



Consolidated Financial Statements

For the Year Ended 30 June 2020

Contents

For the Year Ended 30 June 2020

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Directors' Report

For the Year Ended 30 June 2020

The directors present their report, together with the consolidated financial statements of the Group for the financial year ended 30 June 2020.

Information on directors

The names of each person who has been a director during the year and to the date of this report are:

| | |
|------------------------------------|--|
| Robert A. Baird B.A LL.B | Occupation: Solicitor and Director of Baird & McGregor Pty Ltd. Special responsibilities: Audit Committee Chairman. Owns 3,306 shares in Webster Dolilta Finance Ltd (directly and indirectly). |
| Timothy S. Bunning CPA B.Ec | Occupation: Certified Practising Accountant. Special responsibilities: Chairman, Member of the Loans Committee. Owns 380 shares in Webster Dolilta Finance Ltd (indirectly). |
| 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 3,014 shares in Webster Dolilta Finance Ltd (directly and indirectly). |
| 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 Audit Committee. Owns 2,929 shares in Webster Dolilta Finance Ltd (directly and indirectly). |
| Neale J. Gribble LL.B. B.Com | Occupation: Solicitor and Director of Baird & McGregor Pty Ltd. Special responsibilities: Member of the Audit Committee. Owns 3,055 shares in Webster Dolilta Finance Ltd (directly and indirectly). |
| 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: Loans Committee Chairman. Owns 1,765 shares in Webster Dolilta Finance Ltd (directly and indirectly). |
| Robert N. Whitcher FIPA | Occupation: Retired Insurance Agent. Special responsibilities: Member of the Loans Committee. Owns 2,087 shares in Webster Dolilta Finance Ltd (directly and indirectly). |

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

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 25 years, the last 21 as Managing Director. Mr Cunningham was appointed secretary on 31 July 1999.

Directors' Report

For the Year Ended 30 June 2020

Principal activities

The principal activities of the Group 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 consolidated profit of the Group after providing for income tax amounted to \$1,259,680 (2019 consolidated profit of \$1,629,106).

Dividends

A special fully franked dividend of \$13.50 per share totalling \$296,595 was declared on 28 June 2019 and was provided for in the year ended 30 June 2019. The special dividend was paid on 11 July 2019.

Fully franked dividends of \$29.00 per share totalling \$637,138 were declared at the board meeting held on 10 September 2019 comprising \$14.50 per share paid on 30 September 2019 and \$14.50 per share paid on 25 March 2020.

Review of operations

Net profit of the Group after tax decreased by \$369,426 after providing for expected credit lossess of \$228,705 (2019: expected credit losses of \$91,330) and the write off of goodwill of \$244,473 (2019: nil). In the prior year the Group recovered \$890,458 of CDO amounts that had previously been written off. Excluding the after tax impact of the recovery of the CDO amounts the net profit of the Group increased during the year by \$276,156. The directors were satisfied with the operating performance of the Group 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 | 9 | - | - | 3 | 3 |
| Timothy S. Bunning | 11 | 11 | 8 | 8 | 3 | 2 |
| Philip C. Cunningham | 11 | 11 | 8 | 8 | 3 | 3 |
| Robert G. Cunningham | 11 | 10 | - | - | 3 | 3 |
| Neale J. Gribble | 11 | 11 | - | - | 3 | 3 |
| William H. McGregor | 11 | 10 | 8 | 7 | - | - |
| Robert N. Whitcher | 11 | 11 | 8 | 8 | - | - |

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 Group) 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 \$8,667 (2019: \$7,254) for each director.

Directors' Report

For the Year Ended 30 June 2020

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

During the reporting period, the Australian economy was significantly impacted by the COVID-19 pandemic. The Group have not been significantly impacted by the pandemic, 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 operations of the Group.

The property, plant and equipment and financial investments of the controlled entity, Webster Investments Pty Ltd, were transferred to Webster Dolilta Finance Ltd during the year and the Australian Financial Services Licence of the controlled entity was cancelled. The controlled entity is preparing for voluntary deregistration which is anticipated to be completed during the financial year ending 30 June 2021.

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

Environmental regulations

The Group'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

Subsequent to the end of the reporting period, the Australian economy has continued to be significantly impacted by the COVID-19 pandemic. The Group have not been significantly impacted by the pandemic to the date of this report but, as the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID-19 on the Group's operations.

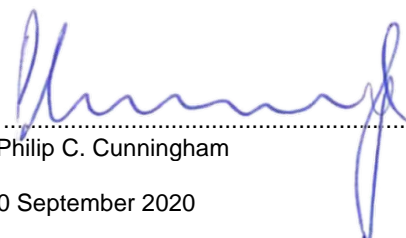
The controlled entity, Webster Investments Pty Ltd, is preparing for voluntary deregistration which is anticipated to be completed during the financial year ending 30 June 2021.

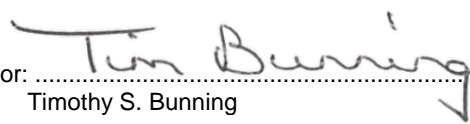
Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

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 2020 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: 
Philip C. Cunningham

Director: 
Timothy S. Bunning

Dated: 30 September 2020

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www.rsm.com.au**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 2020, 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**

Partner

Ballarat, Victoria

Dated this 30th day of September 2020**THE POWER OF BEING UNDERSTOOD**

AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 30 June 2020

| | | Consolidated | |
|---|------|-------------------------|--------------------|
| | | 2020 | 2019 |
| | Note | \$ | \$ |
| Interest received | 3 | 5,985,542 | 5,328,814 |
| Interest expense | 3 | <u>(3,401,405)</u> | <u>(3,270,628)</u> |
| Net interest revenue | | 2,584,137 | 2,058,186 |
| Non interest revenue | 4 | <u>602,959</u> | 594,517 |
| Total operating income | | 3,187,096 | 2,652,703 |
| Recovery of CDO amounts previously written off | | - | 890,458 |
| Expected credit losses | 5 | (228,705) | (91,330) |
| Operating expenses | 6 | <u>(1,658,698)</u> | <u>(1,584,839)</u> |
| Operating profit | | 1,299,693 | 1,866,992 |
| Net gain on disposal of investment property | | 39,537 | 274,600 |
| Net gain on revaluation of investment property | | 335,000 | 75,000 |
| Impairment of goodwill | | (244,473) | - |
| Loss on disposal of plant and equipment | | <u>(5,847)</u> | - |
| Net profit before income tax | | 1,423,910 | 2,216,592 |
| Income tax expense | 7 | <u>(164,230)</u> | <u>(587,486)</u> |
| Net profit for the year | | <u>1,259,680</u> | <u>1,629,106</u> |
| Other comprehensive income, net of income tax | | | |
| <i>Items that will not be reclassified subsequently to profit or loss</i> | | | |
| Net gain on revaluation of land and buildings, net of tax | 7(b) | 23,940 | 301,323 |
| Net (loss)/gain on equity investments designated at FVOCI, net of tax | 7(b) | (282,363) | 21,875 |
| Other comprehensive income for the year, net of tax | | <u>(258,423)</u> | 323,198 |
| Total comprehensive income for the year | | <u>1,001,257</u> | <u>1,952,304</u> |
| Profit attributable to: | | | |
| Members of the parent entity | | <u>1,259,680</u> | 1,629,106 |
| Total comprehensive income attributable to: | | | |
| Members of the parent entity | | <u>1,001,257</u> | <u>1,952,304</u> |

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
As At 30 June 2020

| | | Consolidated | |
|--|-------------|---------------------|-------------------|
| | | 2020 | 2019 |
| | Note | \$ | \$ |
| Assets | | | |
| Cash and cash equivalents | 9 | 4,642,723 | 3,472,126 |
| Other financial assets | 10 | 14,164,000 | 11,789,000 |
| Receivables | 11 | 688,784 | 1,262,609 |
| Financial assets at FVOCI | 12 | 1,232,788 | 1,112,489 |
| Loans and advances | 13 | 71,140,970 | 71,255,964 |
| Investment properties | 14 | 4,177,265 | 3,712,343 |
| Property, plant and equipment | 15 | 3,367,476 | 3,434,462 |
| Intangible assets | 16 | - | 244,473 |
| Total Assets | | <u>99,414,006</u> | <u>96,283,466</u> |
| Liabilities | | | |
| Secured notes | 17 | 88,894,012 | 85,779,009 |
| Payables | 18 | 821,097 | 1,175,906 |
| Tax liabilities | 19 | 776,913 | 853,534 |
| Lease liabilities | 20 | 60,411 | - |
| Provisions | 21 | 168,631 | 146,194 |
| Total Liabilities | | <u>90,721,064</u> | <u>87,954,643</u> |
| Net Assets | | <u>8,692,942</u> | <u>8,328,823</u> |
| Equity | | | |
| Issued capital | 22 | 2,710,712 | 2,710,712 |
| Financial investment revaluation reserve | 23 | (250,551) | 31,812 |
| Property revaluation reserve | 23 | 1,443,400 | 1,419,460 |
| Retained earnings | | <u>4,789,381</u> | <u>4,166,839</u> |
| Total Equity | | <u>8,692,942</u> | <u>8,328,823</u> |

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2020

2020

| | | Financial | Property | Retained | Total |
|--------------------------------|------------------|------------------|------------------|------------------|------------------|
| | Issued | investment | revaluation | earnings | |
| | capital | revaluation | reserve | | |
| Note | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2019 | 2,710,712 | 31,812 | 1,419,460 | 4,166,839 | 8,328,823 |
| Profit attributable to members | - | - | - | 1,259,680 | 1,259,680 |
| Comprehensive income | - | (282,363) | 23,940 | - | (258,423) |
| Dividends paid or provided for | 8 | - | - | (637,138) | (637,138) |
| Balance at 30 June 2020 | 2,710,712 | (250,551) | 1,443,400 | 4,789,381 | 8,692,942 |

2019

| | | Financial | Property | Retained | Total |
|--------------------------------|------------------|---------------|------------------|------------------|------------------|
| | Issued | investment | revaluation | earnings | |
| | capital | revaluation | reserve | | |
| Note | \$ | \$ | \$ | \$ | \$ |
| Balance at 1 July 2018 | 2,710,712 | 9,937 | 1,118,137 | 3,284,721 | 7,123,507 |
| Profit attributable to members | - | - | - | 1,629,106 | 1,629,106 |
| Comprehensive income | - | 21,875 | 301,323 | - | 323,198 |
| Dividends paid or provided for | 8 | - | - | (746,988) | (746,988) |
| Balance at 30 June 2019 | 2,710,712 | 31,812 | 1,419,460 | 4,166,839 | 8,328,823 |

Consolidated Statement of Cash Flows
For the Year Ended 30 June 2020

| | 2020 | 2019 |
|--|-------------------|---------------------|
| Note | \$ | \$ |
| Cash flows from operating activities: | | |
| Interest received | 6,005,815 | 5,349,619 |
| Interest and other costs of finance paid | (3,491,018) | (3,206,884) |
| Recovery of CDOs | 890,458 | - |
| Fees, commissions and other income received | 404,867 | 444,441 |
| Rent received | 210,092 | 150,076 |
| Cash paid to suppliers and employees | (1,546,967) | (1,682,535) |
| Income taxes paid | (116,813) | - |
| Net cash provided by operating activities | 2,356,434 | 1,054,717 |
| 30 | | |
| Cash flows from investing activities: | | |
| Payments for development cost receivables | (700,403) | (574,137) |
| Proceeds from development cost receivables | 351,184 | 841,582 |
| Payments for financial investments | (502,760) | (99,518) |
| Payments for investments properties | (925,118) | (1,353,594) |
| Proceeds from investment properties | 893,701 | 2,025,217 |
| Payments for property, plant and equipment | - | (58,449) |
| Proceeds from property, plant and equipment | 5,000 | - |
| Net increase in loans | (113,711) | (15,179,414) |
| Net cash used in investing activities | (992,107) | (14,398,313) |
| Cash flows from financing activities: | | |
| Net increase in secured notes | 3,115,003 | 8,530,586 |
| Dividends paid | (933,733) | (450,393) |
| Net cash provided by financing activities | 2,181,270 | 8,080,193 |
| Net increase/(decrease) in cash and cash equivalents held | 3,545,597 | (5,263,403) |
| Cash and cash equivalents at beginning of year | 15,261,126 | 20,524,529 |
| Cash and cash equivalents at end of financial year | 18,806,723 | 15,261,126 |
| 9 | | |

Notes to the Financial Statements

For the Year Ended 30 June 2020

The financial report includes the financial statements and notes of Webster Dolilta Finance Ltd and its controlled entity ('the Group'). Webster Dolilta Finance Ltd is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Webster Dolilta Finance Ltd, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial report was authorised for issue on 30 September 2020 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

All accounting standards which became effective for the first time in the reporting period ended 30 June 2020 have been adopted by the Group. The adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

Leases - adoption of AASB 16

The Group has adopted AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method from 1 July 2019 and therefore the comparative information for the year ended 30 June 2019 has not been restated and has been prepared in accordance with AASB 117 *Leases* and associated Accounting Interpretations.

Impact of adoption of AASB 16

The impact of adopting AASB 16 is described below:

The Group as a lessee

Under AASB 117, the Group assessed whether leases were operating leases or finance leases based on its assessment of whether the significant risks and rewards of ownership had been transferred to the Group or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the consolidated statement of financial position (except for short-term leases and leases of low value assets).

Notes to the Financial Statements

For the Year Ended 30 June 2020

Practical expediences used on transition

AASB 16 includes a number of practical expediences which can be used on transition. The Group has used the following expedients:

- lease liabilities have been discounted using the Group's incremental borrowing rate at 1 July 2019;
- right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments;
- a single discount rate was applied to all leases with similar characteristics;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and
- for leases which were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are the same value as the leased asset and liability on 30 June 2019.

Financial statement impact of adoption of AASB 16

The Group has recognised a right-of-use asset of \$75,814 and a lease liability of \$75,814 at 1 July 2019, for a lease previously classified as an operating lease.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 5.02%. The incremental borrowing rate is based on the borrowing rates advertised by one of the Group's bankers, National Australia Bank Ltd, at the adoption of AASB 16.

The Group as a lessor

For the arrangements where the Group is a lessor, there have been no changes to accounting policies on adoption of AASB 16.

(b) Basis for consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent, Webster Dolilta Finance Ltd, and the subsidiary. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of controlled entities is contained in Note 27.

The consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

Intragroup assets, liabilities, equity, income, expenses and cashflows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have the same financial year end as the parent entity.

Notes to the Financial Statements

For the Year Ended 30 June 2020

(c) Income taxes

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

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 (benefit)/expense 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.

Tax consolidation

Webster Dolilta Finance Ltd and its wholly-owned Australian subsidiary have formed an income tax consolidated group under the tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax assets and liabilities and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the parent entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2008. The tax consolidated group has entered into a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to, the parent entity.

Notes to the Financial Statements

For the Year Ended 30 June 2020

(d) Fair value of assets and liabilities

The Group 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 absence 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 arrangements) 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.

(e) 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.

(f) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

(g) Loans and advances

Loans and advances comprise secured and unsecured loans made in accordance with the Group'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 Group in full, without recourse by the Group 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 Group 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.

(h) 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 disclosed in Note 15.

Land and buildings

Freehold land and buildings used by the Group 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 2020

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 Group 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 the Group, 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.

(i) Investment properties

Investment property, comprising land acquired for future subdivision and rental properties, 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 consolidated statement of profit or loss as other income or other expenses.

Details of investment properties are disclosed in Note 14.

Notes to the Financial Statements

For the Year Ended 30 June 2020

(j) Financial instruments

Financial instruments are recognised initially on the date that the Group 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, the Group 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 Group'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 consolidated 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 Group has a number of strategic investments in listed and unlisted entities over which they do not have significant influence nor control. The Group 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

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 Group 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 Group's historical experience and informed credit assessment and including forward looking information.

The Group uses the presumption that a financial asset is in default when the other party is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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 Group in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Financial liabilities

The Group 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 Group comprise secured notes and trade payables.

(k) Impairment of non-financial assets

At the end of each reporting period the Group 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 consolidated statement of comprehensive income.

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

(l) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

(m) 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 Group.

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 Group 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 Group in full, without recourse by the Group 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 Group 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.

During the reporting period, the Australian economy was significantly impacted by the COVID-19 pandemic. The Group have not been significantly impacted by the 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 Group.

Key estimates

(i) *Fair value of land and buildings*

The Group 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.

During the reporting period, the Australian economy was significantly impacted by the COVID-19 pandemic. The Group have not been significantly impacted by the 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 Group.

(ii) *Fair value of investment properties*

The Group 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.

During the reporting period, the Australian economy was significantly impacted by the COVID-19 pandemic. The Group have not been significantly impacted by the 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 Group.

Notes to the Financial Statements

For the Year Ended 30 June 2020

(n) 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 Group 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 Group 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 the Group is entitled to it.

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

(o) Leases

For current year

At entering into a contract, the Group 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 Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Group 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 Group recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Group 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.

Notes to the Financial Statements

For the Year Ended 30 June 2020

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 the Group'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 Group'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 Group 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 Group recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

For comparative year

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement that conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(p) 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 consolidated statement of financial position are stated inclusive of GST.

Cash flows in the consolidated 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.

(q) 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 2020

| | Consolidated | |
|---|--------------------|--------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| 3 Interest | | |
| Interest received on loans | 5,664,246 | 4,857,513 |
| Interest received on deposits with other financial institutions | 321,296 | 471,301 |
| | <u>5,985,542</u> | 5,328,814 |
| Interest expense on secured notes | <u>(3,401,405)</u> | <u>(3,270,628)</u> |
| Net interest revenue | <u>2,584,137</u> | <u>2,058,186</u> |
| 4 Non interest revenue | | |
| Administration fees | 23,104 | 24,831 |
| Application fees | 218,610 | 284,884 |
| Commissions | - | 3,236 |
| Discharge fees | 40,261 | 46,271 |
| Dividends | 55,225 | 71,860 |
| Government subsidies (COVID-19 cash flow boost) | 50,000 | - |
| Redraw fees | - | 625 |
| Rent received | 198,092 | 150,076 |
| Other income | 17,667 | 12,734 |
| | <u>602,959</u> | <u>594,517</u> |
| 5 Expected credit losses | | |
| Decrease/(increase) in provision for the year | 849,319 | (89,232) |
| Credit losses written off | <u>(1,078,024)</u> | <u>(2,098)</u> |
| | <u>(228,705)</u> | <u>(91,330)</u> |

Details of the calculation of the provision for expected credit losses is disclosed in Note 13.

Notes to the Financial Statements
 For the Year Ended 30 June 2020

| | Consolidated | |
|---|--------------------|--------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| 6 Operating expenses | | |
| Auditor's remuneration | | |
| Auditing or reviewing the financial report | (70,950) | (74,828) |
| Administration expenses | | |
| Personnel costs | (434,543) | (396,311) |
| Superannuation | (30,824) | (30,978) |
| Other administrative expenses | (321,616) | (270,861) |
| Accounting fees | (68,365) | (60,170) |
| Depreciation | (72,985) | (53,983) |
| Directors remuneration | (346,275) | (346,275) |
| Legal fees | (17,881) | (10,983) |
| Provision for employee entitlements | (22,437) | (6,262) |
| Other operating expenses | (272,823) | (334,188) |
| | <u>(1,658,699)</u> | <u>(1,584,839)</u> |
| 7 Income tax expense | | |
| The major components of tax expense comprise: | | |
| Current tax expense/(benefit) | 242,683 | (95,971) |
| Net movement in deferred tax assets and liabilities | (78,453) | 683,457 |
| | <u>164,230</u> | <u>587,486</u> |
| (a) Reconciliation of income tax to accounting profit: | | |
| Prima facie tax payable on net profit before tax at 27.5% (2019: 27.5%) | 391,575 | 609,563 |
| Add tax effect of non-allowable items | 790 | 312 |
| Add tax effect of prior year underprovision | 190 | - |
| Less tax effect of rebateable fully franked dividends received | (16,697) | (22,389) |
| Less tax effect of allocating cost of investment in subsidiary to assets transferred to the parent entity | (173,558) | - |
| Less tax effect of non-assessable income | (13,750) | - |
| Less tax effect of change in company tax rate | (24,320) | - |
| Income tax attributable to entity | <u>164,230</u> | <u>587,486</u> |

Notes to the Financial Statements
 For the Year Ended 30 June 2020

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

| | 2020 | | | 2019 | | |
|--|-------------------|-----------------------|-------------------|-------------------|-----------------------|-------------------|
| | 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 | - | 23,940 | 23,940 | 415,619 | (114,296) | 301,323 |
| (Loss)/gain on financial investments at FVOCI - equity | (382,462) | 100,099 | (282,363) | 30,173 | (8,298) | 21,875 |
| | (382,462) | 124,039 | (258,423) | 445,792 | (122,594) | 323,198 |

| Consolidated | |
|--------------|------|
| 2020 | 2019 |
| \$ | \$ |

8 Dividends

(a) Dividends paid

Fully franked ordinary dividend of \$29.00 per share franked at the tax rate of 27.5% (2019: \$34.00 per share franked at the tax rate of 27.5%) were paid or provided for during the year.

| | |
|----------------|----------------|
| 637,138 | 746,988 |
|----------------|----------------|

(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

| | |
|------------------|------------------|
| 2,482,825 | 2,582,822 |
|------------------|------------------|

Notes to the Financial Statements
 For the Year Ended 30 June 2020

| | Consolidated | |
|---|-------------------|-------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| 9 Cash and cash equivalents | | |
| Current | | |
| Cash on hand | 6,781 | 4,532 |
| Cash at bank | 4,635,942 | 3,467,594 |
| | <u>4,642,723</u> | <u>3,472,126</u> |
| | | |
| (a) Reconciliation of cash | | |
| Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to items in the consolidated statement of financial position as follows: | | |
| Cash and cash equivalents | 4,642,723 | 3,472,126 |
| Short term deposits | 14,164,000 | 11,789,000 |
| | <u>18,806,723</u> | <u>15,261,126</u> |
| | | |
| 10 Other financial assets | | |
| Interest earning deposits | 14,164,000 | 11,789,000 |
| | <u>14,164,000</u> | <u>11,789,000</u> |
| | | |
| (a) Maturity analysis | | |
| Not longer than three months | 14,164,000 | 11,789,000 |
| | <u>14,164,000</u> | <u>11,789,000</u> |
| | | |
| 11 Receivables | | |
| Current | | |
| Interest receivable - liquid reserves | 17,044 | 37,317 |
| Prepayments | 50,142 | 39,541 |
| Rental bonds | 1,200 | 1,200 |
| Refundable development bonds | 37,052 | 47,112 |
| Recoverable development costs | 583,346 | 224,067 |
| Recoverable CDO debtor | - | 890,458 |
| GST refundable | - | 22,914 |
| | <u>688,784</u> | <u>1,262,609</u> |

Notes to the Financial Statements
For the Year Ended 30 June 2020

| | Consolidated | |
|---|-------------------|-------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| 12 Financial assets at FVOCI | | |
| Non-current | | |
| Investments in unlisted entities at FVOCI | - | 5,000 |
| Investments in listed entities at FVOCI | 1,232,788 | 1,107,489 |
| | 1,232,788 | 1,112,489 |
| 13 Loans and advances | | |
| Loans - secured by mortgage | 70,352,338 | 70,532,490 |
| Loans - mortgagee in possession (i) | 788,632 | - |
| Loans - other | - | 1,572,793 |
| | 71,140,970 | 72,105,283 |
| Less provision for expected credit losses | - | (849,319) |
| | 71,140,970 | 71,255,964 |

(i) The company holds security in respect of one loan that is in default totalling \$788,632. The Directors have exercised their rights as mortgagee in possession. The properties and other security held for the loan is recorded based on the assessment of their current market value.

The market value of the properties held as security for the loan has been determined as follows:

- The valuation of properties totalling \$1,785,026 in respect of the loan were adopted by the Directors effective to 30 June 2020 based on independent valuations of the properties carried out by Opteon Property Group on 21 October 2019. The value of property held as security exceeds the value of the loan and no amounts have been provided for as expected credit losses.

| | Consolidated | |
|---|-------------------|------------|
| | 2020 | 2019 |
| | \$ | \$ |
| (a) Maturity analysis | | |
| Due within 1 year | 50,283,141 | 51,208,589 |
| Due after 1 year and not later than 2 years | 12,642,126 | 13,518,306 |
| Due after 2 years and not later than 5 years | 3,653,659 | 2,620,452 |
| Due after 5 years and not later than 30 years | 4,562,044 | 4,757,936 |
| | 71,140,970 | 72,105,283 |
| (b) Provision for expected credit losses | | |
| Opening balance | (849,319) | (760,087) |
| Decrease/(increase) in provision for the year | 849,319 | (89,232) |
| | - | (849,319) |

Notes to the Financial Statements
 For the Year Ended 30 June 2020

| | Consolidated | |
|----------------------------|-------------------|-------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| (c) Loans by state | | |
| Victoria | 70,730,663 | 68,428,322 |
| New South Wales | 263,694 | 3,509,428 |
| Tasmania | 26,555 | 26,955 |
| South Australia | 120,058 | 140,578 |
| | <u>71,140,970</u> | <u>72,105,283</u> |
| (d) Loans by sector | | |
| Commercial and Industrial | 21,229,276 | 18,223,094 |
| Property Development | 7,885,556 | 6,941,246 |
| Residential | 9,874,800 | 16,796,833 |
| Residential Investment | 26,569,128 | 25,490,892 |
| Rural | 5,508,681 | 4,550,995 |
| Other | 73,529 | 102,223 |
| | <u>71,140,970</u> | <u>72,105,283</u> |

Notes to the Financial Statements
 For the Year Ended 30 June 2020

| | Consolidated | |
|------------------------------------|-------------------------|------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| 14 Investment properties | | |
| Current | | |
| At valuation (i) | 1,772,124 | 837,692 |
| Non-current | | |
| At valuation (ii) | <u>2,346,174</u> | 2,874,651 |
| | <u>4,118,298</u> | 3,712,343 |
| Right-of-use assets | | |
| Land and buildings | 75,814 | - |
| Depreciation | <u>(16,847)</u> | - |
| | <u>58,967</u> | - |
| Total investment properties | <u><u>4,177,265</u></u> | <u>3,712,343</u> |

The Directors value investment properties annually based on periodic, but ordinarily triennial, independent valuations by an appropriately qualified property valuer. The fair value model is applied to all investment properties held by the Group. Further information in relation to the fair value model is disclosed in Note 25.

(i) The current investment property comprises:

- One investment property held by the parent entity jointly with two co-owners. The 1/2 half interest of the Group in the property has been valued at fair value based on an independent valuation carried out by Darren Evans (AAPI Certified Practising Valuer) on 14 June 2018 together with subsequent development costs. Additional development costs have been incurred by the Group on behalf of the two co-owners, as shown in Note 11, which are recoverable out of proceeds from the sale of the investment property or repayable directly by the co-owners.

(ii) The non current investment property comprises:

- One investment property held by the parent entity valued at fair value based on an independent valuation of the investment property carried out by Chris Torpy (AAPI Certified Practising Valuer) on 20 August 2020.
- One investment property held by the parent entity valued at fair value based on an independent valuation carried out by Daniel Caruana (AAPI Certified Practising Valuer) on 19 August 2020.
- One investment property held by the parent entity valued at fair value based on an independent valuation carried out by Anthony Carter (AAPI Certified Practising Valuer) on 15 August 2019.
- One investment property held by the parent entity valued at fair value based on the arms length amount paid for the purchase of the property during the year.

The directors have assessed that the carrying value of each of the properties at 30 June 2020 are not materially different to the fair value of the investment properties.

Notes to the Financial Statements
For the Year Ended 30 June 2020

(a) Movement in carrying amounts

| Consolidated | Investment properties | Right-of-use assets | Total |
|---|----------------------------------|--------------------------------|------------------|
| | \$ | \$ | \$ |
| 2020 | | | |
| Balance at the beginning of the year | 3,712,343 | - | 3,712,343 |
| Additions from subsequent expenditure | 925,118 | - | 925,118 |
| Initial recognition of right-of-use asset under AASB 16 | - | 75,814 | 75,814 |
| Depreciation expense | - | (16,847) | (16,847) |
| Disposals | (854,163) | - | (854,163) |
| Revaluation increments | 335,000 | - | 335,000 |
| Balance at the end of the year | 4,118,298 | 58,967 | 4,177,265 |

| Consolidated | Investment properties | Right-of-use assets | Total |
|---------------------------------------|----------------------------------|--------------------------------|------------------|
| | \$ | \$ | \$ |
| 2019 | | | |
| Balance at the beginning of the year | 4,027,129 | - | 4,027,129 |
| Additions from subsequent expenditure | 1,353,594 | - | 1,353,594 |
| Disposals | (1,743,380) | - | (1,743,380) |
| Revaluation increment | 75,000 | - | 75,000 |
| Balance at the end of the year | 3,712,343 | - | 3,712,343 |

Notes to the Financial Statements
For the Year Ended 30 June 2020

| | Consolidated | |
|--|-------------------------|------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| 15 Property, plant and equipment | | |
| Non current | | |
| Land and buildings | | |
| Freehold land | | |
| At valuation (i) | <u>1,700,000</u> | 1,700,000 |
| | <u>1,700,000</u> | 1,700,000 |
| Buildings | | |
| At valuation (i) | 1,680,000 | 1,680,000 |
| Less accumulated depreciation | <u>(42,115)</u> | - |
| | <u>1,637,885</u> | 1,680,000 |
| | <u>3,337,885</u> | 3,380,000 |
| Plant and equipment | | |
| Office and other equipment | | |
| At cost | 130,587 | 130,589 |
| Less accumulated depreciation | <u>(100,996)</u> | (87,156) |
| | <u>29,591</u> | 43,433 |
| Motor vehicles | | |
| At cost | - | 21,359 |
| Less accumulated depreciation | <u>-</u> | (10,330) |
| | <u>-</u> | 11,029 |
| | <u>29,591</u> | 54,462 |
| Total property, plant and equipment | <u><u>3,367,476</u></u> | <u>3,434,462</u> |

The fair value model is applied to all land and buildings held by the Group. 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. Further information in relation to the fair value model is disclosed in Note 25.

(i) The revaluation of freehold land and buildings held by the parent entity was based on independent valuations of two properties carried out by Leah E. Haby (AAPI Certified Practising Valuer) on 25 July 2019. The Directors have assessed that the carrying value at 30 June 2020 is not materially different to the fair value. The freehold land and buildings held by the parent entity includes a property that had been held by the subsidiary in previous years. The property was transferred to the parent entity during the reporting period.

Notes to the Financial Statements

For the Year Ended 30 June 2020

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

| | Land | Buildings | Plant and equipment | Motor vehicles | Total |
|---------------------------------------|------------------|------------------|---------------------|----------------|------------------|
| Consolidated | \$ | \$ | \$ | \$ | \$ |
| 2020 | | | | | |
| Balance at the beginning of year | 1,700,000 | 1,680,000 | 43,433 | 11,029 | 3,434,462 |
| Depreciation expense | - | (42,115) | (13,842) | (183) | (56,140) |
| Disposals at written down value | - | - | - | (10,846) | (10,846) |
| Balance at the end of the year | 1,700,000 | 1,637,885 | 29,591 | - | 3,367,476 |

| | Land | Buildings | Plant and equipment | Motor vehicles | Total |
|---------------------------------------|------------------|------------------|---------------------|----------------|------------------|
| Consolidated | \$ | \$ | \$ | \$ | \$ |
| 2019 | | | | | |
| Balance at the beginning of year | 1,535,000 | 1,452,995 | 12,683 | 13,699 | 3,014,377 |
| Additions | - | 16,613 | 41,836 | - | 58,449 |
| Depreciation expense | - | (40,227) | (11,086) | (2,670) | (53,983) |
| Revaluation increment | 165,000 | 250,619 | - | - | 415,619 |
| Balance at the end of the year | 1,700,000 | 1,680,000 | 43,433 | 11,029 | 3,434,462 |

| Consolidated | |
|--------------|------|
| 2020 | 2019 |
| \$ | \$ |

(b) Historical cost

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

| | | |
|--------------------------|----------------|----------------|
| At cost | 1,335,613 | 1,335,613 |
| Accumulated depreciation | (376,309) | (353,647) |
| Net book value | 959,304 | 981,966 |

Notes to the Financial Statements
 For the Year Ended 30 June 2020

| | Consolidated | |
|--|--------------|------------|
| | 2020 | 2019 |
| | \$ | \$ |
| 16 Intangible assets | | |
| Non-current | | |
| Goodwill on consolidation | - | 244,473 |
| | - | 244,473 |
| 17 Secured notes | | |
| Secured notes | 88,894,012 | 85,779,009 |
| | 88,894,012 | 85,779,009 |
| Concentration of secured notes | | |
| Practically all secured note holders are residents of Victoria. The Group do not actively seek funds from non-Victorian residents. | | |
| (a) Maturity analysis | | |
| Due within 1 year | 74,863,009 | 74,881,358 |
| Due after 1 year and not later than 3 years | 14,031,003 | 10,897,651 |
| | 88,894,012 | 85,779,009 |
| As demonstrated in the statement of cash flows there is an average positive net movement in secured notes over the three financial years to 30 June 2020 of \$4,507,913 (average over three financial years to 30 June 2019: \$1,457,304). | | |
| 18 Payables | | |
| Current | | |
| Accrued interest payable | 713,849 | 803,462 |
| Amounts received in advance | 12,000 | - |
| Dividend payable | - | 296,595 |
| GST liability | 5,344 | - |
| Other payables | 89,904 | 75,849 |
| | 821,097 | 1,175,906 |

Notes to the Financial Statements
For the Year Ended 30 June 2020

| | Consolidated | |
|---|-----------------------|-----------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| 19 Tax liabilities | | |
| Current | | |
| Provision for income tax | 28,454 | 26,622 |
| | <u>28,454</u> | <u>26,622</u> |
| Non-current | | |
| Net deferred tax liabilities comprises: | | |
| Deferred tax liability from asset revaluation | 946,701 | 1,105,040 |
| Deferred tax (asset)/liability from financial investment revaluation | (88,032) | 12,067 |
| Deferred tax (asset) from expenses not deductible until paid | (2,427) | (16,430) |
| Deferred tax (asset) from provisions not deductible until paid or written off | (107,407) | (273,765) |
| Deferred tax (asset) from right of use assets | (376) | - |
| | <u>748,459</u> | <u>826,912</u> |
| | <u><u>776,913</u></u> | <u><u>853,534</u></u> |
| 20 Lease liabilities | | |
| Current | | |
| Lease liabilities | 16,194 | - |
| Non-current | | |
| Lease liabilities | 44,217 | - |
| | <u>60,411</u> | <u>-</u> |

The Group has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

The Group as a lessee

The Group has a lease over an investment property. The Group has chosen not to apply AASB 16 to leases of intangible assets. Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

The investment property lease relates to business premises in Ballarat which are sub-leased to an unrelated tenant. The property lease is being retained as a planning contingency for the possible future use of the property by the Group. The lease was in place at 1 January 2019 and at that date had a remaining term of 12 months with the option for a further extension of 36 months.

Notes to the Financial Statements
 For the Year Ended 30 June 2020

(a) Lease liabilities

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

| | Consolidated | | | Lease liabilities included in this consolidated statement of financial position |
|-------------------|---------------------|--------------------|---|--|
| | < 1 year | 1 - 5 years | Total undiscounted lease liabilities | |
| | \$ | \$ | \$ | \$ |
| 2020 | | | | |
| Lease liabilities | 18,857 | 47,143 | 66,000 | 60,411 |

| Consolidated | |
|---------------------|-------------|
| 2020 | 2019 |
| \$ | \$ |

(b) Amounts recognised in the Consolidated Statement of Profit or Loss

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income relating to leases where the Group is a lessee are shown below:

| | | |
|--|-----------------|---|
| Rental income from sub-leasing right-of-use assets | 18,857 | - |
| Interest expense on lease liabilities | (3,455) | - |
| Depreciation of right-of-use assets | (16,847) | - |
| | (1,445) | - |

21 Provisions

Current

Employee entitlements

| | | |
|--------------------|----------------|---------|
| Annual leave | 88,308 | 57,253 |
| Long service leave | 80,323 | 88,941 |
| | 168,631 | 146,194 |

Notes to the Financial Statements
 For the Year Ended 30 June 2020

| | Consolidated | |
|--|-------------------------|-------------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| 22 Issued capital | | |
| 21,970 (2019: 21,970) fully paid ordinary shares | <u>2,710,712</u> | 2,710,712 |
| | <u>2,710,712</u> | <u>2,710,712</u> |

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 Group in order to maintain a debt to equity ratio sufficient to ensure that the Group can fund its operations, provide shareholders with adequate returns and to continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. The Group needs to meet certain capital requirements imposed by its Trustee. These capital requirements have been met for the year ended 30 June 2020. Management effectively manages the Group's capital by assessing the Group'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.

| | Consolidated | |
|--|---------------------|--------------|
| | 2020 | 2019 |
| | \$ | \$ |
| <i>Gearing Ratio</i> | | |
| Secured notes | 88,894,012 | 85,779,009 |
| Payables | 821,097 | 1,175,906 |
| Less cash and cash equivalents | (4,642,723) | (3,472,126) |
| Less interest earning deposits | (14,164,000) | (11,789,000) |
| Net debt | 70,908,386 | 71,693,789 |
| Total equity | 8,692,942 | 8,328,823 |
| Total capital | 79,601,328 | 80,022,612 |
| Gearing ratio (net debt/total capital) | 89.08 % | 89.59 % |

Notes to the Financial Statements

For the Year Ended 30 June 2020

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 2020 the level of property development and lending for property development of the Group amounted to 10.86% of the secured notes on issue (2019: 9.48%). Accordingly, the Group is considered to have significant levels of property development or lending for property development in the current year.

The Group has not met the equity capital ratio benchmark set by ASIC at 30 June 2020 of 20% (the equity capital ratio benchmark of 8% was met at 30 June 2019). The Directors of the Group believe that its current level of equity capital is adequate for its current activities.

| | Consolidated | |
|---|-------------------|-------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| <i>Equity Capital Ratio</i> | | |
| Equity capital | 8,692,942 | 8,328,823 |
| Total liabilities | 90,721,064 | 87,954,643 |
| | <u>99,414,006</u> | <u>96,283,466</u> |
| Equity capital ratio (equity capital / total equity plus liabilities) | 8.74 % | 8.65 % |

Notes to the Financial Statements

For the Year Ended 30 June 2020

Other Capital Requirements

The Group is required to meet capital requirements imposed by its trustee. The capital requirements imposed by the Trustee prohibits the Group 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 Group.

The Group's total tangible assets exceeded its total external liabilities by greater than \$500,000 for the years ended 30 June 2020 and 30 June 2019 and, accordingly, the capital requirements imposed by the Trustee have been met for these years.

| | Consolidated | |
|---|---------------------|-------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| <i>External Liabilities Ratio</i> | | |
| Total liabilities | 90,721,064 | 87,954,643 |
| Add back deferred tax assets | 198,242 | 290,195 |
| Less provision for dividends | - | (296,595) |
| Total external liabilities | 90,919,306 | 87,948,243 |
| Total assets | 99,414,006 | 96,283,466 |
| Less interest receivable | (17,044) | (37,317) |
| Less intangible assets | - | (244,473) |
| Less amount set aside for payment of dividends | - | (296,595) |
| Total tangible assets | 99,396,962 | 95,705,081 |
| Total tangible assets minus total external liabilities | 8,477,656 | 7,756,838 |
| Total external liabilities ratio (total external liabilities/total tangible assets) | 91.47 % | 91.90 % |

Notes to the Financial Statements

For the Year Ended 30 June 2020

23 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 Group 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.

| | Consolidated | |
|---|------------------|------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Analysis of each class of reserve | | |
| Financial investment revaluation reserve | | |
| Financial investment revaluation reserve | (250,551) | 31,812 |
| Property revaluation reserve | | |
| Land and building revaluation reserve | 1,443,400 | 1,419,460 |
| | <u>1,192,849</u> | <u>1,451,272</u> |

24 Leasing commitments

(a) Assets

Minimum lease receipts:

| | | |
|-----------------------------------|----------------|----------------|
| - not later than one year | 121,082 | 133,466 |
| - between one year and five years | 378,742 | 10,184 |
| | <u>499,824</u> | <u>143,650</u> |

The Group have rental leases in place over six investment properties owned by the Group. 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.

(b) Liabilities

Minimum lease payments under non-cancellable operating leases:

| | | |
|-----------------------------------|----------|---------------|
| - not later than one year | - | 17,729 |
| - between one year and five years | - | 9,525 |
| | <u>-</u> | <u>27,254</u> |

The Group has a rental lease in place for one commercial rental property which had an initial term of 3 years with the option of an additional two terms of 3 years each. The lease is currently in the second term under the lease agreement. Under AASB16 *Leases* the operating lease commitment has been recognised as a liability from 1 July 2019 as set out in Note 20.

Notes to the Financial Statements

For the Year Ended 30 June 2020

25 Fair value measurement

The Group 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 Group:

| Consolidated 30 June 2020 | Note | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|------|------------------|------------------|---------------|------------------|
| Recurring fair value measurements | | | | | |
| Assets | | | | | |
| Financial assets at FVOCI | 12 | 1,232,788 | - | - | 1,232,788 |
| Investment properties | 14 | - | 4,118,298 | - | 4,118,298 |
| Property, plant and equipment - land and buildings | 15 | - | 3,337,885 | - | 3,337,885 |
| Total assets | | <u>1,232,788</u> | <u>7,456,183</u> | <u>-</u> | <u>8,688,971</u> |

| Consolidated 30 June 2019 | Note | Level 1 \$ | Level 2 \$ | Level 3 \$ | Total \$ |
|--|------|------------------|------------------|---------------|------------------|
| Recurring fair value measurements | | | | | |
| Assets | | | | | |
| Financial assets at FVOCI | 12 | 1,107,489 | - | 5,000 | 1,112,489 |
| Investment properties | 14 | - | 3,712,343 | - | 3,712,343 |
| Property, plant and equipment - land and buildings | 15 | - | 3,380,000 | - | 3,380,000 |
| Total assets | | <u>1,107,489</u> | <u>7,092,343</u> | <u>5,000</u> | <u>8,204,832</u> |

Notes to the Financial Statements

For the Year Ended 30 June 2020

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 Group 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.

Level 3 measurements

The revaluation of financial assets at FVOCI under Level 3 in the prior year related to investments in unlisted entities and were based on the Directors assessment of the fair value at the reporting date. No investments in unlisted entities were held at 30 June 2020.

Highest and best use

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

26 Segment information

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

27 Controlled entities

| Name | Country of Incorporation | Percentage Owned (%)* 2020 | Percentage Owned (%)* 2019 |
|-----------------------------|---------------------------------|---|---|
| Parent entity: | | | |
| Webster Dolilta Finance Ltd | Australia | - | - |
| Subsidiaries: | | | |
| Webster Investments Pty Ltd | Australia | 100 | 100 |

The property, plant and equipment and financial investments of the subsidiary, Webster Investments Pty Ltd, were transferred to Webster Dolilta Finance Ltd during the year and the Australian Financial Services License of the subsidiary was cancelled. The subsidiary is preparing for voluntary deregistration which is anticipated to be completed during the financial year ended 30 June 2021.

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

Notes to the Financial Statements

For the Year Ended 30 June 2020

28 Parent entity

The following information has been extracted from the books and records of the parent, Webster Dolilta Finance Ltd and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, Webster Dolilta Finance Ltd has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity. Dividends received from associates are recognised in the parent entity profit or loss, rather than being deducted from the carrying amount of the investment.

| | Parent 2020 \$ | Parent 2019 \$ |
|--|----------------------|----------------------|
| Statement of Financial Position | | |
| Assets | | |
| Current assets | 72,783,561 | 68,677,286 |
| Non-current assets | 26,856,822 | 27,896,310 |
| Total Assets | <u>99,640,383</u> | <u>96,573,596</u> |
| Liabilities | | |
| Current liabilities | 76,123,760 | 76,663,586 |
| Non-current liabilities | 14,823,681 | 11,409,324 |
| Total Liabilities | <u>90,947,441</u> | <u>88,072,910</u> |
| Equity | | |
| Issued capital | 2,710,712 | 2,710,712 |
| Retained earnings | 4,789,381 | 4,803,003 |
| Property revaluation reserve | 1,443,400 | 955,159 |
| Financial investment revaluation reserve | (250,551) | 31,812 |
| Total Equity | <u>8,692,942</u> | <u>8,500,686</u> |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | | |
| Total profit or loss for the year (i) | 3,007,469 | 1,618,626 |
| Other comprehensive income | 205,876 | 202,083 |
| Total comprehensive income | <u>3,213,345</u> | <u>1,820,709</u> |

(i) The total profit for the year includes dividends received from the subsidiary of \$2,070,262 which have been declared as part of the process of winding up the subsidiary (refer to Note 27).

Notes to the Financial Statements

For the Year Ended 30 June 2020

29 Key management personnel remuneration

(a) Compensation practices

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

(i) Directors

The compensation structure for directors is based on the overall performance of the Group.

(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 |

(c) Key management personnel compensation

| | Salary and fees | Non-cash benefits | Superannuation benefits | Total |
|------|-----------------|-------------------|-------------------------|---------|
| | \$ | \$ | \$ | \$ |
| 2020 | 447,400 | - | 60,757 | 508,157 |
| 2019 | 433,900 | 16,399 | 59,340 | 509,639 |

Notes to the Financial Statements

For the Year Ended 30 June 2020

30 Cash flow information

Reconciliation of cash flow from operations with profit after income tax

| | Consolidated | |
|--|------------------|------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| Net profit for the period | 1,259,680 | 1,629,106 |
| Cash flows excluded from profit attributable to operating activities | | |
| Profit on disposal of investment properties | (39,537) | (274,600) |
| Net loss on disposal of property, plant and equipment | 5,847 | - |
| Net gain on revaluation of investment properties | (335,000) | (75,000) |
| Impairment of goodwill | 244,473 | - |
| Non-cash flows in profit: | | |
| Depreciation | 72,985 | 53,983 |
| Expected credit losses written off | 1,078,024 | 2,098 |
| Changes in assets and liabilities attributable to operating activities | | |
| Decrease/(increase) in receivables | 923,044 | (850,191) |
| (Increase)/decrease in provision for expected credit losses | (849,319) | 89,232 |
| Increase/(decrease) in payables | (73,617) | (113,659) |
| Increase/(decrease) in income taxes payable | 1,832 | 26,622 |
| Increase/(decrease) in deferred taxes payable | 45,585 | 560,864 |
| Increase/(decrease) in employee entitlements | 22,437 | 6,262 |
| Cashflows from operations | 2,356,434 | 1,054,717 |

31 Financial risk management

The Group's financial instruments consist mainly of cash and cash equivalents, deposits with other financial institutions and loans secured by mortgage. The Group'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 Group. The Group 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 Group 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 Group to make unsecured loans of not more than \$5,000 per loan. The Group 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 \$2,149,950 (2019: \$2,040,084) 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 \$3,340,000 (2019: \$4,168,000).

Notes to the Financial Statements

For the Year Ended 30 June 2020

| | Consolidated | | | |
|---|-------------------------|-------------------------|----------------------------------|----------------------------------|
| | 2020 Loan amounts | 2019 Loan amounts | 2020 Repayments in arrears | 2019 Repayments in arrears |
| | \$ | \$ | \$ | \$ |
| Composition of loans in arrears but not impaired | | | | |
| Greater than 30 days but less than 60 days | 125,859 | - | 968 | - |
| Greater than 60 days but less than 90 days | 94,646 | 264,095 | 2,142 | 8,765 |
| Greater than 90 days | 1,929,445 | 1,775,989 | 155,687 | 98,385 |
| | 2,149,950 | 2,040,084 | 158,797 | 107,150 |

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

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due and payable. The Group 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 17.

The Group 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 Group's liquidity is measured as the cash and short term deposits held as a proportion of total secured notes on issue. The Group's policy includes ensuring a minimum level of 7.5% liquidity is maintained and, in the event the Group's liquidity nears 7.5% the Group stops lending in order to increase its liquidity level.

| | Consolidated | |
|--|-------------------|-------------------|
| | 2020 | 2019 |
| | \$ | \$ |
| <i>Liquidity ratio</i> | | |
| Cash and cash equivalents | 4,642,723 | 3,472,126 |
| Short term deposits | 14,164,000 | 11,789,000 |
| | 18,806,723 | 15,261,126 |
| Secured notes | 88,894,012 | 85,779,009 |
| | 88,894,012 | 85,779,009 |
| Liquidity ratio (cash and short term deposits / secured notes) | 21.16 % | 17.79 % |

Notes to the Financial Statements

For the Year Ended 30 June 2020

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 Group is exposed to earnings volatility on floating instruments as the investments of the Group largely comprise first registered mortgages with variable interest rates. The Group 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 44.

Interest rate sensitivity analysis

At 30 June 2020 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:

| | Consolidated | |
|------------------------------------|--------------|----------|
| | 2020 | 2019 |
| | \$ | \$ |
| Changes in profit after tax | | |
| - Increase in interest rates of 2% | 15,278 | 23,017 |
| - Decrease in interest rates of 2% | (15,278) | (23,017) |
| Changes in equity | | |
| - Increase in interest rates of 2% | 15,278 | 23,017 |
| - Decrease in interest rates of 2% | (15,278) | (23,017) |

The Group 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 Group 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 Group 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 2020

Interest rate risk - financial instrument composition and maturity analysis

The Group'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 | |
|--|--|------|------------------|------------------|------------------------|-------------------|-----------------------|-------------------|----------------------|----------------|-------------------|-------------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | % | % | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial Assets: | | | | | | | | | | | | |
| Cash and cash equivalents | 0.10 | 0.10 | 4,642,723 | 3,472,126 | - | - | - | - | - | - | 4,642,723 | 3,472,126 |
| Other financial assets - interest earning deposits | 0.69 | 2.26 | - | - | 14,164,000 | 11,789,000 | - | - | - | - | 14,164,000 | 11,789,000 |
| Loans and advances | 8.02 | 8.04 | - | - | 50,283,141 | 51,208,589 | 20,857,829 | 20,896,694 | - | - | 71,140,970 | 72,105,283 |
| Total financial assets | | | 4,642,723 | 3,472,126 | 64,447,141 | 62,997,589 | 20,857,829 | 20,896,694 | - | - | 89,947,693 | 87,366,409 |
| Financial Liabilities: | | | | | | | | | | | | |
| Secured notes | 3.46 | 3.92 | - | - | 74,893,009 | 74,881,358 | 14,031,003 | 10,897,651 | - | - | 88,924,012 | 85,779,009 |
| Accrued interest payable | - | - | - | - | - | - | - | - | 713,849 | 803,462 | 713,849 | 803,462 |
| Total financial liabilities | | | - | - | 74,893,009 | 74,881,358 | 14,031,003 | 10,897,651 | 713,849 | 803,462 | 89,637,861 | 86,582,471 |

Notes to the Financial Statements

For the Year Ended 30 June 2020

32 Related parties

(a) Transactions with related parties

During the year the Group had transactions with Baird & McGregor Pty Ltd, a firm of solicitors of which two of the current directors of the Group are directors and Doepel, Lilley & Taylor, a firm of real estate agents of which two of the current directors of the Group 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 \$42,000 (2019: \$42,000) was received from Baird & McGregor Pty Ltd. The rent was charged at commercial rates for the use of office space in Ballarat. In accordance with the Group's obligations under the mandatory Code of Conduct for Commercial Tenancies, the rent for the three months from April to June 2020 was discounted by 50%.
- (ii) During the year rental income of \$42,000 (2019: \$42,000) was received from Doepel, Lilley & Taylor. The rent was charged at commercial rates for the use of office space in Ballarat. In accordance with the Group's obligations under the mandatory Code of Conduct for Commercial Tenancies, the rent for the three months from April to June 2020 was discounted by 50%.
- (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 Group. Of the development costs paid by the Group during the year \$326,880 (2019: \$364,317) are attributable to the Baird Cullenward Family Trust. During the year the Group were reimbursed out of the proceeds from the sale of subdivided allotments attributable to the Baird Cullenward Family Trust for \$14,440 (2019: \$402,735) for development costs incurred on its behalf. At the reporting date the balance of recoverable development costs paid on behalf of the Baird Cullenward Family Trust was \$416,020 (2019: \$103,580).
- (iv) During the year legal fees were paid to Baird & McGregor Pty Ltd of \$8,055 (2019: \$29,290) for services provided for conveyancing on the sale of investment properties owned by the Group and for legal services provided to the Group. 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 \$28,425 (2019: \$87,205) for services provided in selling investment properties owned by the Group. 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 \$3,912 (2019: \$4,615) for services provided in managing the rental properties owned by the Group. The amounts were charged at commercial rates.
- (vii) During the year a management fee of \$33,000 (2019: \$33,000) was paid to Doepel Lilley & Taylor for administrative services provided to the Group.
- (viii) During the year a management fee of \$33,000 (2019: \$33,000) was paid to Baird & McGregor Pty Ltd for administrative services provided to the Group.
- (ix) Details of key management personnel remuneration is disclosed in Note 28 to the accounts.
- (v) The shares owned by the Directors in Webster Dolilta Finance Ltd are disclosed in the Directors Report on page 1.

Notes to the Financial Statements

For the Year Ended 30 June 2020

(b) Loans and advances to related parties

The Group 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 Group and to the same terms and approval process as other loans made by the Group. Interest is payable on the loans at a variable interest rate which was 6.03% at 30 June 2020 (5.75% at 30 June 2019).

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

| | Consolidated | | | |
|-----------------|-----------------|-----------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Number of loans | Number of loans | \$ | \$ |
| Secured loans | 6 | 7 | 1,632,521 | 1,022,748 |
| Unsecured loans | - | 3 | - | 10,279 |
| | 6 | 10 | 1,632,521 | 1,033,027 |

Loans to related parties represent 2.29% (2019: 1.43%) of the total loans made by the Group by value.

(c) Secured note investments by related parties

The Group 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 investors in secured notes. As the investments in secured notes are on the same terms as apply to other investors it is not considered necessary to disclose the individual investments of the related parties as it would potentially breach the obligations of the Group to the privacy of investors.

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

| | Consolidated | | | |
|---------------------|-------------------------|-------------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | Number of secured notes | Number of secured notes | \$ | \$ |
| 30 day notice notes | 31 | 32 | 1,335,337 | 1,270,307 |
| Term notes | 24 | 24 | 482,714 | 433,981 |
| | 55 | 56 | 1,818,051 | 1,704,288 |

Deposits from related parties represent 2.05% (2019: 1.99%) of the total secured notes issued by the Group by value.

33 Contingencies

The Group has no known material contingent assets or contingent liabilities as at 30 June 2020.

Notes to the Financial Statements

For the Year Ended 30 June 2020

34 Events occurring after the reporting date

Subsequent to the end of the reporting period, the Australian economy has continued to be significantly impacted by the COVID-19 pandemic. The Group have not been significantly impacted by the pandemic to the date of this report but, as the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID-19 on the Group's operations.

The controlled entity, Webster Investments Pty Ltd, is preparing for voluntary deregistration which is anticipated to be completed during the financial year ending 30 June 2021.

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 the Group, the results of those operations, or the state of affairs of the Group in future financial years.

35 Statutory information

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

Webster Doliita Finance Ltd
44 Armstrong Street South
Ballarat VIC 3350

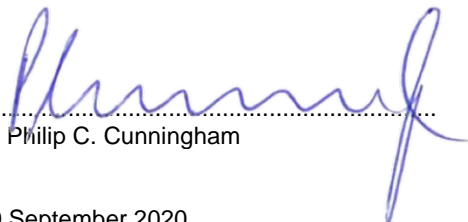
Directors' Declaration

The directors of the Company declare that:

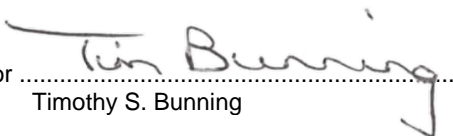
1. the consolidated financial statements and notes for the year ended 30 June 2020, as set out on pages 5 to 47, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*, which, as stated in the accounting policy Note 2 to the consolidated 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 consolidated group as at 30 June 2020 and of the performance of the Group 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
Philip C. Cunningham



Director
Timothy S. Bunning



Dated: 30 September 2020

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") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 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 Group 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 Group's annual report for the year ended 30 June 2020, 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.

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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 Group 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 Group 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

Partner

Ballarat, Victoria

Dated this 30th day of September 2020