W&D FINANCE
INVESTMENTS & LOANS

Financial Statements

For the Year Ended 30 June 2022

Webster Dolilta Finance Ltd
ABN 49 004 664 322

Contents

For the Year Ended 30 June 2022

Page

Consolidated Financial Statements

Directors' Report
For the Year Ended 30 June 2022

The directors present their report, together with the financial statements of company for the financial year ended 30 June 2022.

Information on directors
The names of each person who has been a director during the year are listed below. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Robert A. Baird B.A LL.B	Occupation: Solicitor and Director of Baird & McGregor Pty Ltd. Special responsibilities: Member of the Loans Committee Owns 3,346 shares in Webster Dolilta Finance Ltd (including related parties).
Timothy S. Bunning CPA B.Ec	Occupation: Certified Practising Accountant. Special responsibilities: Member of the Loans Committee. Owns 445 shares in Webster Dolilta Finance Ltd (including related parties).
Paul D. Burke B.Bus	Occupation: Property Developer. Special responsibilities: Chairman of the Loans Committee. Owns 25 shares in Webster Dolilta Finance Ltd (including related parties). Appointed director on 1 July 2022.
Philip C. Cunningham FIPA GAICD	Occupation: Managing Director of Webster Dolilta Finance Ltd, Licensed Estate Agent and Director of Doepel Lilley & Taylor. Past president of the Provincial Finance Group. Special responsibilities: Member of the Loans Committee and Audit Committee. Owns 3,054 shares in Webster Dolilta Finance Ltd (including related parties).
Robert G. Cunningham CEA (REIV)	Occupation: Licensed Estate Agent and Director of Doepel Lilley & Taylor. Member of the Real Estate Institute of Victoria. Special responsibilities: Member of the Loan Committee. Owns 2,969 shares in Webster Dolilta Finance Ltd (including related parties).
Neale J. Gribble LL.B. B.Com	Occupation: Solicitor and Director of Baird & McGregor Pty Ltd. Special responsibilities: Member of the Audit Committee. Owns 3,065 shares in Webster Dolilta Finance Ltd (including related parties).
William H. McGregor OAM LL.B	Occupation: Solicitor and Consultant to Baird & McGregor Pty Ltd. Past President and Life Member of Provincial Finance Group. Special responsibilities: Chairman of the Audit Committee. Owns 1,805 shares in Webster Dolilta Finance Ltd (including related parties).
Robert N. Whitcher FIPA	Occupation: Retired Insurance Agent. Special responsibilities: Member of the Audit Committee. Owns 2,127 shares in Webster Dolilta Finance Ltd (including related parties).

Directors' Report
For the Year Ended 30 June 2022

Company secretary

The following person held the position of company secretary since the start of the financial year and to the date of this report:

Mr Philip C. Cunningham FIPA GAICD. Mr Cunningham has worked for Webster Dolilta Finance Ltd for 27 years, the last 23 as Managing Director. Mr Cunningham was appointed secretary on 31 July 1999.

Principal activities

The principal activities of the company during the financial year were:
- Accept investments of money from the public in the form of Secured Notes; and
- Conduct lending on the security of registered mortgages over freehold land and buildings.

No significant change in the nature of these activities occurred during the year.

Operating results

The net profit of the company after providing for income tax amounted to $2,866,978 (2021 net profit of $1,287,914).

Dividends

Fully franked dividends of $38.00 per share totalling $834,860 were paid during the year. The dividends comprised two dividends declared at the board meeting held on 10 September 2021 of $19.00 per share paid on 30 September 2021 and $19.00 per share paid on 31 March 2022.

Review of operations

Net profit of the company after tax increased by $1,579,064 after providing for credit losses of $200,000 (2021: credit losses of $79,854). The directors were satisfied with the operating performance of the company during the year.

Meetings of directors

The attendances by each director of the company at meetings during the year was:

	Directors' Meetings		Loan Committee		Audit Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Robert A. Baird	11	11	12	11	1	1
Timothy S. Bunning	11	11	12	10	6	6
Philip C. Cunningham	11	10	12	12	6	6
Robert G. Cunningham	11	11	12	11	1	1
Neale J. Gribble	11	10	-	-	6	5
William H. McGregor	11	11	-	-	6	6
Robert N. Whitcher	11	10	-	-	6	5

Indemnification and insurance of officers and auditors

During the financial year the company has paid premiums to insure each of the directors and holders of proper authorities (but not the auditor of the company) against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $10,005 (2021: $9,630) for each director.

Directors' Report
For the Year Ended 30 June 2022

Share options

No options over issued shares in interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Proceedings on behalf of 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 its controlled entity or to intervene in any proceedings to which the company or its controlled entity is a party for the purpose of taking responsibility on behalf of the company or its controlled entity for all or any part of those proceedings. The company and its controlled entity were not a party to any such proceedings during the year.

Significant changes in state of affairs

There have been no other significant changes in the state of affairs of the company during the year.

Environmental regulations

The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Matters or circumstances arising after the end of the year

The company has not been significantly impacted by the COVID-19 pandemic to the date of this report but, as the pandemic continues, the future impact of COVID-19 on the company's operations is not certain.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of company, the results of those operations or the state of affairs of company in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001*, for the year ended 30 June 2022 has been received and can be found on page 4 of the consolidated financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: ....
Timothy S. Bunning

Director: ....
Philip C. Cunningham

Dated: 30 September 2022

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Webster Dolilta Finance Ltd for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

John Findlay

JOHN FINDLAY
Partner

Ballarat, Victoria
Dated this 30th day of September 2022

Webster Dolilta Finance Ltd
ABN 49 004 664 322

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2022

	Note	2022 $	2021 $
Interest received	3	**6,161,662**	5,090,102
Interest expense	3	**(3,089,823)**	(3,048,906)
Net interest revenue		**3,071,839**	2,041,196
Non interest revenue	4	**876,348**	740,579
Total operating income		**3,948,187**	2,781,775
Credit losses	5	**(200,000)**	(79,854)
Operating expenses	6	**(1,733,023)**	(1,612,471)
Operating profit		**2,015,164**	1,089,450
Net gain on disposal of investment property		**-**	600,051
Net gain on revaluation of investment property		**1,729,733**	-
Net profit before income tax		**3,744,897**	1,689,501
Income tax expense	7	**(877,919)**	(401,587)
Net profit for the year		**2,866,978**	1,287,914
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Net gain on revaluation of land and buildings, net of tax	7(b)	**575,933**	15,711
Net (loss)/gain on equity investments designated at FVOCI, net of tax	7(b)	**(230,320)**	500,756
Other comprehensive income for the year, net of tax		**345,613**	516,467
Total comprehensive income for the year		**3,212,591**	1,804,381
Profit attributable to:			
Members of the company		**2,866,978**	1,287,914
Total comprehensive income attributable to:			
Members of the company		**3,212,591**	1,804,381

The accompanying notes form part of these financial statements.

Statement of Financial Position

As At 30 June 2022

	Note	2022 $	2021 $
Assets			
Cash and cash equivalents	9	**5,106,791**	3,766,522
Other financial assets	10	**14,664,000**	20,664,000
Receivables	11	**335,505**	276,357
Investments in listed entities at FVOCI	12	**2,570,756**	2,249,272
Loans and advances	13	**96,558,063**	72,913,179
Investment properties	14	**7,800,000**	3,563,327
Property, plant and equipment	15	**4,041,594**	3,322,953
Total Assets		**131,076,709**	106,755,610
Liabilities			
Secured notes	16	**116,517,615**	95,188,902
Payables	17	**938,058**	802,896
Tax liabilities	18	**1,468,879**	984,566
Provisions	19	**177,873**	182,693
Total Liabilities		**119,102,425**	97,159,057
Net Assets		**11,974,284**	9,596,553
Equity			
Issued capital	20	**2,710,712**	2,710,712
Financial investment revaluation reserve	21	**21,927**	252,247
Property revaluation reserve	21	**2,208,602**	1,632,669
Retained earnings		**7,033,043**	5,000,925
Total Equity		**11,974,284**	9,596,553

The accompanying notes form part of these financial statements.

Webster Dolilta Finance Ltd
ABN 49 004 664 322

Statement of Changes in Equity
For the Year Ended 30 June 2022

2022

	Note	Issued capital $	Financial investment revaluation reserve $	Property revaluation reserve $	Retained earnings $	Total $
Balance at 1 July 2021		**2,710,712**	**252,247**	**1,632,669**	**5,000,925**	**9,596,553**
Profit attributable to members		**-**	**-**	**-**	**2,866,978**	**2,866,978**
Comprehensive income		**-**	**(230,320)**	**575,933**	**-**	**345,613**
Dividends paid or provided for	8	**-**	**-**	**-**	**(834,860)**	**(834,860)**
Balance at 30 June 2022		**2,710,712**	**21,927**	**2,208,602**	**7,033,043**	**11,974,284**

2021

	Note	Issued capital $	Financial investment revaluation reserve $	Property revaluation reserve $	Retained earnings $	Total $
Balance at 1 July 2020		2,710,712	(250,551)	1,443,400	4,789,381	8,692,942
Profit attributable to members		-	-	-	1,287,914	1,287,914
Comprehensive income		-	500,756	15,711	-	516,467
Dividends paid or provided for	8	-	-	-	(900,770)	(900,770)
Transfer from reserve on disposal of financial investment		-	2,042	-	(2,042)	-
Transfer to reserve		-	-	173,558	(173,558)	-
Balance at 30 June 2021		2,710,712	252,247	1,632,669	5,000,925	9,596,553

The accompanying notes form part of these financial statements.

Webster Dolilta Finance Ltd
ABN 49 004 664 322

Statement of Cash Flows
For the Year Ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities:			
Interest received		**6,155,405**	5,100,419
Interest and other costs of finance paid		**(3,037,060)**	(3,102,992)
Fees, commissions and other income received		**611,482**	538,844
Rent received		**223,232**	189,736
Cash paid to suppliers and employees		**(1,660,531)**	(1,567,741)
Income taxes paid		**(508,809)**	(349,629)
Net cash provided by operating activities	27	**1,783,719**	808,637
Cash flows from investing activities:			
Payments for development cost receivables		**(44,852)**	(976,509)
Proceeds from development cost receivables		**64,854**	1,421,705
Payments for financial investments		**(586,944)**	(397,281)
Proceeds from financial investments		**-**	52,958
Payments for investments properties		**(2,506,940)**	(1,828,568)
Proceeds from investment properties		**-**	3,010,471
Payments for property, plant and equipment		**(8,536)**	(9,671)
Repayments of loans		**73,877,454**	70,684,330
Funding of loans		**(97,722,338)**	(72,536,393)
Payment for other investments		**(11,201)**	-
Proceeds of rental bond		**1,200**	-
Net cash used in investing activities		**(26,937,303)**	(578,958)
Cash flows from financing activities:			
Proceeds from secured notes		**39,792,832**	27,322,341
Repayment of secured notes		**(18,464,119)**	(21,027,451)
Dividends paid		**(834,860)**	(900,770)
Net cash provided by financing activities		**20,493,853**	5,394,120
Net (decrease)/increase in cash and cash equivalents held		**(4,659,731)**	5,623,799
Cash and cash equivalents at beginning of year		**24,430,522**	18,806,723
Cash and cash equivalents at end of financial year	9	**19,770,791**	24,430,522

The accompanying notes form part of these financial statements.

Notes to the Financial Statements
For the Year Ended 30 June 2022

The financial report covers Webster Dolilta Finance Ltd as a stand-alone entity. Webster Dolilta Finance Ltd is a for-profit company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue on 13 September 2022 by the directors of the company.

1 Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements, except cash flow information, have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been presented in Australian dollars and rounded to the nearest dollar.

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

2 Summary of significant accounting policies

(a) Adoption of new and revised accounting standards

The company has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the company.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Notes to the Financial Statements

For the Year Ended 30 June 2022

(b) Income taxes

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities/(assets) are therefore measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year.

Current and deferred tax expense/(benefit) that relate to an item of comprehensive income/(expense) is charged or credited directly against the relevant item of comprehensive income/(expense).

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

(c) Fair value of assets and liabilities

The company measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absense of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs).

For non-financial assets, the fair value measurement also takes into account a market participants ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arragements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks. For the purposes of the cash flow statement, cash and cash equivalents also includes other short-term highly liquid investments due to mature within three months or less of the financial year end which are convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Details of cash and cash equivalents are disclosed in Note 9.

(e) Receivables

Receivables includes interest accrued on investments, prepayments and other sundry receivables. Receivables expected to be collected or consumed within 12 months of the end of the reporting period are classified as current receivables. All other receivables are classified as non-current.

Receivables are measured at amortised cost using the effective interest rate method, less any provision for expected credit losses.

(f) Loans and advances

Loans and advances comprise secured and unsecured loans made in accordance with the company's lending and credit policies. Loans and advances on terms set to mature within 12 months of the end of the reporting period are classified as current loans and advances. All other loans and advances are classified as non-current.

Loans and advances are measured at amortised cost using the effective interest rate method, less any provision for expected credit losses.

Provision for expected credit losses

A provision for expected credit losses is recognised for loans and advances when there is objective evidence that the other party is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held).

Credit losses are measured as the present value of the difference between the cash flows due to the company in accordance with the contract and cash flows expected to be received. This is applied using a probability weighted approach. The recoverable amount is determined by the directors on the basis of independent valuations of properties held as security by appropriately qualified valuers and by an assessment by the directors of the value of other security held.

Loan amounts are written off as bad debts when all practicable avenues of recovery have been exhausted. If a provision for expected credit losses has previously been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for expected credit losses has previously been recognised, bad debts are recognised as expenses in profit or loss.

Details of loans and advances and provisions for expected credit losses are disclosed in Note 13.

(g) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Details of property, plant and equipment are dislosed in Note 15.

Land and buildings

Freehold land and buildings used by the company in their day to day business activities are measured at their fair value (being the amount for which an asset in its highest and best use could be exchanged in an orderly transaction between market participants under market conditions at the reporting date in the principal market for the asset or, in the absence of a principal market, in the most advantageous market for the asset) based on periodic, but at least triennial, valuations by independent and appropriately qualified property valuers, less accumulated depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are recorded in comprehensive income and are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are recorded in comprehensive income and charged against the relevant revaluation reserve in equity; all other decreases are charged to profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Notes to the Financial Statements
For the Year Ended 30 June 2022

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining the recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the company commencing from the time the asset is first held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the assets useful life to company, commencing when the asset is ready for use.

The depreciation rates used for each class of depreciable asset are:

Class of fixed asset	Depreciation rate
Buildings	2.5%
Building improvements	6.67 - 12.5%
Plant and Equipment	6.67 - 33.33%
Motor Vehicles	12.5%
Leasehold improvements	10 - 15%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An assets carrying value is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(h) Investment properties

Investment property, comprising rental properties and land acquired for future subdivision, are held to generate capital gains and long-term rental yields. All tenant leases are on an arms length basis. Investment properties are measured at fair value as determined by the directors based on periodic, but ordinarily triennial, independent valuations by appropriately qualified property valuers. Changes to fair value are recorded in the statement of profit or loss as other income or other expenses.

Details of investment properties are disclosed in Note 14.

(i) Financial instruments

Financial instruments are recognised initially on the date that company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, company classifies its financial assets into the following categories, those measured at:
- amortised cost; and
- fair value through other comprehensive income - equity instrument (FVOCI - equity).

Amortised cost

Assets measured at amortised cost are financial assets where:
- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The company's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and amounts due from other financial institutions (interest earning deposits) in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less expected credit losses.

Interest income and expected credit losses are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income

Equity instruments

The company has a number of strategic investments in listed and unlisted entities over which are they do not have significant influence nor control. The company has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset revaluation reserve). On disposal any balance in the financial asset reserve is transferred to retained earnings and is not reclassified to profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income.

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the company's historical experience and informed credit assessment and including forward looking information.

The company uses the presumption that a financial asset is in default when the other party is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held).

Credit losses are measured as the present value of the difference between the cash flows due to the company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Financial liabilities

The company measures all financial liabilities initially at fair value less transaction costs. Subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the company comprise secured notes and trade payables.

(j) Impairment of non-financial assets

At the end of each reporting period the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash generating unit to which the asset belongs.

(k) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within twelve months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within twelve months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(l) Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however, as additional information becomes known the actual results may differ from the estimates.

Key judgements

(i) Provision for expected credit losses of loans and advances

The company recognises its loans and advances at amortised cost using the effective interest rate method, less any provision for expected credit losses. A provision for expected credit losses is recognised for loans and advances when there is objective evidence that the other party is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held).

Credit losses are measured at the present value of the difference between the cash flows due to the company in accordance with the contract and cash flows expected to be received. This is applied using a probability weighted approach. The recoverable amount is determined by the directors on the basis of independent valuations of properties held as security by appropriately qualified valuers and by an assessment by the directors of the value of other security held.

The company have not been significantly impacted by the COVID-19 pandemic to the date of this report, however, the directors are closely monitoring how the pandemic may effect the real estate market, the ability of borrowers to meet their repayment obligations and the potential impact on the expected credit losses of the company.

Key estimates

(i) Fair value of land and buildings

The company carries its land and buildings at fair value with changes in the fair value recognised in comprehensive income and credited to a revaluation reserve in equity. Independent valuations are obtained at least triennially and at the end of each reporting period the directors update their assessment of the fair value of each property, taking into account the most recent valuations and movements in the market.

The company have not been significantly impacted by the COVID-19 pandemic to the date of this report, however, the directors are closely monitoring how the pandemic may effect the real estate market and the potential impact on the fair value of land and buildings held by the company.

(ii) Fair value of investment properties

The company carries its investment properties at fair value with changes in the fair value recognised in profit or loss. Independent valuations are obtained ordinarily triennially and at the end of each reporting period the directors update their assessment of the fair value of each property, taking into account the most recent valuations and movements in the market.

The company have not been significantly impacted by the COVID-19 pandemic to the date of this report, however, the directors are closely monitoring how the pandemic may effect the real estate market and the potential impact on the fair value of investment properties held by the company.

(m) Revenue

Revenue is recognised under AASB 15 on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligation is transferred

The revenue recognition policies for the principal revenue streams of the company are:

Interest revenue on loans and advances and interest on investments is calculated on the daily balance outstanding and recognised when charged to loans on a monthly basis and also accrued on a proportional basis taking into account the interest rates applicable to the financial assets.

Fees, commission and rental income are recognised as revenues when received.

Other income is recognised on an accruals basis when company is entitled to it.

All revenue is recognised net of the amount of goods and services tax (GST).

(n) Leases

At entering into a contract, the company assesses whether a lease exists i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:
- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The company has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

Right-of-use asset

At the lease commencement, the company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

Lessee accounting

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured where there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the company's assessment of lease term.

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions to lease accounting

The company has elected to apply the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. The company recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

(o) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the relevant taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payable in the statement of financial position are stated inclusive of GST.

Cash flows in the statement of cash flows are included on a gross basis, except for the GST component of cash flows arising from investing and financing activities which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the relevant taxation authority.

(p) Comparatives

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Notes to the Financial Statements
For the Year Ended 30 June 2022

	2022	2021
	$	$
3 Interest		
Interest received on loans	**6,079,611**	4,978,113
Interest received on deposits with other financial institutions	**82,051**	111,989
	6,161,662	5,090,102
Interest expense on secured notes	**(3,089,823)**	(3,048,906)
Net interest revenue	**3,071,839**	2,041,196
4 Non interest revenue		
Administration fees	**20,020**	19,140
Application fees	**405,364**	370,197
Discharge fees	**33,833**	43,286
Dividends	**183,899**	52,811
Government subsidies (COVID-19 cashflow boost)	**-**	50,000
Rent received	**233,232**	201,736
Other income	**-**	3,409
	876,348	740,579
5 Credit losses		
Increase in provision for expected credit losses for the year	**(200,000)**	-
Credit losses written off	**-**	(79,854)
	(200,000)	(79,854)

Notes to the Financial Statements

For the Year Ended 30 June 2022

	2022	2021
	$	$

6 Operating expenses

	2022 $	2021 $
Auditor's remuneration		
Auditing or reviewing the financial report	**(67,837)**	(66,550)
Administration expenses		
Personnel costs	**(497,356)**	(406,124)
Superannuation	**(45,760)**	(33,738)
Other administrative expenses	**(344,088)**	(312,308)
Accounting fees	**(61,545)**	(68,297)
Depreciation	**(57,806)**	(62,618)
Directors' remuneration	**(360,840)**	(364,970)
Legal fees	**(8,527)**	(32,551)
Provision for employee entitlements	**4,820**	(14,062)
Other operating expenses	**(294,084)**	(251,253)
	(1,733,023)	(1,612,471)

7 Income tax expense

The major components of tax expense comprise:

	2022 $	2021 $
Current tax expense	**367,897**	464,292
Net movement in deferred tax assets and liabilities	**510,022**	(62,705)
	877,919	401,587

(a) Reconciliation of income tax to accounting profit:

	2022 $	2021 $
Prima facie tax payable on net profit before tax at 25% (2021: 26%)	**936,224**	439,270
Add tax effect of non-allowable items	**784**	408
Less tax effect of rebateable fully franked dividends received	**(59,089)**	(16,727)
Less tax effect of non-assessable income	**-**	(13,000)
Less tax effect of change in company tax rate	**-**	(8,364)
Income tax attributable to the company	**877,919**	401,587

Notes to the Financial Statements

For the Year Ended 30 June 2022

(b) Income tax relating to each component of other comprehensive income:

	2022			2021		
	Before-tax amount	Tax (expense) benefit	Net-of-tax amount	Before-tax amount	Tax (expense) benefit	Net-of-tax amount
	$	$	$	$	$	$
Gain on land and buildings revaluation	**767,911**	**(191,978)**	**575,933**	-	15,711	15,711
Gain/(loss) on financial investments at FVOCI - equity	**(307,093)**	**76,773**	**(230,320)**	672,162	(171,406)	500,756
	460,818	**(115,205)**	**345,613**	672,162	(155,695)	516,467

	2022	2021
	$	$

8 Dividends

(a) Dividends paid

Fully franked ordinary dividend of $38.00 per share franked at the tax rate of 25% (2021: $41.00 per share franked at the tax rate of 26%) were paid or provided for during the year.	**834,860**	900,770

(b) Balance of franking account

Balance of franking account at year end adjusted for franking credits arising from: - payment of provision for income tax - dividends recognised as receivables, and - franking debits arising from payments of proposed dividends	**3,086,194**	2,808,399

Notes to the Financial Statements
For the Year Ended 30 June 2022

	2022	2021
	$	$

9 Cash and cash equivalents

Current		
Cash on hand	**9,474**	8,156
Cash at bank	**5,097,317**	3,758,366
	5,106,791	3,766,522

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	**5,106,791**	3,766,522
Short term deposits	**14,664,000**	20,664,000
	19,770,791	24,430,522

10 Other financial assets

Interest earning deposits	**14,664,000**	20,664,000
	14,664,000	20,664,000

(a) Maturity analysis

Not longer than three months	**14,664,000**	20,664,000
	14,664,000	20,664,000

11 Receivables

Current		
Interest receivable - liquid reserves	**12,984**	6,727
Prepayments	**127,549**	56,596
Rental bonds	**-**	1,200
Refundable development bonds	**180,334**	211,834
GST refundable	**3,437**	-
Other receivables	**11,201**	-
	335,505	276,357

Notes to the Financial Statements
For the Year Ended 30 June 2022

	2022 $	2021 $
12 Financial assets at FVOCI		
Non-current		
Investments in listed entities at FVOCI	**2,570,756**	2,249,272
	2,570,756	2,249,272

	2022 $	2021 $
13 Loans and advances		
Loans - secured by mortgage	**96,758,063**	72,913,179
Less provision for expected credit losses	**(200,000)**	-
	96,558,063	72,913,179

	2022 $	2021 $
(a) Maturity analysis		
Due within 1 year	**55,335,882**	40,795,924
Due after 1 year and not later than 2 years	**30,940,849**	16,451,621
Due after 2 years and not later than 5 years	**6,990,894**	11,927,980
Due after 5 years and not later than 30 years	**3,490,438**	3,737,654
	96,758,063	72,913,179

	2022 $	2021 $
(b) Provision for expected credit losses		
Opening balance	**-**	-
Increase in provision for the year	**(200,000)**	-
	(200,000)	-

	2022 $	2021 $
(c) Loans by state		
Victoria	**91,490,236**	69,256,313
New South Wales	**3,134,298**	3,150,414
Tasmania	**25,440**	26,100
South Australia	**483,983**	480,352
Western Australia	**1,624,106**	-
	96,758,063	72,913,179

Notes to the Financial Statements
For the Year Ended 30 June 2022

	2022 $	2021 $
(d) Loans by sector		
Commercial and industrial	**32,773,655**	25,458,781
Property development	**11,436,322**	7,779,314
Residential	**15,185,330**	7,335,772
Residential investment	**31,580,296**	27,299,454
Rural	**5,564,320**	4,959,726
Other	**218,140**	80,132
	96,758,063	72,913,179

14 Investment properties

	2022 $	2021 $
Non-current		
At valuation (i)	**7,800,000**	3,563,327
	7,800,000	3,563,327

The fair value model is applied to all investment properties held by the company. The directors value investment properties annually based on periodic, but ordinarily triennial, independent valuations by an appropriately qualified property valuer. Further information in relation to the fair value model is disclosed in Note 24.

(i) The non-current investment property comprises:

- One investment property valued at fair value based on an independent valuation carried out by Anthony Carter (AAPI Certified Practising Valuer) on 30 June 2022.
- Three investment properties valued at fair value based on independent valuations carried out by Leah Haby (AAPI Certified Practising Valuer) on 30 June 2022.
- One investment property valued at fair value based on an independent valuation carried out by Darren Evans (AAPI Certified Practising Valuer) on 30 June 2022.
- One investment property valued at fair value based on an independent valuation carried out by Aaron Armistead (AAPI Certified Practising Valuer) on 9 June 2022.

Notes to the Financial Statements
For the Year Ended 30 June 2022

(a) Movement in carrying amounts

	Investment properties $	Right-of-use assets $	Total $
2022			
Balance at the beginning of the year	**3,563,327**	**-**	**3,563,327**
Additions from subsequent expenditure	**2,506,940**	**-**	**2,506,940**
Revaluation increments	**1,729,733**	**-**	**1,729,733**
Balance at the end of the year	**7,800,000**	**-**	**7,800,000**

	Investment properties $	Right-of-use assets $	Total $
2021			
Balance at the beginning of the year	4,118,298	58,967	4,177,265
Additions from subsequent expenditure	1,855,449	-	1,855,449
Initial recognition of right-of-use asset under AASB 16	-	(50,543)	(50,543)
Depreciation expense	-	(8,424)	(8,424)
Disposals	(2,410,420)	-	(2,410,420)
Balance at the end of the year	3,563,327	-	3,563,327

Notes to the Financial Statements

For the Year Ended 30 June 2022

15 Property, plant and equipment

	2022	2021
	$	$
Non current		
Land and buildings		
Freehold land		
At valuation (i)	**2,010,000**	1,700,000
	2,010,000	1,700,000
Buildings		
At valuation (i)	**2,020,000**	1,680,000
Less accumulated depreciation	**-**	(84,115)
	2,020,000	1,595,885
	4,030,000	3,295,885
Plant and equipment		
Office and other equipment		
At cost	**140,258**	140,258
Less accumulated depreciation	**(128,664)**	(113,190)
	11,594	27,068
Total property, plant and equipment	**4,041,594**	3,322,953

The fair value model is applied to all land and buildings held by the company. Revaluations of land and buildings are made in accordance with a policy of regular revaluation of land and buildings based on periodic, but ordinarily triennial, independent valuations by an appropriately qualified property valuer. Futher information in relation to the fair value model is disclosed in Note 24.

(i) The revaluation of freehold land and buildings held by the company was based on independent valuations of two properties carried out by Adrian Doyle (FAPI Certified Practising Valuer) on 30 June 2022.

Notes to the Financial Statements

For the Year Ended 30 June 2022

(a) Movements in carrying amounts of property, plant and equipment

	Land	Buildings	Plant and equipment	Total
	$	$	$	$
2022				
Balance at the beginning of year	**1,700,000**	**1,595,885**	**27,068**	**3,322,953**
Additions	**-**	**8,536**	**-**	**8,536**
Revaluation increment	**310,000**	**457,911**	**-**	**767,911**
Depreciation expense	**-**	**(42,332)**	**(15,474)**	**(57,806)**
Balance at the end of the year	**2,010,000**	**2,020,000**	**11,594**	**4,041,594**

	Land	Buildings	Plant and equipment	Total
	$	$	$	$
2021				
Balance at the beginning of year	1,700,000	1,637,885	29,591	3,367,476
Additions	-	-	9,671	9,671
Depreciation expense	-	(42,000)	(12,194)	(54,194)
Balance at the end of the year	1,700,000	1,595,885	27,068	3,322,953

	2022	2021
	$	$

(b) Historical cost

If land and buildings had been stated at historical cost, amounts would be as follows:

	2022	2021
At cost	**1,344,149**	1,335,613
Accumulated depreciation	**(421,838)**	(398,909)
Net book value	**922,311**	936,704

Notes to the Financial Statements

For the Year Ended 30 June 2022

	2022	2021
	$	$

16 Secured notes

	2022 $	2021 $
Secured notes	**116,517,615**	95,188,902
	116,517,615	95,188,902

Concentration of secured notes

Practically all secured note holders are residents of Victoria. The company does not actively seek funds from non-Victorian residents.

(a) Maturity analysis

	2022 $	2021 $
Due within 1 year	**101,449,621**	83,963,806
Due after 1 year and not later than 3 years	**15,067,994**	11,225,096
	116,517,615	95,188,902

The company has had an average positive net movement in secured notes over the three financial years to 30 June 2022 of $10,246,202 (average over three financial years to 30 June 2021: $5,980,160).

17 Payables

	2022 $	2021 $
Current		
Accrued interest payable	**712,527**	659,763
GST liability	**-**	2,321
Development creditors	**25,134**	63,514
Other payables	**200,397**	77,298
	938,058	802,896

	2022 $	2021 $
18 Tax liabilities		
Current		
Provision for income tax	**273,102**	298,811
	273,102	298,811
Non-current		
Net deferred tax liabilities comprises:		
Deferred tax liability from property revaluations	**1,327,599**	708,884
Deferred tax liability from financial investment revaluations	**7,132**	83,905
Deferred tax liability from amount deductible prior to being expensed	**31,887**	14,149
Deferred tax asset from expenses not deductible until paid	**(14,744)**	(13,881)
Deferred tax asset from provisions not deductible until paid or written off	**(94,468)**	(45,673)
Deferred tax asset from capital losses carried forward	**(61,629)**	(61,629)
	1,195,777	685,755
	1,468,879	984,566

	2022 $	2021 $
19 Provisions		
Current		
Employee entitlements		
Annual leave	**84,266**	95,692
Long service leave	**93,607**	87,001
	177,873	182,693

Notes to the Financial Statements

For the Year Ended 30 June 2022

		2022	2021
		$	$
20 Issued capital			
21,970 (2021: 21,970) fully paid ordinary shares		**2,710,712**	2,710,712
		2,710,712	2,710,712

The company has authorised capital of 21,970 shares. The shares do not have a par value.

Capital management

Management controls the capital of the company in order to maintain a debt to equity ratio sufficient to ensure that the company can fund its operations, provide shareholders with adequate returns and continue as a going concern. The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. The company needs to meet certain capital requirements imposed by its Trustee. These capital requirements have been met for the year ended 30 June 2022. Management effectively manages the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of secured note and loan levels and management of distributions to shareholders.

There have been no changes in the strategy adopted by management.

		2022	2021
		$	$
Gearing Ratio			
Secured notes		**116,517,615**	95,188,902
Payables		**938,058**	802,896
Less cash and cash equivalents	9	**(5,106,791)**	(3,766,522)
Less interest earning deposits		**(14,664,000)**	(20,664,000)
Less investments in listed entities at FVOCI		**(2,570,756)**	(2,249,272)
Net debt		**95,114,126**	69,312,004
Total equity		**11,980,619**	9,596,553
Total capital		**107,094,745**	78,908,557
Gearing ratio (net debt/total capital)		**88.81 %**	87.84 %

Equity Capital Benchmark

ASIC Regulatory Guide 69 - Debentures and notes: Improving disclosure for retail investors sets a non-mandatory benchmark of 8% equity capital ratio for issuers of unlisted secured notes whose activities do not include significant levels of property development or lending for property development and a non-mandatory benchmark of 20% equity capital ratio for issuers of unlisted secured notes whose activities include significant levels of property development or lending for property development.

For the purpose of the benchmark significant levels of property development is considered to be where the level of property development and lending for property development is more than 10% of the secured notes on issue.

At 30 June 2022 the level of property development and lending for property development of the company amounted to 9.82% of the secured notes on issue (2021: 8.17%). Accordingly, the company is not considered to have significant levels of property development or lending for property development in the current year.

The company has met the equity capital ratio benchmark set by ASIC at 30 June 2022 of 8% (the equity capital ratio benchmark of 8% was met at 30 June 2021). The directors of the company believe that its current level of equity capital is adequate for its current activities.

	2022 $	2021 $
Equity Capital Ratio		
Equity capital	**11,980,619**	9,596,553
Total liabilities	**119,096,090**	97,159,057
	131,076,709	106,755,610
Equity capital ratio (equity capital / total equity plus liabilities)	**9.14 %**	8.99 %

Notes to the Financial Statements
For the Year Ended 30 June 2022

Other Capital Requirements

The company is required to meet capital requirements imposed by its trustee. The capital requirements imposed by the Trustee prohibits the company from issuing new secured notes unless its total tangible assets exceed its external liabilities by $500,000 or its total external liabilities do not exceed 98% of the total tangible assets of the company.

The company's total tangible assets exceeded its total external liabilities by greater than $500,000 for the years ended 30 June 2022 and 30 June 2021 and, accordingly, the capital requirements imposed by the Trustee have been met for these years.

	2022 $	2021 $
External Liabilities Ratio		
Total liabilities	**119,096,090**	97,159,057
Add back deferred tax assets	**170,841**	121,183
Total external liabilities	**119,266,931**	97,280,240
Total assets	**131,076,709**	106,755,610
Less interest receivable	**(12,984)**	(6,727)
Total tangible assets	**131,063,725**	106,748,883
Total tangible assets minus total external liabilities	**11,796,794**	9,468,643
Total external liabilities ratio (total external liabilities/total tangible assets)	**90.99 %**	91.12 %

Notes to the Financial Statements

For the Year Ended 30 June 2022

21 Reserves

Asset revaluation reserve

The Asset Revaluation Reserves comprise the Property Revaluation Reserve (Land and Buildings Revaluation Reserve) and the Financial Investment Revaluation Reserve. The Property Revaluation Reserve comprises unrealised gains on freehold land and buildings used by the company in their day to day operation arising from their revaluation to fair value. The Financial Investment Revaluation Reserve comprises unrealised gains or losses on financial investments held at fair value through other comprehensive income arising from their revaluation to fair value.

	2022 $	2021 $
Analysis of each class of reserve		
Financial investment revaluation reserve		
Financial investment revaluation reserve	**21,927**	252,247
Property revaluation reserve		
Land and building revaluation reserve	**2,208,602**	1,632,669
	2,230,529	1,884,916

22 Leasing commitments

(a) Assets

Minimum lease receipts:		
- not later than one year	**190,007**	135,742
- between one year and five years	**366,239**	395,302
	556,246	531,044

The company have rental leases in place over fourteen investment properties owned by the company. Commercial property leases that are in place normally have a term of 5 years with the option for renewal by the tenant. Residential property leases that are in place have an initial term of 12 months and are in accordance with the Residential Tenancy Agreement requirements.

23 Contracted commitments

In the prior year the company entered into a contract for the purchase of an investment property for $2,300,000. The contract became unconditional on 30 June 2021 and full settlement of the purchase was completed during the current financial year.

	2022 $	2021 $
(a) Contracted assets		
Contracted assets at the end of the financial year not recorded in the Statement of Financial Position:		
Purchase of investment property	-	2,300,000
	-	2,300,000
(b) Contracted liabilities		
Contracted liabilities at the end of the financial year not recorded in the Statement of Financial Position:		
Liability for purchase of investment property	-	2,300,000
	-	2,300,000

Notes to the Financial Statements

For the Year Ended 30 June 2022

24 Fair value measurement

The company measures the following assets and liabilities at fair value on a recurring basis:

- Property, plant and equipment - land and buildings;
- Investment property; and
- Financial assets.

Fair value hierarchy

AASB 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3	Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the company:

30 June 2022	**Note**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements					
Assets					
Financial assets at FVOCI	12	**2,570,756**	**-**	**-**	**2,570,756**
Investment properties	14	**-**	**7,800,000**	**-**	**7,800,000**
Property, plant and equipment - land and buildings	15	**-**	**4,030,000**	**-**	**4,030,000**
		2,570,756	**11,830,000**	**-**	**14,400,756**

30 June 2021	**Note**	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Recurring fair value measurements					
Assets					
Financial assets at FVOCI	12	2,249,272	-	-	2,249,272
Investment properties	14	-	3,563,327	-	3,563,327
Property, plant and equipment - land and buildings	15	-	3,295,885	-	3,295,885
		2,249,272	6,859,212	-	9,108,484

Level 1 measurements

The revaluation of financial assets at FVOCI under Level 1 relate to investments in listed entities and are based on the quoted price for the investments on the relevant stock exchange at the reporting date.

Level 2 measurements

The revaluation of investment property and property, plant and equipment - land and buildings are based on the assessment of their current market value on the assumption of the asset's highest and best use. The revaluations of investment property and property, plant and equipment - land and buildings held by the company are made in accordance with a regular policy of revaluation and, except for acquisitions or additions recorded at cost, are based on market valuations provided by appropriately qualified and independent registered valuers conducted on a periodic, but at least triennial, basis. Details of the investment properties held and the specific basis for revaluation are disclosed at Note 14. Details of the land and buildings held and the specific basis for revaluation are disclosed at Note 15.

Highest and best use

The current use of each asset measured at fair value is considered to be its highest and best use.

25 Segment information

The company operates as a member of Provincial Finance Group Incorporated in the financial services industry within the state of Victoria.

26 Key management personnel remuneration

(a) Compensation practices

The board's policy for determining the nature and amount of compensation of key management for the company is as follows:

(i) Directors
The compensation structure for directors is based on the overall performance of the company.

(b) Key management personnel

Names and positions held of key management personnel in office at any time during the financial year are:

Key management person	Position
Robert A. Baird	Director
Timothy S. Bunning	Director
Philip C. Cunningham	Managing Director
Robert G. Cunningham	Director
Neale J. Gribble	Director
William H. McGregor	Director
Robert N. Whitcher	Director
Paul D. Burke	Member of the Loans Committee

(c) Key management personnel compensation

	Salary and fees	Non-cash benefits	Superannuation benefits	Total
	$	$	$	$
2022	**483,900**	**8,930**	**68,415**	**561,245**
2021	467,900	11,788	62,920	542,608

27 Cash flow information

	2022	2021
	$	$
Reconciliation of cash flow from operations with net profit after income tax		
Total net profit or loss for the year	**2,866,978**	1,287,914
Cash flows excluded from profit attributable to operating activities		
Profit on disposal of investment properties	**-**	(600,051)
Net gain on revaluation of investment properties	**(1,729,733)**	-
Non-cash flows in profit:		
Depreciation	**57,806**	62,618
Expected credit losses	**200,000**	79,854
Reinvestment of dividends	**(41,634)**	-
Changes in assets and liabilities attributable to operating activities		
(Increase)/decrease in receivables	**(80,647)**	3,863
Increase/(decrease) in payables	**146,659**	(91,581)
(Decrease)/increase in income taxes payable	**(25,709)**	270,357
Increase/(decrease) in deferred taxes payable	**394,819**	(218,399)
(Decrease)/increase in employee entitlements	**(4,820)**	14,062
Cashflows from operations	**1,783,719**	808,637

28 Financial risk management

The company's financial instruments consist mainly of cash and cash equivalents, deposits with other financial institutions and loans secured by mortgage. The company's overall risk management strategy seeks to assist in meeting its financial targets, while minimising the risk of potential adverse effects on financial performance.

Credit risk

Credit risk is the risk that the other party to the financial instrument will fail to discharge the obligation or commitment that it has entered into with the company. The company has a credit policy in place and, to the extent possible, actively assesses the credit worthiness of the borrowers and entities with whom deposits are held. The credit policy permits the company to make loans secured by first mortgages over property with a lending ratio not exceeding 80% of the value of the property. The credit policy permits the company to make unsecured loans of not more than $5,000 per loan. The company monitors the receipt of loan repayments from borrowers and acts in accordance with the credit policy when loan repayments become in arrears.

The maximum amount of exposure to credit risk at the balance date to recognised financial assets, excluding the value of any collateral or other security, is the carrying amount net of any provisions for expected credit losses related to those assets.

The total value of mortgage loans at the balance date in arrears but not impaired was $2,423,429 (2021: $1,057,100) the ageing of which is set out in the table below. The total value of properties held as security over mortgage loans in arrears but not impaired was $8,110,000 (2021: $1,785,000).

	2022 Loan amounts $	2021 Loan amounts $	2022 Repayments in arrears $	2021 Repayments in arrears $
Composition of loans in arrears but not impaired				
Greater than 90 days	**2,423,429**	1,057,100	**141,720**	56,652
	2,423,429	1,057,100	**141,720**	56,652

The company holds cash and cash equivalent assets and deposits with other financial institutions. The company manages the risk of default by other financial institutions by only investing with organisations that have maintained a high credit rating.

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

Notes to the Financial Statements

For the Year Ended 30 June 2022

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they become due and payable. The company is exposed to the liquidity risk of needing to meet secured not holders withdrawals at the end of the term of the secured note. The proportions of secured notes due within 1 year and due after 1 year are disclosed in Note 16.

The company manages liquidity by monitoring actual and forecast cashflows on a quarterly basis to ensure that it has sufficient liquidity to meet its liabilities when they become due. The company's liquidity is measured as the cash and short term deposits held as a proportion of total secured notes on issue. The company's policy includes ensuring a minimum level of 7.5% liquidity is maintained and, in the event the company's liquidity nears 7.5% the company stops lending in order to increase its liquidity level.

	2022 $	2021 $
Liquidity ratio		
Cash and cash equivalents	**5,106,791**	3,766,522
Short term deposits	**14,664,000**	20,664,000
Investments in listed entities at FVOCI	**2,570,756**	2,249,272
	22,341,547	26,679,794
Secured notes	**116,517,615**	95,188,902
	116,517,615	95,188,902
Liquidity ratio (cash and short term deposits / secured notes)	**19.17 %**	28.03 %

Notes to the Financial Statements
For the Year Ended 30 June 2022

Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect future cash flows or the fair value of fixed rate financial investments. The company is exposed to earnings volatility on floating instruments as the investments of the company largely comprise first registered mortgages with variable interest rates. The company has in place a policy to manage interest rate risk by monitoring and controlling the level of fixed and floating rate deposits and loans on a regular basis.

The interest rate risk financial instrument composition and maturity analysis is shown on page 41.

Interest rate sensitivity analysis

At 30 June 2022 the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

	2022	2021
	$	$
Changes in profit after tax		
- Increase in interest rates of 2%	**169**	31,891
- Decrease in interest rates of 2%	**(169)**	(31,891)
Changes in equity		
- Increase in interest rates of 2%	**169**	31,891
- Decrease in interest rates of 2%	**(169)**	(31,891)

The company is bound only by the interest rates available to it within its liquidity portfolio. Apart from the liquidity portfolio, the directors use their discretion to set interest rates in respect of the secured notes and lending products the company offers to the market.

Net fair values

The net fair values of listed investments have been valued at the quoted market bid price at the balance date. For other assets and other liabilities the net fair value approximate their carrying values. No financial assets or liabilities of the company are readily traded on organised markets in standardised form other than listed investments.

The aggregate fair values and carrying amounts of financial assets and financial liabilities at the balance date are disclosed in the statement of financial position and in the notes to the financial statements. Fair values are in line with carrying values.

Notes to the Financial Statements

For the Year Ended 30 June 2022

Interest rate risk - financial instrument composition and maturity analysis

The company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted average effective interest rate		Floating term		Maturing within 1 year		Maturing after 1 year		Non-interest bearing		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	%	%	$	$	$	$	$	$	$	$	$	$
Financial Assets:												
Cash and cash equivalents	**-**	0.10	**5,106,791**	3,766,522	**-**	-	**-**	-	**-**	-	**5,106,791**	3,766,522
Other financial assets - interest earning deposits	**0.63**	0.23	**-**	-	**14,664,000**	20,664,000	**-**	-	**-**	-	**14,664,000**	20,664,000
Loans and advances	**7.66**	7.65	**-**	-	**55,335,882**	40,795,924	**41,422,181**	32,117,255	**-**	-	**96,758,063**	72,913,179
Total financial assets			**5,106,791**	3,766,522	**69,999,882**	61,459,924	**41,422,181**	32,117,255	**-**	-	**116,528,854**	97,343,701
Financial Liabilities:												
Secured notes	**2.89**	3.15	**-**	-	**101,449,621**	83,963,806	**15,067,994**	11,225,096	**-**	-	**116,517,615**	95,188,902
Accrued interest payable	**-**	-	**-**	-	**-**	-	**-**	-	**712,527**	659,763	**712,527**	659,763
Total financial liabilities			**-**	-	**101,449,621**	83,963,806	**15,067,994**	11,225,096	**712,527**	659,763	**117,230,142**	95,848,665

29 Related parties

(a) Transactions with related parties

During the year the company had transactions with Baird & McGregor Pty Ltd, a firm of solicitors of which two of the current directors of the company are directors and Doepel, Lilley & Taylor, a firm of real estate agents of which two of the current directors of the company are directors. The details of transactions with these and other related parties during the year are set out below:

The following transactions occurred with related parties:

(i) During the year rental income of $48,000 (2021: $36,000) was received from Baird & McGregor Pty Ltd. The rent was charged at commercial rates for the use of office space in Ballarat.

(ii) During the year rental income of $48,000 (2021: $36,000) was received from Doepel, Lilley & Taylor. The rent was charged at commercial rates for the use of office space in Ballarat.

(iii) During the year development costs were paid in respect of a property jointly owned with the Baird Cullenward Family Trust and another unrelated party. The Baird Cullenward Family Trust is controlled by a current director of the company. Of the development costs paid by the company during the year $18,574 (2021: $448,639) are attributable to the Baird Cullenward Family Trust. During the year the company were reimbursed by the Baird Cullenward Family Trust for $16,667 (2021: $863,905) for development costs incurred on its behalf. At the reporting date the balance payable to the Baird Cullenward Family Trust was $2,405 (2021: $754 recoverable).

(iv) During the year legal fees were paid to Baird & McGregor Pty Ltd of $1,849 (2021: $49,427) for services provided for conveyancing on the sale of investment properties owned by the company and for legal services provided to the company. The amounts paid were either at commercial rates or at a discount to commercial rates.

(v) During the year agents commissions were paid to Doepel, Lilley & Taylor of $nil (2021: $123,996) for services provided in selling investment properties owned by the company. The amounts paid were either at commercial rates or at a discount to commercial rates.

(vi) During the year rental commissions were paid to Doepel, Lilley & Taylor of $4,365 (2021: $3,336) for services provided in managing the rental properties owned by the company. The amounts were charged at commercial rates.

(vii) During the year a management fee of $26,400 (2021: $33,000) was paid to Doepel Lilley & Taylor for administrative services provided to the company.

(viii) During the year a management fee of $26,400 (2021: $33,000) was paid to Baird & McGregor Pty Ltd for administrative services provided to the company.

(ix) Details of key management personnel remuneration is disclosed in Note 26 to the accounts.

(v) The shares owned by the Directors in Webster Dolilta Finance Ltd are disclosed in the Directors Report on page 1.

(b) Loans and advances to related parties

The company has made loans to directors, key management personnel and other related parties. The loans to related parties are subject to the same requirements under the credit and lending policies of the company and to the same terms and approval process as other loans made by the company. Interest is payable on the loans at a variable interest rate which was 5.25% at 30 June 2022 (5.77% at 30 June 2021).

The total number and balances of loans to related parties are as follows:

	2022 Number of loans	2021 Number of loans	2022 $	2021 $
Secured loans	**5**	5	**2,235,439**	1,125,284
Unsecured loans	**1**	-	**48,136**	-
	6	5	**2,283,575**	1,125,284

Loans to related parties represent 2.36% (2021: 1.54%) of the total loans made by the company by value.

(c) Secured note investments by related parties

The company has received investments from directors, key management personnel and other related parties in secured notes. The terms of the investments in secured notes by the related parties are on the same terms and conditions as apply to other staff members investments in secured notes. As the investments in secured notes are on the same terms as apply to other staff members it is not considered necessary to disclose the individual investments of the related parties as it would potentially breach the obligations of the company to the privacy of investors.

The total number and amount of investments in secured notes held by related parties are as follows:

	2022 Number of secured notes	2021 Number of secured notes	2022 $	2021 $
30 day notice notes	**27**	31	**1,871,521**	2,296,935
Term notes	**26**	26	**1,110,350**	921,174
	53	57	**2,981,871**	3,218,109

Deposits from related parties represent 2.56% (2021: 3.38%) of the total secured notes issued by the company by value.

Notes to the Financial Statements

For the Year Ended 30 June 2022

30 Contingencies

The company has no known material contingent assets or contingent liabilities as at 30 June 2022 (30 June 2021: nil).

31 Events occurring after the reporting date

The company has not been significantly impacted by the COVID-19 pandemic to the date of this report but, as the pandemic continues, the future impact of COVID-19 on the company's operations is not certain.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of company, the results of those operations, or the state of affairs of company in future financial years.

32 Statutory information

The registered office and principal place of business of the company is:

Webster Dolilta Finance Ltd
44 Armstrong Street South
Ballarat VIC 3350

Webster Dolilta Finance Ltd
ABN 49 004 664 322

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes for the year ended 30 June 2022, as set out on pages 5 to 44, are in accordance with the *Corporations Act 2001* and:

    a. comply with Accounting Standards and the *Corporations Regulations 2001*, which, as stated in the accounting policy Note 2 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position of the company as at 30 June 2022 and of the performance of the company for the year ended on that date;

2. In the directors' opinion, 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.

Director ....
Timothy S. Bunning

Director ....
Philip C. Cunningham

Dated: 30 September 2022

INDEPENDENT AUDITOR'S REPORT
To the Members of Webster Dolilta Finance Ltd

RSM Australia Partners

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Opinion

We have audited the financial report of Webster Dolilta Finance Ltd ("the Company"), which comprises the statement of financial position as at 30 June 2022, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

In our opinion, the accompanying financial report of the Company 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 2022 and of its financial performance for the year then ended; 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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information 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, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 to 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. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

RSM

RSM AUSTRALIA PARTNERS

John Findlay

JOHN FINDLAY
Partner

Ballarat, Victoria
Dated this 30th day of September 2022