

Annual Report 2020

Buderim Community
Enterprises Limited

Community Bank
Buderim
ABN 28 136 810 074



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Chairperson's report

For year ending 30 June 2020

It is my pleasure to present the Annual Report of Buderim Community Enterprises Ltd for the year ending 30 June 2020. The banking industry continues to face difficult and unprecedented conditions. Interest rates are at levels not seen before in our history. This has resulted in a squeeze on margins and increased competition in the market. On top of this Australia and the rest of the world has had an extraordinary challenge in the second half of the year with the appearance of the COVID 19. This has completely disrupted to economy and will continue to do so for many years to come.

This year marks the tenth year of the operation of Buderim Community Enterprises Ltd, the holder of the Bendigo Bank franchise in Buderim. These have been difficult years as the Company established the branch with an enormous amount of local competition. With a number of banks in Buderim closing or reducing hours and services, I can assure shareholders and customers that the Buderim Branch of Bendigo Bank is here for the long haul and will continue to a full service bank staffed by competent people and not just ATMs.

I am pleased to report that we have declared a profit again this year. While the profit was small, it continues the trend of improving results and sets the basis for future improved trading. Our profit shows a ten-fold increase over the previous year. We look forward to the time that we make a reasonable return as this can then be distributed back into the community.

The banking industry is still facing difficult times. The post Royal Commission environment and historically low interest rates have made trading more difficult and less profitable. Our result this year was enhanced by interest relief provided to the Company by Bendigo Bank during the COVID 19 crisis. The company finished the year with a strong cash positive position before allowances for depreciation, amortisation and interest.

The bank continues to build business and this year saw a substantial increase in footings. This is largely due to the efforts of our staff. Branch manager Peter Macdonnell who has continued to work tirelessly to improve the trading of the branch and he has been supported by his staff. Our current staff of Denise, Debbie, Cindy and Carolyn continue the tradition of Bendigo Bank providing friendly service, enthusiasm and make the Bank a pleasant place to visit.

During the last year, the Board has lost the services of John Glaister who has served as Deputy Chair, as work commitments have necessitated in his withdrawal. Ms Helen Jones has taken on the role as Deputy Chair. We also saw the retirement of Ms Judy Wild who is one of the original foundation directors of the company. Judy has been an inspiration to the Board and her enthusiasm and knowledge will be missed.

We have added two qualified board members during the year. Mr Greg Bradley has joined the board and has a great resume of working with not for profit organisations and the University of the Sunshine Coast. The second appointment is Mr David Johnston, a local accountant who joined the Board and immediately took over as Treasurer. David has extensive experience in accounting and auditing. We thank Megan Colless for her input as Treasurer and thank her for remaining on the Board. We welcome both new directors and the expertise and knowledge they bring with them. I thank all the current Board members for their diligence and enthusiasm during the year and hope they continue to provide input and advice. Every member has assisted on our various committees or through input at Board meetings. We have appointed Ms Alison Scott in the role of administration support. We thank Alison for her conscientious effort behind the scenes.

We look forward to continuing the improved performance of the Bank and look forward to the day we can declare a dividend.

Rick Beasley
Chairperson

Manager's report

For year ending 30 June 2020

As I read through our Chair's report in preparation to writing this, and his comments about Covid-19, I am taking the time to process what has happened from a branch perspective. Like most of the world, we have had to move quickly on our feet and just do what was necessary to make sure we keep our customers and staff safe, and then to the best of our ability, keep everything else business as usual. It's only now we have the opportunity to analyse.

As I ponder, I find we are very lucky in a multitude of ways here at the Bendigo Community Bank Buderim. One, our branch is located in an area and State that at the time of writing this, is in a strong position and basically open for business from a banking perspective. Two, we are part of a company (Bendigo and Adelaide Bank Limited) that has quality leadership that is very strong in guiding the Bank as a whole through what we all know is one of the most difficult economic adversities in living memory. Literally as I type this, I see an email pop up from our Managing Director & Executive Mailbox with the subject heading "R U OK? Is every day" which goes on to talk about looking after ourselves and others.

And this re-enforces to me what a great company the Bendigo Bank is. It is certainly not just lip service with Bendigo Bank when they say they care about their customers. I can say hand on heart they really do.

So how did Buderim branch fair in this new COVID 19 world? I am proud to say that the team here did a great job. We were still able to come home strong and achieve all our main key performance indicators, including lending growth, deposit growth and insurance sales.

And on top of this, we continued to maintain and even grow our profit – which I am very happy with in a time where many companies are struggling, and in an economy where banking margins are very narrow. And we achieved this profit not by taking advantage of struggling businesses and individuals, but by holding our hand out and helping those in need.

So I ask all our shareholders who are reading this, if you know of anyone who would like to bank with a bank that actually does care for their customers, please have them contact the team here at Bendigo Community Bank Buderim. We would love to look after them.

Peter Macdonnell
Branch Manager

Buderim Community Enterprises Limited

Directors' Report

The directors present their 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:

Richard Cartright Beasley

Chairperson

Occupation: Consultant

Qualifications, experience and expertise: Rick Beasley has spent a lifetime working in the beef industry most recently in developing Australian livestock identification and traceability system. He was instrumental in the foundation of the Buderim Mens Shed and elected inaugural president until 2018. A member of Rotary for almost 41 years.

Special responsibilities: Nil

Interest in shares: nil share interest held

Geoffrey Reynolds Hole

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Journalism in national press and TV, Media management and speech writing at high levels in Federal and State politics and the corporate world. For 15 years to retirement chief adviser in these areas to chairman of Westfield, and member of five Buderim not for profit Committees.

Special responsibilities: Marketing and Sponsorship Committee

Interest in shares: 2,501 ordinary shares

Helen Margaret Jones

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Relocated from Darwin, NT to Sunshine Coast, Qld in July 2011. Former HR and Corporate management professional with NT public sector, career spanning 38 years. Graduate member - Australian Institute of Company Directors, Fellow - Institute of Public Administration. Member - Australian Human Resources Institute. Extensive experience as sports administrator, fundraiser and coach. Joined BCEL early 2013 in voluntary capacity. Appointed Director of the company in June 2014.

Special responsibilities: Deputy Chair, Chair of Marketing and Sponsorship Committee.

Interest in shares: 2,000 ordinary shares

Dr. Keith James Solomon

Non-executive director

Occupation: Retired

Qualifications, experience and expertise: Dr Solomon is a former teacher, School Principal, CAE Lecturer and University Assistant Vice Chancellor/International Director. Dr Solomon acted as a management consultant to a number of national/international medical, local government and development agencies including United Nations, AUSAID, USAID, Asian Development Bank, British Commonwealth Local Government Forum, and the International Union of Local Government Authorities. He is currently a Director of Buderim Foundation and a member of the Rotary Club of Buderim and Probus Club.

Special responsibilities: Strategic Planning and Risk Management Committee

Interest in shares: nil share interest held

Buderim Community Enterprises Limited

Directors' Report

Directors (*continued*)

Jane Esta Rice

Non-executive director

Occupation: Accountant

Qualifications, experience and expertise: Jane is a member of the Chartered Accountants and has had over 16 years of experience as an accountant. She has a Bachelor of Commerce and a Grad Dip Financial Planning. Jane is a JP (Qualified) and a SMSF specialist adviser.

Special responsibilities: Audit and Risk Committee

Interest in shares: nil share interest held

Rosalyn Joy Cheales

Non-executive director

Occupation: Governance and Organisational Performance

Qualifications, experience and expertise: An accomplished Chair, Director and Management Executive with background in governance practices, organisational performance and institutional policy frameworks. Graduate Member Australian Institute of Company Directors, Graduate QUT Business School, Research Masters in Human Movements from UQ, Associate member Resolution Institute, Graduate QUT School of Education, President of Rotary Club of Buderim and Chair of Anglican School of Sunshine Coast.

Special responsibilities: Company Secretary

Interest in shares: nil share interest held

Megan Alexandra Colless

Non-executive director

Occupation: Accountant

Qualifications, experience and expertise: Megan holds a Bachelor of Business (Accounting) degree and is a fellow of CPA Australia. She has been an accountant for over 20 years and has owned her own public practice for 10 years. Megan has been Treasurer of various community organisations over this time, including Sunshine Coast Rowing Club Inc, Rotary Club of Buderim Inc & BWMCA.

Special responsibilities: Audit and Risk Committee

Interest in shares: nil share interest held

David Peter Johnston

Non-executive director (appointed 24 April 2020)

Occupation: Accountant

Qualifications, experience and expertise: David has 30 years experience working in the accountancy profession. He holds a Bachelor of Business (Accounting). David also spent five years working in the human services sector. He is currently self-employed as an accountant. He is a member of the Rotary Club of Buderim.

Special responsibilities: Treasurer, Chair of Audit and Risk Committee

Interest in shares: nil share interest held

Gregory Paul Bradley

Non-executive director (appointed 24 April 2020)

Occupation: Program Manager

Qualifications, experience and expertise: An experienced program manager with a proven track record of delivering outcomes in the NGO and educational sectors, including with World Vision and the University of the Sunshine Coast. Skilled in Sponsorship Management, fundraising/philanthropy, marketing management, public relations, organisational development and team leadership. An active supporter of various local and international charitable organisations. Qualifications include, Bachelor of Arts (International Relations) and post-graduate studies in Business Administration.

Special responsibilities: Marketing and Sponsorship Committee

Interest in shares: nil share interest held

Buderim Community Enterprises Limited

Directors' Report

Directors (*continued*)

Judith Ann Wild

Non-executive director (resigned 8 November 2019)

Occupation: Self Employed

Qualifications, experience and expertise: Has owned and operated a number of businesses in Buderim. Relocated from Brisbane in 1984 and is currently self-employed in the real estate industry. Actively involved in giving back to the community and is a member of the Buderim Foundation plus Director on the Bloomhill Cancer Help Board. Very passionate to ensure Buderim keeps our village atmosphere.

Special responsibilities: Nil

Interest in shares: nil share interest held

Dr. John Patrick Glaister

Non-executive director (resigned 27 August 2019)

Occupation: Unemployed

Qualifications, experience and expertise: Senior administrator NSW, NT, QLD, NZ Governments. Volunteer Bloomhill Cancer Care. BSc (Hons), MSc, PhD, MBA, PhD, MAICD. Policy development, HR, report writing, grant applications. Current - Chair Northern Prawn Management Advisory Committee, Member North Parks Mac, C'wealth.

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 Rosalyn Joy Cheales. Rosalyn was appointed to the position of secretary on 30 October 2018.

Qualifications, experience and expertise: See information in Directors above.

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	Year ended
30 June 2020	30 June 2019
\$	\$
27,686	2,096

Buderim Community Enterprises Limited

Directors' Report

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Richard Cartright Beasley	-	-	-
Geoffrey Reynolds Hole	2,501	-	2,501
Helen Margaret Jones	2,000	-	2,000
Dr. Keith James Solomon	-	-	-
Jane Esta Rice	-	-	-
Rosalyn Joy Cheales	-	-	-
Megan Alexandra Colless	-	-	-
Judith Ann Wild	1,000	- 1,000	-
Dr. John Patrick Glaister	-	-	-
David Peter Johnston	-	-	-
Gregory Paul Bradley	-	-	-

Dividends

No dividends were declared or paid for the previous financial year and the directors recommend that no dividend be 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 matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the company the results of those operations or the state of affairs of the company, in future years.

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Buderim Community Enterprises Limited

Directors' Report

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Marketing sub-committee	
	<u>A</u>	<u>E</u>	<u>A</u>	<u>E</u>
Richard Cartright Beasley	8	10	6	9
Geoffrey Reynolds Hole	8	10	8	9
Helen Margaret Jones	10	10	9	9
Dr. Keith James Solomon	8	10	-	-
Jane Esta Rice	8	10	-	-
Rosalyn Joy Cheales	8	10	-	-
Megan Alexandra Colless	6	10	-	-
Judith Ann Wild	1	4	-	-
Dr. John Patrick Glaister	1	1	-	-
David Peter Johnston	3	3	-	-
Gregory Paul Bradley	5	7	3	5

E - eligible to attend

A - number attended

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*.

Buderim 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 26 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Audit & Governance Committee 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 Audit & Governance Committee 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 7.

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



Richard Cartright Beasley, Chair

Dated this 21st day of September 2020

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

As lead auditor for the audit of Buderim 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: 21 September 2020



Joshua Griffin
Lead Auditor

Buderim 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	8	503,031	481,255
Other revenue	9	35,000	35,000
Employee benefit expenses	10c)	(299,094)	(306,121)
Charitable donations, sponsorship, advertising and promotion		(23,097)	(13,673)
Occupancy and associated costs		(19,258)	(80,458)
Systems costs		(20,563)	(20,848)
Depreciation and amortisation expense	10a)	(66,104)	(25,753)
Finance costs	10b)	(28,538)	(10,333)
General administration expenses		(53,691)	(56,973)
Profit before income tax credit		27,686	2,096
Income tax credit	11a)	-	-
Profit after income tax credit		27,686	2,096
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		27,686	2,096
Earnings per share		¢	¢
- Basic and diluted earnings per share:	28a)	3.45	0.26

The accompanying notes form part of these financial statements

Buderim Community Enterprises Limited

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
ASSETS			
Current assets			
Cash and cash equivalents	12a)	667	235
Trade and other receivables	13a)	24,460	10,950
Total current assets		25,127	11,185
Non-current assets			
Property, plant and equipment	14a)	85,347	95,694
Right-of-use assets	15a)	197,498	-
Intangible assets	16a)	62,074	10,168
Total non-current assets		344,919	105,862
Total assets		370,046	117,047
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	25,724	21,911
Loans and borrowings	19a)	499,635	514,469
Lease liabilities	20b)	51,241	-
Total current liabilities		576,600	536,380
Non-current liabilities			
Trade and other payables	18b)	43,850	-
Lease liabilities	20c)	213,321	-
Provisions	21a)	23,340	-
Total non-current liabilities		280,511	-
Total liabilities		857,111	536,380
Net liabilities		(487,065)	(419,333)
EQUITY			
Issued capital	22a)	765,372	765,372
Accumulated losses	23	(1,252,437)	(1,184,705)
Total equity		(487,065)	(419,333)

The accompanying notes form part of these financial statements

Buderim 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		765,372	(1,186,801)	(421,429)
Total comprehensive income for the year		-	2,096	2,096
Balance at 30 June 2019		765,372	(1,184,705)	(419,333)
Balance at 1 July 2019		765,372	(1,184,705)	(419,333)
Effect of AASB 16: Leases	3d)	-	(95,418)	(95,418)
Restated balance at 1 July 2019		765,372	(1,280,123)	(514,751)
Total comprehensive income for the year		-	27,686	27,686
Balance at 30 June 2020		765,372	(1,252,437)	(487,065)

The accompanying notes form part of these financial statements

Buderim 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		578,316	542,463
Payments to suppliers and employees		(453,362)	(491,563)
Interest paid		(11,627)	(10,333)
Lease payments (interest component)	10b)	(15,689)	-
Lease payments not included in the measurement of lease liabilities	10d)	(6,749)	-
Net cash provided by operating activities	24	90,889	40,567
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,595)
Payments for intangible assets		(27,064)	(13,776)
Net cash used in investing activities		(27,064)	(16,371)
Cash flows from financing activities			
Lease payments (principal component)	20a)	(48,559)	-
Net cash used in financing activities		(48,559)	-
Net cash increase in cash held		15,266	24,196
Cash and cash equivalents at the beginning of the financial year		(514,234)	(538,430)
Cash and cash equivalents at the end of the financial year	12b)	(498,968)	(514,234)

The accompanying notes form part of these financial statements

Buderim 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 Buderim 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
61 Bull Street
Bendigo VIC 3550

Principal Place of Business
Shop 4B/72 Burnett Street
Buderim QLD 4556

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 27.

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 21 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*.

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.

Buderim 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)*

b) As a lessee

As a lessee, the company leases assets including property, office equipment 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.

c) As a lessor

The company is not a party in an arrangement where it is a lessor. The company is not required to make any adjustments on transition to AASB 16 for leases in which it acts as a lessor.

Buderim 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)*

d) 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.

	Note	1 July 2019 \$
<i>Impact on equity presented as decrease</i>		
Asset		
Right-of-use assets - land and buildings	15b)	239,821
Liability		
Lease liabilities	20a)	(313,121)
Provision for make-good	21b)	(22,118)
Equity		
Accumulated losses		<u>(95,418)</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	42,832
Add: additional options now expected to be exercised	321,235
Less: present value discounting	<u>(50,946)</u>
Lease liability as at 1 July 2019	<u>313,121</u>

Buderim 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.

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.

Buderim 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*)

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.

Revenue

Revenue recognition policy

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.
--	--

Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.
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All revenue is stated net of the amount of Goods and Services Tax (GST).

Discretionary financial contributions

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

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

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

Buderim 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

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

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

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

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

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

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

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

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

d) Taxes

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

Current income tax

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

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (continued)

d) Taxes (continued)*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.

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.

e) 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.

f) 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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

f) Property, plant and equipment (*continued*)

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line 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	5 to 40 years
Plant and equipment	Straight-line	1 to 40 years
Computer Software	Straight-line	5 years

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

g) Intangible assets

Intangible assets of the company include the franchise fees paid to Bendigo Bank conveying the right to operate the Community Bank franchise.

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost.

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.

Amortisation

Intangible assets are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

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

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

h) Financial instruments

A financial instrument is any contract that gives rise to a financial asset or 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, leases.

Sub-note h) and i) 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

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

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.

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.

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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

h) Financial instruments (*continued*)

*Derecognition (*continued*)*

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.

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.

i) 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 investment property, contracts assets, and 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.

j) 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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

k) 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.

The company is required to restore the leased premises to its 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.

l) 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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

I) Leases (*continued*)

Policy applicable from 1 July 2019 (continued)

As a lessee (*continued*)

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

Lease payments included in the measurement of the lease liability comprise 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 company is reasonably certain to exercise that option, and penalties for early termination of a lease unless the company 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.

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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

l) Leases (*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.

m) 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 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 20 - 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.
- Note 2 - going concern	whether management's assessment of uncertainties about the company's ability to continue as a going concern are appropriate.

Buderim 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 17 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 14 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - 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:

- \$570,000 overdraft facility with available facility of \$70,365. Interest is payable at an average rate of 2.31% (2019: 3.21%)

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.

Buderim 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*)

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	Contractual cash flows		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	499,635	499,635	-	-
Lease liabilities	264,562	64,247	235,572	-
Trade payables	1,896	1,896	-	-
	<u>766,093</u>	<u>565,778</u>	<u>235,572</u>	<u>-</u>

30 June 2019

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	Contractual cash flows		
		<u>Not later than 12 months</u>	<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	514,469	514,469	-	-
Trade payables	799	799	-	-
	<u>515,268</u>	<u>515,268</u>	<u>-</u>	<u>-</u>

The bank overdraft is repayable on demand and used for cash management purposes. It is reviewed annually 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 held cash and cash equivalents of \$667 at 30 June 2020 (2019: \$235). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

Buderim 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 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	503,031	481,255
	<u>503,031</u>	<u>481,255</u>
<i>Disaggregation of revenue from contracts with customers</i>		
At a point in time:		
- Margin income	416,816	392,798
- Fee income	32,671	29,677
- Commission income	53,544	58,780
	<u>503,031</u>	<u>481,255</u>

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

Note 9 Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor.

<i>Other revenue</i>	2020 \$	2019 \$
Revenue:		
- Market development fund income	35,000	35,000
	<u>35,000</u>	<u>35,000</u>

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10 Expenses

a) Depreciation and amortisation expense	2020 \$	2019 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	6,326	7,265
- Plant and equipment	4,021	4,932
	<u>10,347</u>	<u>12,197</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	42,323	-
	<u>42,323</u>	<u>-</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,239	2,259
- Franchise renewal process fee	11,195	11,297
	<u>13,434</u>	<u>13,556</u>
Total depreciation and amortisation expense	<u>66,104</u>	<u>25,753</u>

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

b) Finance costs	Note	2020 \$	2019 \$
<i>Finance costs:</i>			
- Bank overdraft interest paid or accrued		11,627	10,333
- Lease interest expense	20a)	15,689	-
- Unwinding of make-good provision		1,222	-
		<u>28,538</u>	<u>10,333</u>

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

c) Employee benefit expenses	2020 \$	2019 \$
Wages and salaries	250,286	247,046
Contributions to defined contribution plans	23,677	22,351
Expenses related to long service leave	(5,261)	4,972
Other expenses	30,392	31,752
	<u>299,094</u>	<u>306,121</u>

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10 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	6,749	-
	<u>6,749</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 11 Income tax expense

Income tax expense comprises current and deferred tax.

a) Amounts recognised in profit or loss

	2020 \$	2019 \$
<i>Current tax expense/(credit)</i>		
- Recoupment of prior year tax losses	8,321	-
- Future income tax benefit attributable to losses	-	(3,700)
- Movement in deferred tax	(26,856)	4,277
- Adjustment to deferred tax on AASB 16 retrospective application	26,240	-
- Reduction in company tax rate	17,691	-
- Tax not brought to account	(25,396)	(577)
	<u>-</u>	<u>-</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 gain of \$17,691 related to the remeasurement of deferred tax assets and liabilities not brought to account.

b) *Prima facie* income tax reconciliation

	2020 \$	2019 \$
Operating profit before taxation	27,686	2,096
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	7,614	576
Tax effect of:		
- Non-deductible expenses	92	-
- Temporary differences	616	4,277
- Movement in deferred tax	(26,856)	(4,277)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	17,691	-
- Adjustment to deferred tax upon adoption on AASB 16	26,240	-
- Tax not brought to account	(25,397)	(576)
	<u>-</u>	<u>-</u>

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12 Cash and cash equivalents

a) Cash and cash equivalents

	2020 \$	2019 \$
Cash at bank and on hand	667	235
	<u>667</u>	<u>235</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 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		667	235
Bank overdraft	19a)	(499,635)	(514,469)
		<u>(498,968)</u>	<u>(514,234)</u>

Note 13 Trade and other receivables

a) Current assets

	2020 \$	2019 \$
Trade receivables	20,871	7,349
Prepayments	3,589	3,601
	<u>24,460</u>	<u>10,950</u>

Note 14 Property, plant and equipment

a) Carrying amounts

	2020 \$	2019 \$
<i>Leasehold improvements</i>		
At cost	172,345	172,345
Less: accumulated depreciation	(97,387)	(91,061)
	<u>74,958</u>	<u>81,284</u>
<i>Plant and equipment</i>		
At cost	71,763	71,763
Less: accumulated depreciation	(61,374)	(57,353)
	<u>10,389</u>	<u>14,410</u>
Total written down amount	<u>85,347</u>	<u>95,694</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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14 Property, plant and equipment (*continued*)

b) Reconciliation of carrying amounts	2020	2019
	\$	\$
<i>Leasehold improvements</i>		
Carrying amount at beginning	81,284	88,549
Depreciation	(6,326)	(7,265)
Carrying amount at end	<u>74,958</u>	<u>81,284</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	14,410	16,747
Additions	-	2,595
Depreciation	(4,021)	(4,932)
Carrying amount at end	<u>10,389</u>	<u>14,410</u>
Total written down amount	<u>85,347</u>	<u>95,694</u>

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 15 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 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		634,816	-
Less: accumulated depreciation		(437,318)	-
		<u>197,498</u>	<u>-</u>
b) Reconciliation of carrying amounts			
<i>Leased land and buildings</i>			
Initial recognition on transition	3d)	634,820	-
Accumulated depreciation on adoption	3d)	(394,999)	-
Depreciation		(42,323)	-
Carrying amount at end		<u>197,498</u>	<u>-</u>

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16 Intangible assets

a) Carrying amounts	2020 \$	2019 \$
<i>Franchise fee</i>		
At cost	32,187	21,297
Less: accumulated amortisation	(21,841)	(19,602)
	<u>10,346</u>	<u>1,695</u>
<i>Franchise establishment fee</i>		
At cost	100,000	100,000
Less: accumulated amortisation	(100,000)	(100,000)
	<u>-</u>	<u>-</u>
<i>Franchise renewal process fee</i>		
At cost	110,934	56,484
Less: accumulated amortisation	(59,206)	(48,011)
	<u>51,728</u>	<u>8,473</u>
Total written down amount	<u>62,074</u>	<u>10,168</u>
b) Reconciliation of carrying amounts	2020 \$	2019 \$
<i>Franchise fee</i>		
Carrying amount at beginning	1,695	3,954
Additions	10,890	-
Amortisation	(2,239)	(2,259)
Carrying amount at end	<u>10,346</u>	<u>1,695</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	8,473	19,770
Additions	54,450	-
Amortisation	(11,195)	(11,297)
Carrying amount at end	<u>51,728</u>	<u>8,473</u>
Total written down amount	<u>62,074</u>	<u>10,168</u>

c) Changes in estimates

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

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

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17 Tax assets and liabilities

a) Unrecognised deferred tax assets

Future income tax benefits arising from tax losses are not recognised at reporting date as a realisation of the benefit is not regarded as probable. Future income tax benefit carried forward is:

	2020 \$ Total	2019 \$ Total
<i>Deferred tax assets/(liabilities)</i>		
- expense accruals	780	1,242
- make-good provision	6,068	-
- lease liability	68,786	-
- property, plant and equipment	(10,047)	(13,039)
- right-of-use assets	(51,349)	-
- tax losses	292,408	317,599
	<u>306,646</u>	<u>305,802</u>

Note 18 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	1,896	799
Other creditors and accruals	23,828	21,112
	<u>25,724</u>	<u>21,911</u>

b) Non-current liabilities

Other creditors and accruals	43,850	-
	<u>43,850</u>	<u>-</u>

Note 19 Loans and borrowings

	2020 \$	2019 \$
a) Current liabilities		
Bank overdraft	499,635	514,469
	<u>499,635</u>	<u>514,469</u>

Bank overdraft

The company has an approved overdraft limit of \$570,000 which was drawn down to \$499,635. The company has \$70,365 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

The company has negotiated an interest free period with Bendigo Bank, as lender. The interest free period expired on 30 June 2020.

b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	6.0%	Floating	499,635	499,635	514,469	514,469

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20 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%. Subsequent lease arrangements entered into were discounted at 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.

Lease portfolio

The company's lease portfolio includes:

- Buderim Branch The lease agreement is a non-cancellable lease with an initial term of five years which commenced in March 2010. A first and second extension option term of five years was exercised in March 2015 and March 2020. The lease end date will be March 2025.

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 \$
Initial recognition on AASB 16 transition	3d)	313,121	-
Lease payments - interest		15,689	-
Lease payments		(64,248)	-
		<u>264,562</u>	<u>-</u>

b) Current lease liabilities

Property lease liabilities	64,247	-
Unexpired interest	(13,006)	-
	<u>51,241</u>	<u>-</u>

c) Non-current lease liabilities

Property lease liabilities	235,572	-
Unexpired interest	(22,251)	-
	<u>213,321</u>	<u>-</u>

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20 Lease liabilities (*continued*)

	2020 \$	2019 \$
d) Maturity analysis		
- Not later than 12 months	64,247	-
- Between 12 months and 5 years	235,572	-
- Greater than 5 years	-	-
Total undiscounted lease payments	299,819	-
Unexpired interest	(35,257)	-
Present value of lease liabilities	264,562	-

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 an increase in profit after tax of \$3,635.

	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	64,248	(64,248)	-
- Depreciation and amortisation expense	-	42,323	42,323
- Finance costs	-	16,911	16,911
Decrease in expenses - before tax	64,248	(5,014)	59,234
- Income tax expense / (credit) - current	(17,668)	17,668	-
- Income tax expense / (credit) - deferred	-	(16,289)	(16,289)
Decrease in expenses - after tax	46,580	(3,635)	42,945

Note 21 Provisions

a) Non-current liabilities	2020 \$	2019 \$
Make-good on leased premises	23,340	-
	23,340	-

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21 Provisions (continued)

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 as well as cost to remedy any damages caused during the removal process.

Provision	Note	2020 \$	2019 \$
Face-value of make-good costs recognised	3d	30,000	-
Present value discounting	3d	(7,882)	-
Present value unwinding		1,222	-
		<u>23,340</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 28 February 2025 at which time it is expected the face-value costs to restore the premises will fall due.

Note 22 Issued capital

a) Issued capital

	2020		2019	
	Number	\$	Number	\$
Ordinary shares - fully paid	802,740	802,740	802,740	802,740
Less: equity raising costs	-	(37,368)	-	(37,368)
	<u>802,740</u>	<u>765,372</u>	<u>802,740</u>	<u>765,372</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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22 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").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 217. As at the date of this report, the company had 234 shareholders (2019: 234 shareholders).

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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23 Accumulated losses

	Note	2020 \$	2019 \$
Balance at beginning of reporting period		(1,184,705)	(1,186,801)
Adjustment for transition to AASB 16	3d)	(95,418)	-
Net profit after tax from ordinary activities		27,686	2,096
Balance at end of reporting period		<u>(1,252,437)</u>	<u>(1,184,705)</u>

Note 24 Reconciliation of cash flows from operating activities

	2020 \$	2019 \$
Net profit after tax from ordinary activities	27,686	2,096
Adjustments for:		
- Depreciation	52,670	12,197
- Amortisation	13,434	13,556
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(13,509)	16,457
- Increase/(decrease) in trade and other payables	9,386	(3,739)
- Increase/(decrease) in provisions	1,222	-
Net cash flows provided by operating activities	<u>90,889</u>	<u>40,567</u>

Note 25 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	13	20,871	7,349
Cash and cash equivalents	12	667	235
		<u>21,538</u>	<u>7,584</u>
Financial liabilities			
Trade and other payables	18	1,896	799
Bank overdrafts	19	499,635	514,469
Lease liabilities	20	264,562	-
		<u>766,093</u>	<u>515,268</u>

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26 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	4,800	4,600
	<u>4,800</u>	<u>4,600</u>
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	1,780	1,400
- Share registry services	2,470	2,674
	<u>4,850</u>	<u>4,674</u>
Total auditor's remuneration	<u>9,650</u>	<u>9,274</u>

Note 27 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Richard Cartright Beasley
 Geoffrey Reynolds Hole
 Helen Margaret Jones
 Dr. Keith James Solomon
 Jane Esta Rice
 Rosalyn Joy Cheales
 Megan Alexandra Colless
 Judith Ann Wild
 Dr. John Patrick Glaister

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

No director or related entity has entered into a material contract with the company.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28 Earnings per share

a) Basic earnings per share

The calculation of basic 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	27,686	2,096
	Number	Number
Weighted-average number of ordinary shares	802,740	802,740
	Cents	Cents
Basic earnings per share	3.45	0.26

Note 29 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 20).

	2020 \$	2019 \$
Operating lease commitments - lessee		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	42,832
Minimum lease payments payable	-	42,832

b) Other commitments

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

Note 30 Contingencies

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

Note 31 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.

Buderim Community Enterprises Limited


Directors' Declaration

In accordance with a resolution of the directors of Buderim 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.

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



Richard Cartright Beasley, Chair

Dated this 21st day of September 2020

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

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Buderim 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; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited

Buderim 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.

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: 21 September 2020



Joshua Griffin
Lead Auditor

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