
South Burnett

Community Enterprises Limited

ABN: 57 113 889 768

Financial Report

For the year ended

30 June 2020

South Burnett Community Enterprises Limited

Directors' Report

The directors present the financial statements of the company for the financial year ended 30 June 2020.

Directors

The directors of the company who held office during or since the end of the financial year are:

Lionel Charles Kerr

Chairman

Occupation: Farmer (Self employed)

Qualifications, experience and expertise: 47 years experience running a mixed farming business at Brooklands, supplying lucerne hay and grains. Current community involvements are in the Local Rural Fire Brigade as a Fire Warden and volunteer. Also a Member of the Uniting Church as an Elder and Treasurer. Formerly held executive positions in the Nanango and Kingaroy Show Societies, and the Nanango and Kingaroy Tennis Clubs. Have completed courses in governance towards a Certificate in Governance.

Special responsibilities: Chairperson. Governance Committee.

Interest in shares: 2,500 ordinary shares

Noel Leslie Strohfeld O.A.M

Non-executive director

Occupation: Grazier - Semi Retired

Qualifications, experience and expertise: 30 years in local government including eleven years as Mayor. Qualified Justice of the Peace. Company Director since 1976. Former Board member and Chairman of the Queensland Murray-Darling Committee (QMDC), Chairman of the Condamine Catchment Management Association (CCMA) Current Member of the Toowoomba Regional Biosecurity Advisory Committee. Former President of Darling Downs Local Government Association for four years, Former President of South Burnett Local Government Association for one year. Former Board member of the South West QLD Electricity Board for two terms, member of South Myall Landcare and member of Highfields Pioneer Village.

Special responsibilities: Nil

Interest in shares: 2,003 ordinary shares

Ross Christopher Begent

Non-executive director

Occupation: Manager - Local Government

Qualifications, experience and expertise: Experience in business management and counselling, business support program development, tourism and event management and strategic planning facilitation. Holds a Diploma of Management and is a Community Bank mentor.

Special responsibilities: Company Secretary

Interest in shares: 4,502 ordinary shares

James Alan Beveridge

Treasurer

Occupation: Fellow of Chartered Accountant Australia & New Zealand

Qualifications, experience and expertise: Worked in public accounting since 1993, dealing with small to medium enterprises across the agricultural, manufacturing and retails sectors. Director of Beveridge Carey Accountants Pty Ltd; Director and Secretary of Interquest Library Company Ltd. Fellow of ICAANZ.

Special responsibilities: Executive Committee, Budget and Audit Committee

Interest in shares: 13,000 ordinary shares

South Burnett Community Enterprises Limited

Directors' Report

Directors (*continued*)

Kerry Claude Wyvill

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Retired business owner and grazier, with extensive local community service including 22 years as District Fire Officer with the Urban Fire Brigade, 17 years as Fire Warden, 25 years with the State Emergency Service and 7 years as Deputy Controller of the Rosalie Shire. 36 years as Chairman of the Local Ambulance Committee and 36 years as a Qualified Justice of the Peace and Chairman of Yarraman & District Mens Shed.

Special responsibilities: Community Liaison, Sponsorship, Grants and Scholarship Committee.

Interest in shares: 39,667 ordinary shares

Richard Quin O'Neill O.A.M

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Richard is a Director of Queensland Chamber of Agricultural Societies Inc, President of Murgon Local Ambulance Committee, a Member of Darling Downs Local Ambulance Reference Group, President of Country Creative Association and a Life Member Murgon Show Society.

Special responsibilities: Sponsorship Committee

Interest in shares: 1,200 ordinary shares

Robert John Kruger

Non-executive director

Occupation: Maintenance Fitter

Qualifications, experience and expertise: Robert is currently engaged in the maintenance department of a local food manufacturing company and has been for the past 8 years. With other maintenance roles in the cotton, coal and farming industries. He has over 18 years service in the Australian Defence Force (Reserve). Other qualifications include an Associate Degree in Mechanical Engineering and Trade Fitter, Turner and Machinist.

Special responsibilities: Chair of Human Resources Committee and Shareholder Liaison Officer.

Interest in shares: 3,500 ordinary shares

Courtney Jayne Retschlag

Non-executive director (appointed 22 August 2019)

Occupation: Laboratory Technician

Qualifications, experience and expertise: Current occupation - Laboratory technician, Member of Wondai Show Society, Bachelor of Science.

Special responsibilities: Marketing and Sponsorship Committee and Media Officer.

Interest in shares: 11 ordinary shares

Robyn Lee Grivell

Non-executive director (appointed 26 November 2019)

Occupation: Manager of Balanced Accounts Qld (Self Employed) and Managing Director of Lifespice Pty Ltd.

Qualifications, experience and expertise: Formally held positions as a Director of the Maleny Credit Union, including positions on their Board Audit and Risk Management Committee, Community Trust Committee and HR Committee. Also formerly the Chairman of the Board for MCUPS (Maleny Credit Union Financial Services Ltd) and Founder/Director/Treasurer of Proston Qld Ltd.

Previously employed as the Finance Manager at Foresters Community Finance Ltd, Social Investment Australia Ltd, Community Investment Australia Ltd, ASCTA (Australian Swimming Coaches and Teachers Association), Finance Officer and Internal Auditor at Maleny Credit Union and Finance Officer at the Blackall Range Care Group. Also previously self-employed as the Owner Manager at Books and Balance Sunshine Coast, Managing Director at Proston Rural Supplies and small business tutor/trainer at the Maleny Enterprise Network Association. A former member of the Australian Microfinance Network Association, Treasurer for the Earth Benefits Club (micro finance savings and loans enterprise) and a founding member of the Proston Round Table.

Special responsibilities: Human Resources Committee

Interest in shares: nil share interest held

South Burnett Community Enterprises Limited

Directors' Report

Directors (*continued*)

Paul Laurentiussen

Non-executive director (appointed 26 November 2019 and resigned 8 May 2020)

Occupation: Solicitor

Qualifications, experience and expertise: Paul is the principal of JA Carroll Solicitors in Kingaroy and Murgon. Paul's qualifications include a Bachelor of Laws, a Graduate Diploma of Legal Practice, Solicitor of the Supreme Court of Queensland, Solicitor of the High Court of Australia and a Justice of the Peace. Paul is heavily involved in the South Burnett community and is on the Board of Management of SBcare, the largest locally based provider of services for aged people and people with disabilities.

Special responsibilities: Nil

Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Ross Begent. Ross was re-appointed to the position of Company Secretary on 2 September 2014.

Qualifications, experience and expertise: Ross has experience in business management, risk management, business support program development, and strategic planning facilitation. He is employed in a Local Government Tourism & Events management role. Ross holds a Diploma of Management and is a Community Bank Mentor.

Principal activity

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

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

Operating results

The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2020	Year ended 30 June 2019
\$	\$
37,244	42,717

Operating and financial review

The Company is a sole purpose entity, providing banking services under a franchise agreement with Bendigo and Adelaide Bank Limited, with the intention of contributing to the ongoing development of a stronger, vibrant and more resilient South Burnett region.

The Company is reliant on Bendigo and Adelaide Bank Limited for its products, services and operational procedures and policies. This model continues to be both robust and successful, providing the Company with a sound commercial foundation upon which to build its local business operations.

The Company's revenue base has once again shown growth during the financial year. As the Yarraman, Blackbutt and Nanango branches and Murgon agency continue to mature, and our stable and experienced teams focus their talents, this trend is expected to continue.

The Company is pleased to announce a Profit before tax of \$53,367 for the 2020 financial year.

South Burnett Community Enterprises Limited

Directors' Report

Operating and financial review *(continued)*

Financial position

The Balance Sheet continues to remain weak due to the ongoing support required while the Nanango and Blackbutt branches further develop their markets. The Directors are considerate of the Company's current capital position and are managing liabilities accordingly.

It is considered that the Company has sufficient liquidity to meet its ongoing commitments.

Discussion of business strategies

The Board is committed to the continued development of our three community bank branches and agency, with future strategic direction looking at identifying new potential opportunities. As a Company we intend to continue and strengthen our community involvement, with the resulting benefits flowing through to all stakeholders.

Drivers of business performance

The results for the 2019/20 financial year have been driven primarily by steady growth in mortgage lending, resulting in revenue growth of 3.46%. Net interest margin returns, earned through the revenue sharing arrangement, have however decreased due to four official cash rate reductions by the Reserve Bank of Australia.

In addition, the COVID-19 pandemic created an unprecedented commercial situation in the second half of the financial year. While the immediate impact has not presented as significant in the current reporting period, the potential impact on future reporting periods is not predictable at this time.

Business strategies

To address the Company's current stage of development, and in recognition of the financial situation within the greater economy and the potential impact this may have on the Bendigo profit share model, the Board has determined to drive the organisation's focus upon five broad strategies:

1. Strengthening our connection and level of engagement between important stakeholders and partners.
2. Strengthening our Directors role in our business structure and key customer and community segments.
3. Defining our future board skill and diversity mix and a structure that will deliver our Strategic Plan.
4. Focussing our business on the most profitable growth opportunities using our own local marketing plans.
5. Planning to achieve our future business performance expectations.

Future outlook

The Directors and staff believe there are further opportunities available to develop additional revenue. While it is anticipated that the market conditions will remain challenging through the forthcoming financial year, the Company intends to focus on increasing the number of customers and the uptake of products and services to both existing and new customers, resulting in greater profitability.

South Burnett Community Enterprises Limited

Directors' Report

Remuneration report - audited

No Director receives remuneration for services as a Company Director or Committee Member.

General Manager Anne Woodrow is directly accountable and responsible for the strategic direction and operational management of the company.

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Lionel Charles Kerr	2,500	-	2,500
Noel Leslie Strohfeld O.A.M	2,003	-	2,003
Ross Christopher Begent	4,502	-	4,502
James Alan Beveridge	13,000	-	13,000
Kerry Claude Wyvill	39,667	-	39,667
Richard Quin O'Neill O.A.M	1,200	-	1,200
Robert John Kruger	3,500	-	3,500
Courtney Jane Retschlag	-	1,167	1,167
Robyn Lee Grivell	-	-	-
Paul Laurentiussen	-	-	-

Dividends

No dividends were paid in the current financial year.

New Accounting Standards implemented

The company has implemented a new accounting standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*. See note 4 for further details.

Significant changes in the state of affairs

During the financial year, the Australian economy was greatly impacted by COVID-19. Bendigo Bank, as franchisor, announced a suite of measures aimed at providing relief to customers affected by the COVID-19 pandemic. The relief support and uncertain economic conditions has not materially impacted the company's earnings for the financial year. As the pandemic continues to affect the economic environment, uncertainty remains on the future impact of COVID 19 to the company's operations.

In the opinion of the directors there were no other significant changes in the state of affairs of the company, that occurred during the financial year under review, not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

There are no other matters or circumstances that have arisen since the end of the financial year, that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future years.

Likely developments

The company will continue its policy of facilitating banking services to the community.

South Burnett Community Enterprises Limited

Directors' Report

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	<u>Eligible</u>	<u>Attended</u>
Lionel Charles Kerr	11	10
Noel Leslie Strohfeld O.A.M	11	9
Ross Christopher Begent	11	10
James Alan Beveridge	11	9
Kerry Claude Wyvill	11	11
Richard Quin O'Neill O.A.M	11	10
Robert John Kruger	11	11
Courtney Jane Retschlag	10	8
Robyn Lee Grivell	7	6
Paul Laurentiussen	5	1

Proceedings on behalf of the company

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

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

South Burnett Community Enterprises Limited

Directors' Report

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 28 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

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



Lionel Charles Kerr, Chair

Dated this 29th day of September 2020

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of South Burnett Community Enterprises Limited

As lead auditor for the audit of South Burnett Community Enterprises Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 29 September 2020



Graeme Stewart
Lead Auditor

South Burnett Community Enterprises Limited

Statement of Profit or Loss and Other

Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Revenue from contracts with customers	9	1,348,814	1,303,657
Other revenue	10	180,338	94,783
Employee benefit expenses	11c)	(906,968)	(756,223)
Charitable donations, sponsorship, advertising and promotion		(62,312)	(81,749)
Occupancy and associated costs		(60,747)	(147,655)
Systems costs		(53,510)	(52,287)
Depreciation and amortisation expense	11a)	(136,910)	(70,163)
Finance costs	11b)	(36,010)	(13,421)
General administration expenses		(219,328)	(217,997)
Profit before income tax expense		53,367	58,945
Income tax expense	12a)	(16,123)	(16,228)
Profit after income tax expense		37,244	42,717
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		37,244	42,717
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31a)	2.32	2.66

The accompanying notes form part of these financial statements

South Burnett Community Enterprises Limited

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	13a)	1,031	1,031
Trade and other receivables	14a)	138,046	135,142
Total current assets		139,077	136,173
Non-current assets			
Property, plant and equipment	15a)	331,578	393,114
Right-of-use assets	16a)	376,002	-
Intangible assets	17a)	164,924	30,534
Deferred tax asset	18a)	322,632	306,112
Total non-current assets		1,195,136	729,760
Total assets		1,334,213	865,933
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	105,034	100,141
Loans and borrowings	20a)	159,075	330,755
Lease liabilities	21b)	79,613	-
Employee benefits	23a)	168,755	115,077
Total current liabilities		512,477	545,973
Non-current liabilities			
Trade and other payables	19b)	149,361	-
Loans and borrowings	20b)	-	15,524
Lease liabilities	21c)	356,473	-
Employee benefits	23b)	35,287	35,913
Provisions	22a)	60,911	-
Total non-current liabilities		602,032	51,437
Total liabilities		1,114,509	597,410
Net assets		219,704	268,523
EQUITY			
Issued capital	24a)	1,350,744	1,350,744
Accumulated losses	25	(1,131,040)	(1,082,221)
Total equity		219,704	268,523

The accompanying notes form part of these financial statements

South Burnett Community Enterprises Limited

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018		1,350,744	(1,025,743)	325,001
Impact of restatement	8		(63,036)	(63,036)
Restated balance at 1 July 2018		1,350,744	(1,088,779)	261,965
Total comprehensive income for the year		-	42,717	42,717
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(36,159)	(36,159)
Balance at 30 June 2019		1,350,744	(1,082,221)	268,523
Balance at 1 July 2019		1,350,744	(1,082,221)	268,523
Effect of AASB 16: Leases	3c)	-	(86,063)	(86,063)
Restated balance at 1 July 2019		1,350,744	(1,168,284)	182,460
Total comprehensive income for the year		-	37,244	37,244
Balance at 30 June 2020		1,350,744	(1,131,040)	219,704

The accompanying notes form part of these financial statements

South Burnett Community Enterprises Limited

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		1,653,825	1,514,981
Payments to suppliers and employees		(1,369,031)	(1,377,531)
Interest paid		(7,655)	(13,421)
Lease payments (interest component)	11b)	(25,166)	-
Lease payments not included in the measurement of lease liabilities	11d)	(14,666)	-
Net cash provided by operating activities	26	237,307	124,029
Cash flows from investing activities			
Payments for property, plant and equipment		(8,926)	(9,810)
Proceeds from sale of property, plant and equipment		-	4,351
Payments for intangible assets		-	(19,939)
Net cash used in investing activities		(8,926)	(25,398)
Cash flows from financing activities			
Repayment of loans and borrowings		-	(12,888)
Lease payments (principal component)	21a)	(71,994)	-
Dividends paid	30a)	-	(36,159)
Net cash used in financing activities		(71,994)	(49,047)
Net cash increase in cash held		156,387	49,584
Cash and cash equivalents at the beginning of the financial year		(314,431)	(364,015)
Cash and cash equivalents at the end of the financial year	13b)	(158,044)	(314,431)

The accompanying notes form part of these financial statements

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1 Reporting entity

This is the financial report for South Burnett Community Enterprises Limited (the company). The company is a for profit entity limited by shares, and incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
23 Toomey Street YARRAMAN QLD 4614	23 Toomey Street YARRAMAN QLD 4614
	49A Coulson Street BLACKBUTT QLD 4306
	92 Drayton Street NANANGO QLD 4615

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 29.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial statements have been prepared on an accrual and historical cost basis, except for certain properties, financial instruments, and equity financial assets that are measured at revalued amounts or fair values at the end of each reporting period.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar, unless otherwise stated.

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 29 September 2020.

Note 3 Changes in accounting policies, standards and interpretations

The company initially applied AASB 16 *Leases* from 1 July 2019. AASB Interpretation 23 *Uncertainty over Income Tax Treatments* is also effective from 1 July 2019 but is not expected to have a material impact on the company's financial statements. The company's existing policy for uncertain income tax treatments is consistent with the requirements in Interpretation 23.

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3 Changes in accounting policies, standards and interpretations *(continued)*

a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 *Determining whether an Arrangement contains a Lease*. The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4.

On transition to AASB 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

b) As a lessee

As a lessee, the company leases many assets including property, motor vehicles and IT equipment. The company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to the ownership of the underlying asset to the company. Under AASB 16, the company recognises right-of-use assets and lease liabilities for most of these leases (i.e. these leases are on balance sheet).

Leases classified as operating leases under AASB 117

Previously, the company classified property, office equipment, and IT equipment leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the company's incremental borrowing rate as at 1 July 2019.

Right-of-use assets are measured at either:

- their carrying amount as if AASB 16 had been applied since the lease commencement date, discounted using the company's incremental borrowing rate at the date of initial application: the company applied this approach to its property lease; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; the company applied this approach to all other leases.

The company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The company has used a number of practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The practical expedients include that the company:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. office equipment and IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term on contracts that have options to extend or terminate.

Leases classified as finance leases under AASB 117

The company leases a number of motor vehicles. These leases were classified as finance leases under AASB 117. For these finance leases, the carrying amount of the right-of-use asset and the lease liability as at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3 Changes in accounting policies, standards and interpretations *(continued)*

c) Impact on financial statements

On transition to AASB 16, the company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

		1 July 2019
<i>Impact on equity presented as increase (decrease)</i>	Note	\$
Asset		
Right-of-use assets - land and buildings	16b)	406,777
Deferred tax asset	18a)	32,644
Liability		
Lease liabilities	21a)	(467,762)
Provision for make-good	22b)	(57,722)
Equity		
Accumulated losses		<u>(86,063)</u>

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 5.39%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	98,554
Add: additional options now expected to be exercised	422,373
Less: AASB 117 lease commitments reconciliation	31,504
Less: present value discounting	(84,669)
Lease liability as at 1 July 2019	<u>467,762</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 3).

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

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

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

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

b) Other revenue (*continued*)

Discretionary financial contributions

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

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

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

Cash flow boost

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

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

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts when the cash flow of the company improves.

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

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

d) Employee benefits*Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for salary and wages (including non-monetary benefits), annual leave, and personal leave which are expected to be wholly settled within 12 months of the reporting date. They are measured at amounts expected to be paid when the liabilities are settled, plus related on-costs. Expenses for non-accumulating personal leave are recognised when the leave is taken and measured at the rates paid or payable.

An annual leave liability is recognised for the amount expected to be paid if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably estimated.

Defined superannuation contribution plans

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

Contributions to a defined contribution plan are expected to be settled wholly before 12 months after the end of the financial year in which the employees render the related service.

Other long-term employee benefits

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

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

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

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

e) Taxes

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

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore recognises them under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

Current income tax

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

Deferred tax

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

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

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

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

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.
- when receivables and payables are stated with the amount of GST included.

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

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

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise: cash on hand, deposits held with banks, and short-term, highly liquid investments (mainly money market funds) that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

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

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line or diminishing value method over their estimated useful lives, and is recognised in profit or loss. Land is not depreciated.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Leasehold improvements	Straight-line and diminishing value	4 to 40 years
Plant and equipment	Straight-line	1 to 40 years
Motor vehicles	Straight-line	7 years

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

h) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise. The company has also acquired an agency/customer list from Bendigo Bank.

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill, is recognised in profit or loss as incurred.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

h) Intangible assets (*continued*)

Amortisation

Intangible assets with finite lives are amortised over their useful life and assessed for impairment whenever impairment indicators are present. Intangible assets assessed as having indefinite useful lives are tested for impairment at each reporting period and whenever impairment indicators are present. The indefinite useful life is also reassessed annually.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise fee	Straight-line	Over the franchise term (5 years)
Franchise renewal process fee	Straight-line	Over the franchise term (5 years)
Cash-generating unit - domiciled accounts	Assessed for impairment	Finite

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

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents, borrowings and leases.

Sub-note i) and j) refer to the following acronyms:

<u>Acronym</u>	<u>Meaning</u>
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
SPPI	Solely payments of principal and interest
ECL	Expected credit loss
CGU	Cash-generating unit

Recognition and initial measurement

Trade receivables are initially recognised when they originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to the acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVTOCI - debt investment; FVTOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

i) Financial instruments (*continued*)

Classification and subsequent measurement (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVTOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - business model assessment

The company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed.

Financial assets - subsequent measurement and gains and losses

- Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - classification, subsequent measurement and gains and losses

Borrowings and other financial liabilities (including trade payables) are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Where the company enters into transactions where it transfers assets recognised in the statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred asset, the transferred assets are not derecognised.

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

i) Financial instruments (*continued*)

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on its trade receivables.

ECL's are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received.

In measuring the ECL, a provision matrix for trade receivables is used, taking into consideration various data to get to an ECL, (ie diversity of customer base, appropriate groupings of its historical loss experience etc.).

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 14 days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to trade receivables as at 30 June 2020.

Non-financial assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

k) Issued capital

Ordinary shares

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

l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

l) Provisions (*continued*)

The company is required to restore the leased premises to its/their original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

m) Leases

The company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. The details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for leases of property the company has elected not to separate lease and non-lease components and account for the lease and non-lease components as a single lease component.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the costs of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate.

The company determines its incremental borrowing rate by obtaining interest rates from funding sources and where necessary makes certain adjustments to reflect the terms of the lease and type of asset leased.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

m) Leases (*continued*)

Policy applicable from 1 July 2019 (continued)

As a lessee (*continued*)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option the company is reasonable certain to exercise, lease payments in an option renewal period if the group is reasonably certain to exercise that option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, including IT equipment. The company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

A short-term lease is lease that, at commencement date, has a lease term of 12 months or less.

As a lessor

The company is not a party in an arrangement where it is a lessor.

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
 - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
 - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

m) Leases (*continued*)

Policy applicable before 1 July 2019 (continued)

As a lessee

In the comparative period, as a lessee the company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

The company has not been a party in an arrangement where it is a lessor.

n) Standards issued but not yet effective

A number of new standards are effective for annual reporting periods beginning after 1 January 2019, however the changes are not expected to have a significant impact on the company's financial statements.

Note 5 Significant accounting judgements, estimates, and assumptions

In preparing these financial statements, management has made judgements and estimates that affect the application of the company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a) Judgements

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

<u>Note</u>	<u>Judgement</u>
- Note 9 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 21 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: <ul style="list-style-type: none"> - the amount; - the lease term; - economic environment; and - other relevant factors.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

<u>Note</u>	<u>Assumptions</u>
- Note 9 - revenue recognition	estimate of expected returns;
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 11a) - impairment test of intangible assets	key assumptions underlying recoverable amounts;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 23 - long service leave provision	key assumptions on attrition rate and pay increases through promotion and inflation;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

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

a) Credit risk

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

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank.

b) Liquidity risk

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

The company maintains the following lines of credit with Bendigo Bank:

- \$450,000 overdraft facility that is unsecured with available facility of \$290,925. Interest is payable at a rate of 2.87% (2019: 3.205%)

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6 Financial risk management (*continued*)

b) Liquidity risk (*continued*)

The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

30 June 2020

<u>Non-derivative financial liability</u>	Contractual cash flows			
	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	159,075	159,075	-	-
Lease liabilities	436,086	101,129	386,205	12,204
Trade payables	18,736	18,736	-	-
	<u>613,897</u>	<u>278,940</u>	<u>386,205</u>	<u>12,204</u>

30 June 2019

<u>Non-derivative financial liability</u>	Contractual cash flows			
	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	315,462	315,462	-	-
Chattel Mortgage	30,817	15,293	15,524	-
Trade payables	76,207	76,207	-	-
	<u>422,486</u>	<u>422,255</u>	<u>15,524</u>	<u>-</u>

The bank overdraft is repayable on demand and used for cash management purposes. It is reviewed annual by the lender, Bendigo Bank. As at balance date, the lender does not intend to reduce or end the overdraft facility within the next 12 months.

c) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo Bank mitigates this risk significantly.

The company held cash and cash equivalents of \$1,031 at 30 June 2020 (2019: \$1,031). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7 Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2020 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8 Correction of error

During 2020 the company re-assessed the useful life of its cash-generating unit for business domiciled from Bendigo Bank to the company using new product lifecycle information. The company determined the intangible asset now has a finite useful life (previously assessed as an indefinite useful life). The company's reassessment of the useful life provided for a useful life of five years. At reporting date, the carrying amount exceeds the recoverable amount indicating the asset is now impaired. As a consequence, amortisation expenses have been understated and the intangible asset overstated in previous periods.

The following table summaries the impacts on the financial statements:

	As previously reported	Adjustment	As restated
	\$	\$	\$
30 June 2019			
Statement of Financial Position (extract)			
ASSETS			
Non-current assets			
Intangible assets	93,570	63,036	30,534
TOTAL ASSETS	928,969	63,036	865,933
NET ASSETS	331,559	63,036	268,523
TOTAL EQUITY	331,559	63,036	268,523

Retained earnings had been adjusted by the impairment amount as at 1 July 2018 as shown in the statement of Changes in Equity.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9 Revenue from contracts with customers

The company generates revenue primarily from facilitating community banking services under a franchise agreement with Bendigo Bank. The company is entitled to a share of the margin earned by Bendigo Bank.

<i>Revenue from contracts with customers</i>	2020 \$	2019 \$
Revenue:		
- Revenue from contracts with customers	1,348,814	1,303,657
	<u>1,348,814</u>	<u>1,303,657</u>
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	1,093,014	1,023,116
- Fee income	161,327	159,883
- Commission income	94,473	120,658
	<u>1,348,814</u>	<u>1,303,657</u>

There was no revenue from contracts with customers recognised over time during the financial year.

Note 10 Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor, cashflow boost income received from the Australian Government.

<i>Other revenue</i>	2020 \$	2019 \$
Revenue:		
- Market development fund income	75,000	73,542
- Cash flow boost	62,500	-
- Sale of property, plant and equipment	-	4,150
- Other income	42,838	17,091
	<u>180,338</u>	<u>94,783</u>

Note 11 Expenses

a) Depreciation and amortisation expense	2020 \$	2019 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	23,781	24,676
- Plant and equipment	10,142	9,785
- Motor vehicles	-	9,529
	<u>33,923</u>	<u>43,990</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	67,286	-
- Leased motor vehicles	9,529	-
	<u>76,815</u>	<u>-</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11 Expenses (*continued*)

a) Depreciation and amortisation expense (<i>continued</i>)	2020 \$	2019 \$
<i>Amortisation of intangible assets:</i>		
- Franchise fee	4,361	4,363
- Franchise renewal process fee	21,811	21,810
	<u>26,172</u>	<u>26,173</u>
Total depreciation and amortisation expense	<u>136,910</u>	<u>70,163</u>

The non-current tangible and intangible assets listed above are depreciated and amortised in accordance with the company's accounting policy (see Note 4F and 4G).

b) Finance costs	Note	2020 \$	2019 \$
<i>Finance costs:</i>			
- Property lease interest expense	21a)	23,978	-
- MV lease interest expense	21a)	1,188	-
- Unwinding of make-good provision		3,189	-
- Other		7,655	13,421
		<u>36,010</u>	<u>13,421</u>

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

c) Employee benefit expenses	2020 \$	2019 \$
Wages and salaries	761,905	628,701
Contributions to defined contribution plans	69,737	59,622
Expenses related to long service leave	3,513	17,833
Other expenses	71,813	50,067
	<u>906,968</u>	<u>756,223</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11 Expenses (*continued*)

d) Recognition exemption

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	2020 \$	2019 \$
Expenses relating to low-value leases	16,518	-
	<u>16,518</u>	<u>-</u>

Expenses relating to leases exempt from recognition are included in systems costs.

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition.

Note 12 Income tax expense

Income tax expense comprises current and deferred tax. Attributable current and deferred tax expense is recognised in the other comprehensive income or directly in equity as appropriate.

a) Amounts recognised in profit or loss

	2020 \$	2019 \$
<i>Current tax expense</i>		
- Recoupment of prior year tax losses	3,325	19,225
- Movement in deferred tax	(38,459)	(2,997)
- Adjustment to deferred tax on AASB 16 retrospective application	32,644	-
- Reduction in company tax rate	18,613	-
	<u>16,123</u>	<u>16,228</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of \$18,613 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

	2020 \$	2019 \$
Operating profit before taxation	53,367	58,945
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	14,676	16,209
Tax effect of:		
- Non-deductible expenses	23	(1,123)
- Other deductible expenses	-	278
- Temporary differences	5,814	3,861
- Other assessable income	(17,188)	-
- Movement in deferred tax	(38,459)	(2,997)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	18,613	-
- Leases initial recognition	32,644	-
	<u>16,123</u>	<u>16,228</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank and on hand	1,031	1,031
	<u>1,031</u>	<u>1,031</u>

b) Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand, cash held with financial and banking institutions, and investments in short-term money financial instruments, net of outstanding bank overdrafts. Bank overdrafts are presented with loans and borrowings.

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	Note	2020 \$	2019 \$
- Cash at bank and on hand		1,031	1,031
- Bank overdraft	20a)	(159,075)	(315,462)
		<u>(158,044)</u>	<u>(314,431)</u>

Note 14 Trade and other receivables

a) Current assets

	2020 \$	2019 \$
Trade receivables	113,737	114,788
Prepayments	24,309	20,354
	<u>138,046</u>	<u>135,142</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15 Property, plant and equipment

a) Carrying amounts	2020	2019
	\$	\$
<i>Leasehold improvements</i>		
At cost	516,625	516,625
Less: accumulated depreciation	(237,863)	(214,082)
	<u>278,762</u>	<u>302,543</u>
<i>Plant and equipment</i>		
At cost	174,562	165,636
Less: accumulated depreciation	(121,746)	(111,604)
	<u>52,816</u>	<u>54,032</u>
<i>Motor vehicles</i>		
At cost	-	63,527
Less: accumulated depreciation	-	(26,988)
	<u>-</u>	<u>36,539</u>
Total written down amount	<u>331,578</u>	<u>393,114</u>

The directors do not believe the carrying amount exceeds the recoverable amount of the above assets. The directors therefore believe the carrying amount is not impaired.

b) Reconciliation of carrying amounts	Note	2020	2019
		\$	\$
<i>Leasehold improvements</i>			
Carrying amount at beginning		302,543	323,619
Additions		-	3,600
Depreciation		(23,781)	(24,676)
Carrying amount at end		<u>278,762</u>	<u>302,543</u>
<i>Plant and equipment</i>			
Carrying amount at beginning		54,032	57,809
Additions		8,926	6,210
Disposals		-	(202)
Depreciation		(10,142)	(9,785)
Carrying amount at end		<u>52,816</u>	<u>54,032</u>
<i>Motor vehicles</i>			
Carrying amount at beginning		36,539	46,068
Lease asset transferred out - at cost	16b)	(63,527)	-
Lease asset transferred out - accumulated depreciation	16b)	26,988	-
Depreciation		-	(9,529)
Carrying amount at end		<u>-</u>	<u>36,539</u>
Total written down amount		<u>331,578</u>	<u>393,114</u>

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

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15 Property, plant and equipment (*continued*)

c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods.

There were no changes in estimates for the current reporting period.

Note 16 Right-of-use assets

Right-of-use assets are measured at amounts equal to the present value of enforceable future payments on the adoption date, adjusted for lease incentives, make-good provisions, and initial direct costs.

The company has elected to present right-of-use assets measured in right-of-use assets rather than the underlying asset class. Accordingly, leased assets recognised in the statement of financial position have been reallocated to right-of-use assets from property, plant and equipment.

The company derecognises right-of-use assets at the termination of the lease period or when no future economic benefits are expected to be derived from the use of the underlying asset.

a) Carrying amounts

	Note	2020 \$	2019 \$
<i>Leased land and buildings</i>			
At cost		758,784	-
Less: accumulated depreciation		(409,792)	-
		<u>348,992</u>	<u>-</u>
<i>Leased motor vehicles</i>			
At cost		63,527	-
Less: accumulated depreciation		(36,517)	-
		<u>27,010</u>	<u>-</u>
Total written down amount		<u>376,002</u>	<u>-</u>

b) Reconciliation of carrying amounts

<i>Leased land and buildings</i>			
Initial recognition on transition	3c)	749,283	-
Accumulated depreciation on adoption	3c)	(342,506)	-
Remeasurement adjustments		9,501	-
Depreciation		(67,286)	-
Carrying amount at end		<u>348,992</u>	<u>-</u>
<i>Leased motor vehicles</i>			
Lease asset transferred in - at cost	15b)	63,527	-
Lease asset transferred in - accumulated depreciation	15b)	(26,988)	-
Depreciation		(9,529)	-
Carrying amount at end		<u>27,010</u>	<u>-</u>
Total written down amount		<u>376,002</u>	<u>-</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17 Intangible assets

a) Carrying amounts	2020	2019
	\$	\$
<i>Franchise fee</i>		
At cost	184,743	157,983
Less: accumulated amortisation	(157,256)	(152,895)
	<u>27,487</u>	<u>5,088</u>
<i>Franchise renewal process fee</i>		
At cost	270,919	137,117
Less: accumulated amortisation	(133,482)	(111,671)
	<u>137,437</u>	<u>25,446</u>
<i>Cash-generating unit - domiciled accounts</i>		
At cost	70,274	70,274
Less: accumulated impairment	(70,274)	(70,274)
	<u>-</u>	<u>-</u>
Total written down amount	<u>164,924</u>	<u>30,534</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	5,088	9,451
Additions	26,760	-
Amortisation	(4,361)	(4,363)
Carrying amount at end	<u>27,487</u>	<u>5,088</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	25,446	47,256
Additions	133,802	-
Amortisation	(21,811)	(21,810)
Carrying amount at end	<u>137,437</u>	<u>25,446</u>
<i>Cash-generating unit - domiciled accounts</i>		
Carrying amount at beginning	-	63,036
Impairment	-	(63,036)
Carrying amount at end	<u>-</u>	<u>-</u>
Total written down amount	<u>164,924</u>	<u>30,534</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17 Intangible assets *(continued)*

c) Changes in estimates

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

The company has re-assessed the useful life of its cash-generating unit for business domiciled from Bendigo Bank to the company. The company has determined that the intangible asset now has a finite useful life (previously assessed as an indefinite useful life). The assessment was based on new information from Bendigo Bank relating to the customer product life cycle.

In accordance with AASB 136, reassessing the useful life of an intangible asset as finite rather than indefinite is an indicator that the asset may be impaired.

The asset was originally acquired for \$70,274 on 19 April 2005. The company's reassessment of the useful life provided for a useful life of five years. At reporting date, the carrying amount exceeds the recoverable amount indicating the asset is now impaired. As a result, prior period figures have been restated. See note 8.

Note 18 Tax assets and liabilities

a) Deferred tax

Movement in the company's deferred tax balances for the year ended 30 June 2020:

	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
<i>Deferred tax assets</i>	\$	\$	\$	\$
- employee provisions	41,522	11,529	-	53,051
- make-good provision	-	(37)	15,874	15,837
- lease liability	-	(20,537)	128,635	108,098
- carried-forward tax losses	306,645	(306,645)	-	-
- carried-forward capital losses	-	286,775	-	286,775
Total deferred tax assets	348,167	(28,914)	144,508	463,761
<i>Deferred tax liabilities</i>				
- property, plant and equipment	42,055	8,336	-	50,391
- right-of-use assets	-	(21,126)	111,864	90,738
Total deferred tax liabilities	42,055	(12,790)	111,864	141,129
Net deferred tax assets (liabilities)	306,112	(16,124)	32,644	322,632

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18 Tax assets and liabilities (continued)

a) Deferred tax (continued)

Movement in the company's deferred tax balances for the year ended 30 June 2019:

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
	\$	\$	\$	\$
<i>Deferred tax assets</i>				
- expense accruals	1,128	(1,128)	-	-
- employee provisions	35,824	5,698	-	41,522
- carried-forward tax losses	325,870	(19,225)	-	306,645
Total deferred tax assets	362,822	(14,655)	-	348,167
<i>Deferred tax liabilities</i>				
- property, plant and equipment	40,482	1,573	-	42,055
Total deferred tax liabilities	40,482	1,573	-	42,055
Net deferred tax assets (liabilities)	322,340	(16,228)	-	306,112

b) Uncertainty over income tax treatments

As at balance date, there are no tax rulings, or interpretations of tax law, which may result in tax treatments being over-ruled by the taxation authorities.

The company believes that its accrual for income taxes is adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Note 19 Trade creditors and other payables

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

a) Current liabilities

	2020	2019
	\$	\$
Trade creditors	18,736	76,207
Other creditors and accruals	86,298	23,934
	<u>105,034</u>	<u>100,141</u>

b) Non-current liabilities

Other creditors and accruals	149,361	-
	<u>149,361</u>	<u>-</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20 Loans and borrowings

	2020	2019
	\$	\$
a) Current liabilities		
Bank overdraft	159,075	315,462
Chattel mortgage	-	15,293
	<u>159,075</u>	<u>330,755</u>

Bank overdraft

The company has an approved overdraft facility of \$450,000, secured by a general security over the assets of the company. Interest is payable at a rate of 2.87% (2019: 3.21%)

	2020	2019
	\$	\$
b) Non-current liabilities		
Chattel mortgage	-	15,524
	<u>-</u>	<u>15,524</u>

Following the adoption of AASB 16, the company has grouped its 'Chattel mortgage' previously recognised in 'loans and borrowings' in 'lease liabilities'.

c) Terms and repayment schedule

	Weighted average	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	2.87%	Floating	159,075	159,075	315,462	315,462
Chattel mortgage	7.49%	2021	-	-	30,817	30,817

Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.39%.

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

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

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21 Lease liabilities (*continued*)

Lease portfolio

Prior to 30 June 2019, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. As a result, finance leases which were previously disclosed as property, plant and equipment have been reclassified to right-of-use assets upon adoption.

The company's lease portfolio includes:

- **Yarraman branch** The lease agreement is a non-cancellable lease commencing 27 August 2015 for a term of five years plus an option reasonably expected to be exercised of five years.
- **Blackbutt branch** The lease agreement is a non-cancellable lease commencing 1 December 2012, was renewed 27 August 2015 for a five year term and has one option reasonably expected to be exercised of five years.
- **Nanango branch** The lease agreement is a non-cancellable lease commencing 1 January 2013, was renewed 27 August 2015 for a five year term and has one option reasonably expected to be exercised of five years.
- **Suzuki Vitara** The lease agreement is a non-cancellable term of five years. The lease includes a balloon payment at which time the registered security over the motor vehicles is removed.
- **Ford Mondeo** The lease agreement is a non-cancellable term of four years. The lease includes a balloon payment at which time the registered security over the motor vehicles is removed.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

a) Lease liability measurement

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the demised leased premises.

<i>Lease liabilities on transition</i>	Note	2020 \$	2019 \$
Balance at the beginning (finance lease liabilities)		30,817	-
Initial recognition on AASB 16 transition	3c)	467,762	-
Remeasurement adjustments		9,501	-
Lease payments - interest		25,166	-
Lease payments		(97,160)	-
		<u>436,086</u>	<u>-</u>
b) Current lease liabilities			
Property lease liabilities		88,386	-
Unexpired interest		(20,764)	-
		<u>67,622</u>	<u>-</u>
Motor Vehicle lease liabilities		12,743	-
Unexpired interest		(752)	-
		<u>11,991</u>	<u>-</u>
		<u>79,613</u>	<u>-</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21 Lease liabilities (*continued*)

c) Non-current lease liabilities	2020 \$	2019 \$
Property lease liabilities	389,807	-
Unexpired interest	(41,666)	-
	<u>348,141</u>	<u>-</u>
Motor Vehicle lease liabilities	8,602	-
Unexpired interest	(270)	-
	<u>8,332</u>	<u>-</u>
	<u>356,473</u>	<u>-</u>
d) Maturity analysis		
- Not later than 12 months	101,129	-
- Between 12 months and 5 years	386,205	-
- Greater than 5 years	12,204	-
Total undiscounted lease payments	<u>499,538</u>	<u>-</u>
Unexpired interest	(63,452)	-
Present value of lease liabilities	<u>436,086</u>	<u>-</u>

e) Impact on the current reporting period

During the financial year, the company has mandatorily adopted AASB 16 for the measurement and recognition of its leases. The primary impact on the profit or loss is that lease payments are split between interest and principal payments and the right-of-use asset depreciates. This is in contrast to the comparative reporting period where lease payments under AASB 117 were expensed as incurred. The following note presents the impact on the profit or loss for the current reporting period.

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of \$5,807.

	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
Profit or loss - increase (decrease) in expenses			
- Occupancy and associated costs	97,160	(97,160)	-
- Depreciation and amortisation expense	-	76,815	76,815
- Finance costs	-	28,355	28,355
Increase in expenses - before tax	<u>97,160</u>	<u>8,010</u>	<u>105,170</u>
- Income tax expense / (credit) - current	(26,719)	26,719	-
- Income tax expense / (credit) - deferred	-	(28,922)	(28,922)
Increase in expenses - after tax	<u>70,441</u>	<u>5,807</u>	<u>76,248</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22 Provisions

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

a) Non-current liabilities

	2020 \$	2019 \$
Make-good on leased premises	60,911	-
	<u>60,911</u>	<u>-</u>

b) Make-good provision

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term.

The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process.

Provision	Note	2020 \$	2019 \$
Face-value of make-good costs recognised	3c)	80,286	-
Present value discounting	3c)	(22,564)	-
Present value unwinding		3,189	-
		<u>60,911</u>	<u>-</u>

c) Changes in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts.

The lease is due to expire on 27 August 2025 at which time it is expected the face-value costs to restore the premises will fall due.

The financial effect of the reassessment, assuming no changes in the above judgements and estimates, on actual and expected finance costs and provisions was as follows:

	2020	2021	2022	2023	2024+
<i>Profit or loss</i>					
Expense:					
- Finance costs	3,189	3,365	3,551	3,778	8,681
<i>Statement of financial position</i>					
Liability:					
- Make-good provision	60,911	64,277	67,828	71,606	80,286

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23 Employee benefits

a) Current liabilities	2020 \$	2019 \$
Provision for annual leave	83,418	58,487
Provision for long service leave	60,696	56,590
Provision for personal leave	24,641	-
	<u>168,755</u>	<u>115,077</u>

Provision for personal leave is recognised this period under the Bendigo Bank Enterprise Agreement where employees who have commenced on or before 15 December 2015 are entitled to a portion of their sick leave to be paid out when their employment ends.

b) Non-current liabilities

Provision for long service leave	35,287	35,913
	<u>35,287</u>	<u>35,913</u>

c) Key judgement and assumptions

Employee attrition rates

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

Note 24 Issued capital

a) Issued capital	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	1,465,250	1,465,250	1,465,250	1,465,250
Bonus shares - fully paid (3:1 from initial issue)	141,768	-	141,768	-
Less: equity raising costs	-	(114,506)	-	(114,506)
	<u>1,607,018</u>	<u>1,350,744</u>	<u>1,607,018</u>	<u>1,350,744</u>

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24 Issued capital (*continued*)

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

Ordinary shares (continued)

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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

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

Note 25 Accumulated losses

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		(1,082,221)	(1,025,743)
Adjustment for transition to AASB 16	3c)	(86,063)	-
Net profit after tax from ordinary activities		37,244	42,717
Impact of restatement	8	-	(63,036)
Dividends provided for or paid	30a)	-	(36,159)
Balance at end of reporting period		<u>(1,131,040)</u>	<u>(1,082,221)</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	37,244	42,717
Adjustments for:		
- Depreciation	110,738	43,990
- Amortisation	26,172	26,173
- (Profit)/loss on disposal of non-current assets	-	(4,149)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(2,904)	(17,518)
- (Increase)/decrease in other assets	16,116	16,228
- Increase/(decrease) in trade and other payables	(6,300)	(4,134)
- Increase/(decrease) in employee benefits	53,052	20,722
- Increase/(decrease) in provisions	3,189	-
Net cash flows provided by operating activities	<u>237,307</u>	<u>124,029</u>

Note 27 Financial instruments

The following shows the carrying amounts for all financial instruments at amortised costs. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	2020 \$	2019 \$
Financial assets			
Trade and other receivables	14	113,737	114,788
Cash and cash equivalents	13	1,031	1,031
		<u>114,768</u>	<u>115,819</u>
Financial liabilities			
Trade and other payables	19	18,736	76,207
Bank overdrafts	20	159,075	315,462
Chattel Mortgage	20	-	30,817
Lease liabilities	21	436,086	-
		<u>613,897</u>	<u>422,486</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28 Auditor's remuneration

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

	2020 \$	2019 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,900	5,700
	<u>5,900</u>	<u>5,700</u>
<i>Non audit services</i>		
- Taxation advice and tax compliance services	790	600
- General advisory services	4,460	2,830
- Share registry services	3,150	6,457
	<u>8,400</u>	<u>9,887</u>
Total auditor's remuneration	<u>14,300</u>	<u>15,587</u>

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Lionel Charles Kerr
 Noel Leslie Strohfeld O.A.M
 Ross Christopher Begent
 James Alan Beveridge
 Kerry Claude Wyvill
 Richard Quin O'Neill O.A.M
 Robert John Kruger
 Courtney Jane Retschlag
 Robyn Lee Grivell
 Paul Laurentiussen

b) Key management personnel compensation

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

c) Related party transactions

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

	2020 \$	2019 \$
<i>Transactions with related parties</i>		
- James Alan Beveridge received remuneration for accounting services provided by Beveridge Carey Accountants Pty Ltd.	22,320	18,380
Total transactions with related parties	<u>22,320</u>	<u>18,380</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30 Dividends provided for or paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	\$	Cents	\$
Unfranked dividend	-	-	2.25	36,159
Total dividends paid during the financial year	-	-	2.25	36,159

b) Franking account balance

Franking credits available for subsequent reporting periods

	2020	2019
	\$	\$
Franking account balance at the beginning of the financial year	6,139	6,139
Franking account balance at the end of the financial year	6,139	6,139

The ability to utilise franking credits is dependent upon the company's ability to declare dividends.

Note 31 Earnings per share

a) Basic and diluted earnings per share

The calculation of basic and diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

	2020	2019
	\$	\$
Profit attributable to ordinary shareholders	37,244	42,717
	Number	Number
Weighted-average number of ordinary shares	1,607,028	1,607,028
	Cents	Cents
Basic and diluted earnings per share	2.32	2.66

South Burnett Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 32 Commitments

a) Lease commitments

Following adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can now be found in 'Lease liabilities' (Note 21).

Operating lease commitments - lessee	2020	2019
Non-cancellable operating leases contracted for but not capitalised in the financial statements	\$	\$
Payable - minimum lease payments:		
- not later than 12 months	-	84,475
- between 12 months and 5 years	-	14,079
- greater than 5 years	-	-
Minimum lease payments payable	-	98,554
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	-	18,018
- between 12 months and 5 years	-	16,546
- greater than 5 years	-	-
Minimum lease payments	-	34,564
Less future finance charges	-	(3,747)
Present value of minimum lease payments	-	30,817

b) Other commitments

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

Note 33 Contingencies

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

Note 34 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

South Burnett Community Enterprises Limited

Directors' Declaration

In accordance with a resolution of the directors of South Burnett Community Enterprises Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

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



Lionel Charles Kerr, Chair

Dated this 29th day of September 2020

Independent auditor's report to the members of South Burnett Community Enterprises Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of South Burnett Community Enterprises Limited, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

South Burnett Community Enterprises Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Statement of financial position
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the company.

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.

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

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

Other information

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

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

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

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

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

Report on the remuneration report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of South Burnett Community Enterprises Limited - AUDIT for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the matter
Application and recognition of AASB 16: Leases	
<p>The company adopted <i>AASB 16: Leases</i> as at 1 July 2019, and first reported this at 31 December 2019 during the half-year review.</p> <p>The company has assessed the impact that AASB 16 will have on its financial statements at 30 June 2020. The expected impact of AASB 16 is disclosed in Note 3 and 4 m) to the financial statements.</p> <p>A number of judgements have been applied and estimates made in determining the impact of the standard.</p> <p>Our key audit matter was focused on the following areas of risk:</p> <ul style="list-style-type: none"> Leasing arrangements within the scope of AASB 16 are not identified or appropriately included in the calculation of the transitional impact. Specific assumptions applied to determine the discount rates and lease terms for each lease are inappropriate. The underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate. The disclosures in the financial statements are insufficient, preventing investors from obtaining a clear understanding as to the transitional impact of the change in accounting standard. 	<p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> assessed the design and implementation of key controls pertaining to the determination of the AASB 16 transition impact disclosure. assessed the appropriateness of the discount rates and lease terms applied in determining lease liabilities, including any underlying assumptions. verified the accuracy of the underlying lease data by agreeing the information directly back to original lease contracts or other supporting information, and checked the integrity and mechanical accuracy of the AASB 16 calculations for each lease through recalculation of the expected AASB 16 adjustment. considered completeness by testing the reconciliation to the company's operating lease commitments and by investigating key service contracts to assess whether any contained a lease under AASB 16. assessed whether the disclosures within the financial statements are appropriate in light of the requirements of <i>AASB 8 Accounting Policies, Changes in Accounting Estimates and Errors</i>. <p>Key observation</p> <p>We are satisfied that the disclosure of the impact of adoption of <i>AASB 16: Leases</i> is in accordance with the company's accounting policy and the related disclosure of these items per Note 3 and 4 m) to the financial statements is appropriate.</p>

Key Audit Matter	How our audit addressed the matter
<p>Revenue Share Model</p> <p>The company is a franchise of Bendigo Bank. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company.</p> <p>Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.</p> <p>The company receives the Revenue Share from Bendigo Bank via a monthly profit share statement.</p> <p>Our Key Audit Matter was focused on the following areas of risk:</p> <ul style="list-style-type: none"> Revenue is recognised appropriately and in line with <i>AASB 15 Revenue from Contracts with Customers</i>. Reliance on third party auditor (Ernst & Young) to review the revenue share model. 	<p>In responding to the identified Key Audit Matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> We have obtained the monthly profit share statements from the entire year and analytically assessed the existence, accuracy and completeness of revenue. Ernst & Young complete a Community Bank Revenue Share Arrangements report on factual findings two-yearly, which we review and determine that the scope and testing procedures were sufficient to enable reliance on the monthly profit share reports specifically relating to revenue. <p>Key observation</p> <p>We are satisfied that the revenue share model has been sufficiently reviewed by an external auditor and the reliance can be placed on the monthly profit share reports. The company's accounting policy relating to the revenue share model is detailed at Note 4 a) to the financial statements.</p>

There are no other key audit matters to disclose for the 30 June 2020 audit.

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 29 September 2020



Graeme Stewart
Lead Auditor