

South Burnett Community Enterprises Limited

ABN: 57 113 889 768

Financial Statements

For the half-year ended 31 December 2019

South Burnett Community Enterprises Limited

Directors' Report

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

Directors

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

Lionel Charles Kerr	Richard Quin O'Neill O.A.M
Noel Leslie Strohfeld O.A.M	Robert John Kruger
Ross Christopher Begent	Courtney Jane Retschlag (<i>Appointed 26 November 2019</i>)
James Alan Beveridge	Paul Laurentiussen (<i>Appointed 26 November 2019</i>)
Kerry Claude Wyvill	Robyn Lee Grivell (<i>Appointed 26 November 2019</i>)

Principal activities

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

Review of operations

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

Half-year ended 31 December 2019	Half-year ended 31 December 2018
\$ (7,247)	\$ 4,959

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*.

Events after the end of the reporting period

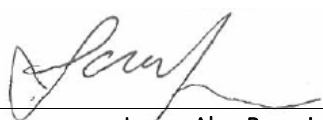
There are no matters or circumstances that have arisen since the end of the half year reporting period that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

Auditor's independence declaration

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

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

Director



James Alan Beveridge

Dated this 16th day of March 2020

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

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 16 March 2020



Graeme Stewart
Lead Auditor

South Burnett Community Enterprises Limited

Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	2019 \$	2018 \$
Revenue from ordinary activities	720,248	698,255
Employee benefits expense	(448,001)	(397,971)
Charitable donations, sponsorship, advertising and promotion	(31,519)	(43,230)
Occupancy and associated costs	(26,658)	(72,585)
Systems costs	(26,348)	(25,947)
Depreciation and amortisation expense	(69,216)	(35,018)
Finance costs	(18,497)	(7,420)
General administration expenses	(110,004)	(109,245)
Profit/(loss) before income tax	(9,995)	6,839
Income tax (expense)/credit	2,748	(1,880)
Profit/(loss) after income tax	(7,247)	4,959
Total comprehensive income for the half-year attributable to the ordinary shareholders of the company:	(7,247)	4,959
Earnings per share	¢	¢
- Basic and diluted earnings/(loss) per share:	(0.45)	0.31

South Burnett Community Enterprises Limited

Statement of Financial Position

For the half-year ended 31 December 2019

	Note	31-Dec-19 \$	30-Jun-19 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,031	1,031
Trade and other receivables		122,064	135,142
Total current assets		123,095	136,173
Non-current assets			
Property, plant and equipment		346,694	393,114
Right of use assets	7	405,295	-
Intangible assets		80,483	93,570
Deferred tax assets		341,505	306,112
Total non-current assets		1,173,977	792,796
TOTAL ASSETS		1,297,072	928,969
LIABILITIES			
Current liabilities			
Trade and other payables		110,743	100,141
Borrowings		261,468	330,755
Lease liabilities	7	76,281	-
Provisions		136,402	115,077
Total current liabilities		584,894	545,973
Non-current liabilities			
Borrowings		-	15,524
Lease liabilities	7	385,393	-
Provisions		88,535	35,913
Total non-current liabilities		473,928	51,437
TOTAL LIABILITIES		1,058,822	597,410
NET ASSETS		238,250	331,559
EQUITY			
Issued capital		1,350,744	1,350,744
Accumulated losses	8	(1,112,494)	(1,019,185)
TOTAL EQUITY		238,250	331,559

South Burnett Community Enterprises Limited

Statement of Changes in Equity

For the half-year ended 31 December 2019

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018		1,350,744	(1,025,743)	325,001
Total comprehensive income for the half-year		-	4,959	4,959
Balance at 31 December 2018		1,350,744	(1,020,784)	329,960
Balance at 1 July 2019		1,350,744	(1,019,185)	331,559
Cumulative retrospective effect of AASB 16: <i>Leases</i>	2	-	(86,062)	(86,062)
Restated balance at 1 July 2019		1,350,744	(1,105,247)	245,497
Total comprehensive income for the half-year		-	(7,247)	(7,247)
Balance at 31 December 2019		1,350,744	(1,112,494)	238,250

South Burnett Community Enterprises Limited

Statement of Cash Flows

For the half-year ended 31 December 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		803,595	772,647
Payments to suppliers and employees		(687,545)	(713,584)
Lease payments (interest component)	7	(12,274)	-
Interest paid		(4,650)	(7,420)
Net cash provided by operating activities		99,126	51,643
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,227)	(8,185)
Proceeds from reimbursement of property, plant and equipment		-	1,010
Net cash used in investing activities		(8,227)	(7,175)
Cash flows from financing activities			
Repayment of borrowings		-	(6,445)
Lease payments (principal component)	7	(36,905)	-
Net cash used in financing activities		(36,905)	(6,445)
Net cash increase in cash held		53,994	38,023
Cash and cash equivalents at the beginning of the financial year		(314,431)	(364,015)
Cash and cash equivalents at the end of the half-year		(260,437)	(325,992)

South Burnett Community Enterprises Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 1. Summary of significant accounting policies

Statement of Compliance

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

Basis of preparation

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

Accounting policies

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

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

New Accounting Standards Implemented

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

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

Note 2. Changes in accounting policies

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

a) Types of leases

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

b) Impact on comparatives

The company has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information has not been restated.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

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

c) Leases

The company as lessee

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

d) Initial application of AASB 16

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

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

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

- A single discount rate has been applied.
- Initial direct costs have been excluded from the measurement of the right-of-use asset at the date of initial application.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.

e) Financial impact

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

Balance sheet as at 1 July 2019	\$
Right-of-use assets	406,777
make-good provision	(57,722)
Lease liabilities	(467,762)
Deferred tax asset	32,645
Accumulated losses	<u><u>(86,062)</u></u>

Lease liabilities reconciliation on transition

Operating lease disclosure as at 30 June 2019	98,554
Add: additional options now expected to be exercised	422,373
Add: AASB 117 lease commitments reconciliation	31,504
Less: other discounted adjustments to present value	(84,669)
Lease liability as at 1 July 2019	<u><u>467,762</u></u>

Lease liabilities were discounted using a weighted average discount rate of 5.39%.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 3. Events subsequent to reporting date

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

Note 4. Contingent assets and liabilities

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

Note 5. Segment reporting

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

Note 6. Related parties

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

Note 7. Leases

The company's lease portfolio includes its branch premises and motor vehicles. The lease terms include:

- Yarraman - Lease commencing 27 August 2015 for a non-cancellable term of five years plus an option reasonably expected to be exercised of five years.
- Blackbutt - a branch 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 - a branch 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 - a five year chattel mortgage commencing 1 December 2016.
- Ford Mondeo - a four year chattel mortgage commencing 1 May 2016.

a) Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used was 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 estimated remaining lease terms including the effects of any renewal options or termination options expected to be reasonably exercised, applying hindsight where appropriate.

South Burnett Community Enterprises Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 7. Leases (continued)		
a) Lease liabilities (continued)	31-Dec-19	30-Jun-19
	\$	\$
Current:		
Branch operating lease	99,380	-
Unexpired interest	(23,099)	-
	<u>76,281</u>	<u>-</u>
Non-current		
Branch operating lease	436,350	-
Unexpired interest	(50,957)	-
	<u>385,393</u>	<u>-</u>
Impact on the current reporting period:		
Lease liabilities		
Initial recognition on adoption	467,762	-
Borrowings transferred to lease liabilities	30,817	-
Lease payments (interest component)	12,274	-
Lease payments	(49,179)	-
Lease liabilities as at 31 December 2019	<u>461,674</u>	<u>-</u>
Maturity analysis		
- not later than 12 months	99,381	-
- between 12 months and 5 years	384,315	-
- greater than 5 years	52,034	-
Total	<u>535,730</u>	<u>-</u>
Less unexpired interest	(74,056)	-
Present value of lease liabilities	<u>461,674</u>	<u>-</u>
b) Right-of-use assets		
Right-of-use assets were measured at amounts equal to the present value of enforceable future payments on the commencement date.		
Impact on the current reporting period:	31-Dec-19	30-Jun-19
	\$	\$
Right-of-use assets		
Initial recognition on adoption	749,283	-
Accumulated depreciation on adoption	(342,506)	-
Right-of-use asset transferred - gross	63,527	-
Right-of-use asset transferred - accumulated depreciation	(26,988)	-
Depreciation expense	(38,021)	-
Right-of-use assets as at 31 December 2019	<u>405,295</u>	<u>-</u>

South Burnett Community Enterprises Limited

Notes to the Financial Statements

For the half-year ended 31 December 2019

Note 7. Leases (*continued*)

c) Impact on the profit or loss

Comparison under current AASB 16 and former AASB 117	\$
Decrease in occupancy and associated costs	49,179
Increase in finance costs in lease liabilities	(13,847)
Increase in depreciation and amortisation expense	(38,021)
Decrease in profit before tax	(2,689)
Decrease in current income tax expense	(13,524)
Increase in current income tax expense - deferred tax	14,264
Decrease in profit after tax	(1,949)

	31-Dec-19	30-Jun-19
Note 8. Accumulated losses	\$	\$
Balance at the beginning of the financial year	(1,019,185)	(1,025,743)
Net loss from ordinary activities after income tax	(7,247)	42,717
Cumulative adjustment of leases under AASB 16	(86,062)	-
Dividend paid for or provided	-	(36,159)
Balance at the end of the reporting period	<u>(1,112,494)</u>	<u>(1,019,185)</u>

South Burnett Community Enterprises Limited

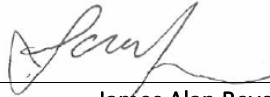
Directors' Declaration

In the opinion of the directors of South Burnett Community Enterprises Limited ("the company"):

1. The financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
 - a. giving a true and fair view of the financial position of the entity as at 31 December 2019 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;
 - b. complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



James Alan Beveridge

Dated this 16 day of March 2020.

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

Report on the half-year financial report

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

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

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

As the auditor of South Burnett Community Enterprises Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

Independence

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

Auditor's opinion

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 16 March 2020



Graeme Stewart
Lead Auditor

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Business Services

Community Banking

Audit

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in success



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