. 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 general administration expenses.

The company pays for the right to use a self-storage unit. The lease agreement is expired and continues on existing terms on a month-by-month basis with no significant penalty for termination. As such the lease has been assessed as short term and exempted from recognition under AASB 16 accounting. Expenses relating to short term exempt leases are included in general administration expenses.

| | 2021 \$ | 2020 \$ |
|--|---------------|---------------|
| Expenses relating to low-value leases | 9,153 | 23,724 |
| Expenses relating to short-term leases | 2,231 | 2,498 |
| | <u>11,384</u> | <u>26,222</u> |

Note 12 Fair value gains/(losses) on investments

| | 2021 \$ | 2020 \$ |
|---------------------------------|------------|------------|
| - At FVTPL - equity instruments | 12,049 | (6,496) |

These amounts relate to the increase and decrease in the market value of investments held by the company.

Note 13 Income tax expense

a) Amounts recognised in profit or loss

| | 2021 \$ | 2020 \$ |
|---|---------------|---------------|
| <i>Current tax expense</i> | | |
| - Current tax | 30,681 | 22,419 |
| - Net benefit of franking credits on dividends received | (11) | (12) |
| - Movement in deferred tax | 1,366 | (12,845) |
| - Adjustment to deferred tax on AASB 16 retrospective application | - | 756 |
| - Reduction in company tax rate | 430 | 724 |
| - Changes in estimates related to prior years | - | (15) |
| | <u>32,466</u> | <u>11,027</u> |

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Note 13 Income tax expense (continued)

b) Prima facie income tax reconciliation

| | | |
|---|---------------|---------------|
| Operating profit before taxation | 151,096 | 85,170 |
| Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%) | 39,285 | 23,422 |
| Tax effect of: | | |
| - Non-deductible expenses | 188 | - |
| - Non-assessable income | (7,429) | (13,096) |
| - Temporary differences | (1,366) | 12,090 |
| - Other assessable income | 3 | 3 |
| - Movement in deferred tax | 1,366 | (12,845) |
| - Net benefit of franking credits on distributions received | (11) | (12) |
| - Reduction in company tax rate | 430 | 724 |
| - Leases initial recognition | - | 756 |
| - Under/(over) provision of income tax in the prior year | - | (15) |
| | <u>32,466</u> | <u>11,027</u> |

Note 14 Cash and cash equivalents

| | 2021 \$ | 2020 \$ |
|--------------------------|----------------|----------------|
| Cash at bank and on hand | <u>362,271</u> | <u>367,420</u> |

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) Non-current investments

| | 2021 \$ | 2020 \$ |
|------------------------------|----------------|----------------|
| Equity securities - at FVTPL | <u>219,348</u> | <u>107,300</u> |

Note 16 Trade and other receivables

a) Current assets

| | 2021 \$ | 2020 \$ |
|--------------------------------|---------------|---------------|
| Trade receivables | 57,699 | 64,026 |
| Prepayments | - | 2,214 |
| Other receivables and accruals | 13,235 | 3,626 |
| | <u>70,934</u> | <u>69,866</u> |

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Note 17 Property, plant and equipment

| a) Carrying amounts | 2021 | 2020 |
|--|---------------|---------------|
| | \$ | \$ |
| <i>Leasehold improvements</i> | | |
| At cost | 279,654 | 279,654 |
| Less: accumulated depreciation | (230,642) | (229,287) |
| | <u>49,012</u> | <u>50,367</u> |
| <i>Furniture and fittings</i> | | |
| At cost | 84,934 | 84,934 |
| Less: accumulated depreciation | (63,605) | (54,933) |
| | <u>21,329</u> | <u>30,001</u> |
| Total written down amount | <u>70,341</u> | <u>80,368</u> |
| b) Reconciliation of carrying amounts | | |
| <i>Leasehold improvements</i> | | |
| Carrying amount at beginning | 50,367 | 51,722 |
| Depreciation | (1,355) | (1,355) |
| | <u>49,012</u> | <u>50,367</u> |
| <i>Furniture and fittings</i> | | |
| Carrying amount at beginning | 30,001 | 38,754 |
| Depreciation | (8,672) | (8,753) |
| | <u>21,329</u> | <u>30,001</u> |
| <i>Motor vehicles</i> | | |
| Carrying amount at beginning | - | 37,179 |
| Lease asset transferred out - at cost | - | (42,932) |
| Lease asset transferred out - accumulated depreciation | - | 5,753 |
| | <u>-</u> | <u>-</u> |
| Total written down amount | <u>70,341</u> | <u>80,368</u> |

Following the adoption of AASB 16, the company has grouped its leased assets previously recognised in 'property, plant and equipment' in 'right-of-use assets'.

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.

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Notes to the Financial Statements

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Note 18 Right-of-use assets

| a) Carrying amounts | 2021 \$ | 2020 \$ |
|---|------------|------------|
| <i>Leased land and buildings</i> | | |
| At cost | 363,234 | 363,234 |
| Less: accumulated depreciation | (81,728) | (45,404) |
| | 281,506 | 317,830 |
| <i>Leased motor vehicles</i> | | |
| At cost | 37,493 | 42,932 |
| Less: accumulated depreciation | (370) | (10,047) |
| | 37,123 | 32,885 |
| Total written down amount | 318,629 | 350,715 |
| b) Reconciliation of carrying amounts | | |
| <i>Leased land and buildings</i> | | |
| Carrying amount at beginning | 317,830 | - |
| Initial recognition on transition | - | 363,234 |
| Accumulated depreciation on adoption | - | (9,081) |
| Depreciation | (36,324) | (36,323) |
| | 281,506 | 317,830 |
| <i>Leased motor vehicles</i> | | |
| Carrying amount at beginning | 32,885 | - |
| Lease asset transferred in - at cost | - | 42,932 |
| Lease asset transferred in - accumulated depreciation | - | (5,753) |
| Additional right-of-use assets recognised | 37,493 | - |
| Disposals | (29,003) | - |
| Depreciation | (4,252) | (4,294) |
| | 37,123 | 32,885 |
| Total written down amount | 318,629 | 350,715 |

Note 19 Intangible assets

| a) Carrying amounts | 2021 \$ | 2020 \$ |
|--------------------------------------|------------|------------|
| <i>Franchise fee</i> | | |
| At cost | 11,018 | 11,018 |
| Less: accumulated amortisation | (7,162) | (4,958) |
| | 3,856 | 6,060 |
| <i>Franchise renewal process fee</i> | | |
| At cost | 44,075 | 55,093 |
| Less: accumulated amortisation | (28,649) | (24,792) |
| | 15,426 | 30,301 |
| Total written down amount | 19,282 | 36,361 |

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Note 19 Intangible assets (continued)

| b) Reconciliation of carrying amounts | 2021 | 2020 |
|--|---------------|---------------|
| | \$ | \$ |
| <i>Franchise fee</i> | | |
| Carrying amount at beginning | 6,060 | 8,639 |
| Amortisation | (2,204) | (2,579) |
| | <u>3,856</u> | <u>6,060</u> |
| <i>Franchise renewal process fee</i> | | |
| Carrying amount at beginning | 30,301 | 43,198 |
| Disposals | (11,018) | - |
| Amortisation | (3,857) | (12,897) |
| | <u>15,426</u> | <u>30,301</u> |
| Total written down amount | <u>19,282</u> | <u>36,361</u> |

c) Changes in estimates

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

Note 20 Tax assets and liabilities

| a) Current tax | 2021 | 2020 |
|--|----------------|----------------|
| | \$ | \$ |
| Income tax payable | <u>11,108</u> | <u>17,754</u> |
| b) Deferred tax | | |
| <i>Deferred tax assets</i> | | |
| - employee provisions | 22,956 | 24,363 |
| - make-good provision | 4,944 | 4,872 |
| - lease liability | 70,820 | 81,110 |
| Total deferred tax assets | <u>98,720</u> | <u>110,345</u> |
| <i>Deferred tax liabilities</i> | | |
| - fair value of investments | 4,712 | 1,768 |
| - property, plant and equipment | 12,880 | 13,395 |
| - right-of-use assets | 70,377 | 82,636 |
| Total deferred tax liabilities | <u>87,969</u> | <u>97,799</u> |
| Net deferred tax assets (liabilities) | <u>10,751</u> | <u>12,546</u> |
| Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income | <u>(1,795)</u> | <u>11,366</u> |
| Movement in deferred tax charged to Statement of Changes in Equity | <u>-</u> | <u>756</u> |

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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 | 9,559 | 2,837 |
| Other creditors and accruals | 27,329 | 22,046 |
| | <u>36,888</u> | <u>24,883</u> |
| b) Non-current liabilities | | |
| Other creditors and accruals | - | 24,442 |
| | <u>-</u> | <u>24,442</u> |

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:

- Wyong Branch The lease agreement commenced in April 2019 for a term of 5 years. 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 March 2029.
- Motor vehicle The lease agreement is a non-cancellable term of three years which commenced in May 2021. The registered security over the motor vehicle is removed at the cessation of the lease.

| a) Current lease liabilities | 2021 \$ | 2020 \$ |
|---|----------------|----------------|
| Property lease liabilities | 44,797 | 44,797 |
| Unexpired interest | (14,528) | (16,113) |
| | <u>30,269</u> | <u>28,684</u> |
| Motor vehicle lease liabilities | 14,330 | 11,032 |
| Unexpired interest | (901) | (1,223) |
| | <u>13,429</u> | <u>9,809</u> |
| | <u>43,698</u> | <u>38,493</u> |
| b) Non-current lease liabilities | | |
| Property lease liabilities | 302,380 | 347,178 |
| Unexpired interest | (49,371) | (63,900) |
| | <u>253,009</u> | <u>283,278</u> |
| Motor vehicle lease liabilities | 26,272 | 17,467 |
| Unexpired interest | (677) | (782) |
| | <u>25,595</u> | <u>16,685</u> |
| | <u>278,604</u> | <u>299,963</u> |

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Notes to the Financial Statements

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Note 22 Lease liabilities (continued)

| c) Reconciliation of lease liabilities | 2021 \$ | 2020 \$ |
|---|----------------|----------------|
| Balance at the beginning | 338,456 | 35,775 |
| Initial recognition on AASB 16 transition | - | 339,144 |
| Additional lease liabilities recognised | 41,797 | - |
| Lease interest expense | 17,805 | 19,367 |
| Lease payments - total cash outflow | (75,756) | (55,830) |
| | <u>322,302</u> | <u>338,456</u> |
| d) Maturity analysis | | |
| - Not later than 12 months | 59,127 | 55,829 |
| - Between 12 months and 5 years | 205,460 | 196,656 |
| - Greater than 5 years | 123,192 | 167,989 |
| Total undiscounted lease payments | <u>387,779</u> | <u>420,474</u> |
| Unexpired interest | (65,477) | (82,018) |
| Present value of lease liabilities | <u>322,302</u> | <u>338,456</u> |

Note 23 Provisions

| a) Non-current liabilities | 2021 \$ | 2020 \$ |
|------------------------------|---------------|---------------|
| Make-good on leased premises | <u>19,774</u> | <u>18,738</u> |

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 March 2029 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 | 45,597 | 48,297 |
| Provision for long service leave | 35,756 | 33,957 |
| | <u>81,353</u> | <u>82,254</u> |
| b) Non-current liabilities | | |
| Provision for long service leave | <u>10,469</u> | <u>11,448</u> |

c) 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.

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Note 25 Issued capital

a) Issued capital

| | 2021 | | 2020 | |
|------------------------------|---------|---------|---------|---------|
| | Number | \$ | Number | \$ |
| Ordinary shares - fully paid | 650,010 | 650,010 | 650,010 | 650,010 |

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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Note 25 Issued capital (continued)

b) Rights attached to issued capital (continued)

Prohibited shareholding interest (continued)

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

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

Note 26 Accumulated losses

| | Note | 2021 \$ | 2020 \$ |
|---|------|-----------------|------------------|
| Balance at beginning of reporting period | | (143,227) | (169,877) |
| Adjustment for transition to AASB 16 | | - | (1,992) |
| Net profit after tax from ordinary activities | | 118,630 | 74,143 |
| Dividends provided for or paid | 31a) | (35,751) | (45,501) |
| Balance at end of reporting period | | <u>(60,348)</u> | <u>(143,227)</u> |

Note 27 Reconciliation of cash flows from operating activities

| | 2021 \$ | 2020 \$ |
|---|----------------|----------------|
| Net profit after tax from ordinary activities | 118,630 | 74,143 |
| Adjustments for: | | |
| - Depreciation | 50,603 | 50,725 |
| - Amortisation | 6,061 | 15,476 |
| - (Increase)/decrease in fair value of equity instruments designated at FVTPL | (12,049) | 6,496 |
| - (Profit)/loss on disposal of non-current assets | (2,815) | - |
| Changes in assets and liabilities: | | |
| - (Increase)/decrease in trade and other receivables | (1,068) | 1,805 |
| - (Increase)/decrease in other assets | 1,978 | (11,384) |
| - Increase/(decrease) in trade and other payables | 9,785 | (7,192) |
| - Increase/(decrease) in employee benefits | (1,881) | 29,102 |
| - Increase/(decrease) in provisions | 1,035 | 981 |
| - Increase/(decrease) in tax liabilities | (6,646) | (2,129) |
| Net cash flows provided by operating activities | <u>163,633</u> | <u>158,023</u> |

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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.

| | Note | Carrying amount | | | | Fair value level | |
|--|------|-----------------|-------------------|---------|-------------------|------------------|---------|
| | | 2021 | 2021 | 2020 | 2020 | 2021 | 2020 |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| | | FVTPL | At amortised cost | FVTPL | At amortised cost | Level 1 | Level 1 |
| Financial assets measured at fair value: | | | | | | | |
| Equity securities | 15 | 219,348 | - | 107,300 | - | 219,348 | 107,300 |
| Financial assets not measured at fair value: | | | | | | | |
| Cash and cash equivalents | 14 | - | 362,271 | - | 367,420 | - | - |
| Trade and other receivables | 16 | - | 57,699 | - | 64,026 | - | - |
| | | - | 419,970 | - | 431,446 | - | - |
| Financial liabilities not measured at fair value: | | | | | | | |
| Trade and other payables | 21 | - | 36,888 | - | 49,325 | - | - |
| Lease liabilities | 22 | - | 322,302 | - | 338,456 | - | - |
| | | - | 359,190 | - | 387,781 | - | - |

Note 29 Auditor's remuneration

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

| | 2021 \$ | 2020 \$ |
|--|------------|------------|
| <i>Audit and review services</i> | | |
| - Audit and review of financial statements (AFS) | 5,000 | 1,900 |
| - Audit and review of financial statements (Fortunity) | - | 3,200 |
| <i>Non audit services</i> | | |
| - Taxation advice and tax compliance services | 600 | - |
| - General advisory services | 3,090 | 2,335 |
| - Share registry services | 5,635 | 5,875 |
| Total auditor's remuneration | 14,325 | 13,310 |

Note 30 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Elizabeth Ada North

Ray Davidson

David Brine

David Harris

David Evans

Garry Whitaker

Geoff Hetherington

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Note 30 Related parties (continued)

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

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

| | 2021 \$ | 2020 \$ |
|--|--------------|--------------|
| <i>Transactions with related parties</i> | | |
| - The company used the bookkeeping/accounting services of David Brine's company. The total benefit received was: | 9,600 | 9,600 |
| Total transactions with related parties | <u>9,600</u> | <u>9,600</u> |

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 | 5.50 | 7.00 |
| | 35,751 | 45,501 |

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

b) Franking account balance

Franking credits available for subsequent reporting periods

| | 2021 \$ | 2020 \$ |
|---|---------------|---------------|
| Franking account balance at the beginning of the financial year | 45,692 | 38,416 |
| Franking transactions during the financial year: | | |
| - Franking credits (debits) arising from income taxes paid (refunded) | 20,226 | 24,523 |
| - Franking credits from franked distributions received | 11 | 12 |
| - Franking debits from the payment of franked distributions | (12,561) | (17,259) |
| Franking account balance at the end of the financial year | <u>53,368</u> | <u>45,692</u> |
| Franking transactions that will arise subsequent to the financial year end: | | |
| - Franking credits (debits) that will arise from payment (refund) of income tax | 11,108 | 17,754 |
| Franking credits available for future reporting periods | <u>64,476</u> | <u>63,446</u> |

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%.

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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 | 118,630 | 74,143 |
| | Number | Number |
| Weighted-average number of ordinary shares | 650,010 | 650,010 |
| | Cents | Cents |
| Basic and diluted earnings per share | 18.25 | 11.41 |

Note 33 Commitments

The company has no 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.

Wyong Town Financial Services Limited

ABN 59 100 313 120

Wyong Town Financial Services Limited

Directors' Declaration

In accordance with a resolution of the directors of Wyong Town Financial Services Limited, we state that:

In the opinion of the directors:

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

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



Ray Davidson, Director

Dated this 23rd day of September 2021



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

Independent auditor's report to the Directors of Wyong Town Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Wyong Town Financial Services Limited's (the company), which comprises:

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

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

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

Basis for Opinion

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

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

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



ahsbendigo.com.au

Issued in accordance with the requirements of the Accounting Professional and Ethical Standards Board (APES 110) 2021

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: 23 September 2021

Joshua Griffin
Lead Auditor

Community Bank Wyong

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Franchisor: Bendigo & Adelaide Bank Limited

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