

Annual Report 2021

Buderim Community
Enterprises Limited

Community Bank
Buderim

ABN 62 136 810 074

Contents

Chairperson's report	2
Manager's report	3
Directors' report	4
Auditor's independence declaration	10
Financial statements	11
Notes to the financial statements	15
Directors' declaration	35
Independent audit report	36

Chairperson's report

For year ending 30 June 2021

It is again my pleasure to present the Annual Report of Buderim Community Enterprises Ltd for the year ending June 30, 2021. The financial year 2020/21 has continued the recent trend of historically low interest rates, increased competition and very tight margins. Despite the difficult trading conditions, the Company has managed to again make a modest trading profit of \$60,136. This is just over double the declared profit for the previous year.

During this financial year, our auditors have removed the clause relating to the "material uncertainty" of the continued operation of the Company. The business is considered by the Directors and the Company Auditors to have adequate resources to continue in operational existence for the foreseeable future.

As a result of this position, the accumulated tax losses have been added to the Company accounts. The Company is currently carrying \$279,588 in accumulated tax losses. When this amount is added to the trading profit of \$60,136, the net profit for the year is \$339,724. While this is not a cash profit, the tax losses will ensure that the Company will not have to pay income tax on earnings for a number of years.

The Company continues to have negative equity which currently stands at -\$147,343. Company law prevents any payment of dividends to shareholders while the Company holds negative equity and this is likely to be the case for a few years. However, results are improving and we are continuing to work hard to improve the profitability of the Company to build our financial position.

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 the extraordinary challenge of the COVID-19. This has completely disrupted the economy and it appears that the impact will continue to do so for many years to come.

The banking industry is considered an essential service and has been able to operate normally when COVID restrictions have applied over the year. However, as customers change to more internet banking, teller traffic has reduced over time. This trend has been exacerbated by the COVID crisis. While we pride ourselves in providing customer service, we can no longer justify being able to staff the teller positions completely during all opening hours. Consequently, we have restricted cash teller transactions after 1 pm daily but the branch will remain open for all other services. However, customers can be assured that the branch will remain a full service bank staffed by skilled and pleasant staff and not just machines.

The reason that the Company continues to improve its financial position despite the difficult trading conditions is that our footings continue to grow and are now about to pass the \$100 million milestone. This is largely due to the enthusiasm of our staff and in particular, the Manager Peter Macdonnell. Peter is ably supported by the other staff of Debbie, Denise and Cindy and our newest member of staff, Karl. It is a feature of the branch that it is not only full service but all the staff are both knowledgeable and a pleasure to do business with. Alison Scott continues to provide excellent administrative support to the Company.

During the year we lost the services of Jane Rice who has had to relinquish her role as Director due to increased work commitments. We thank Jane for her years of service to the Board. I thank the Board for their continued input and enthusiasm.

The Board is continually working to secure the future of the Company and to increase the profitability. We look forward to this continuation of the positive trend in the Company outlook.

Rick Beasley
Chairperson

Manager's report

For year ending 30 June 2021

In last year's report, one of the key topics I wrote about was understandably COVID- 19. Little did we know then how things would pan out in the World, the Country or our local Sunshine Coast. At that stage, we were concerned the effects of COVID would see property prices plummet, and therefore the demand for products such as Home Loans decrease. The Bank even removed lending growth targets for a short period due to the uncertainty.

Now, one year later, we find the opposite to be true. Demand has surged, with property prices going through the roof. Although there are many reasons, one I believe is the ability to now easily work from home and the advantages that brings. People are selling their mediocre home in Melbourne or Sydney for say \$1.5m, paying off their \$500,000 loan and buying something really nice up here for \$1m and becoming debt free, whilst still working for the same employer. I believe this is one of the reasons why our discharges were so high, up 776% on the year before with locals selling their investment properties to catch the wave of interstate buyers. On the other hand, this provided strong deposit growth allowing us to end 339% above our deposit target.

Even with high discharges, this doesn't mean we didn't grow lending wise. In fact, we also outshone with new loans. Compared to the 2020 Financial Year, Home Loan Applications were up 329%, Approvals up by 241% and Settlements up by 189% in dollar values. This enabled us to still achieve a loan growth 220% above target, and at the end of year the branch achieved the \$100,000,000 milestone in combined loans and deposits.

Even with margins as low as they are in the current climate, this has ensured that the company is now achieving sound profit results, and in the future when rates increase, and therefore margins increase, this profit should increase substantially.

The branch has also achieved in other areas too. For example, when the Branch of the Month competition was re-instated with the Sunshine Coast regions 11 branches in November, Buderim won 3 of the 8 months, and the 4th we missed by just 0.5 of a point.

And now that we have 3 dedicated lenders in the Branch, we look forward to continuing these strong results next year. So please recommend us to your family and friends. They won't be disappointed.

Peter Macdonnell
Branch Manager

Buderim Community Enterprises Limited

Directors' Report

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2021.

Directors

The directors of the company who held office during the financial year and to the date of this report 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: 15,001 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

Rosalyn Joy Cheales

Non-executive director

Occupation: Director RC Consulting

Qualifications, experience and expertise: An accomplished Chairperson, Board Director and previous Management Executive with a background in governance and organisational performance/culture, institutional policy and strategic frameworks. Graduate Member Australian Institute of Company Directors, Graduate from QUT Postgraduate Business School, Graduate from QUT School of Education, Research Masters in Human Movements from UQ, President of Rotary Club of Buderim 2020-2021 and Chairperson St Andrews Anglican College since 2017.

Special responsibilities: Company Secretary

Interest in shares: nil share interest held

Buderim Community Enterprises Limited

Directors' Report

Directors (continued)

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

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

Occupation: Program Manager

Qualifications, experience and expertise: An experienced program manager 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 postgraduate studies in Business Administration.

Special responsibilities: Marketing and Sponsorship Committee

Interest in shares: nil share interest held

Jane Esta Rice

Non-executive director (resigned 27 October 2020)

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

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.

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.

Buderim Community Enterprises Limited

Directors' Report

Operating results

The profit of the company for the financial year was:

	Year ended 30 June 2021 \$	Year ended 30 June 2020 \$
Profit before income tax credit	60,136	27,686
Income tax credit	279,588	-
Profit after income tax credit	<u>339,724</u>	<u>27,686</u>

Due to improving profitability, the company recognised their Deferred tax asset in the Statement of Financial Position. This has resulted in a significant Income tax credit for this financial year.

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	12,500	15,001
Helen Margaret Jones	2,000	-	2,000
Dr. Keith James Solomon	-	-	-
Rosalyn Joy Cheales	-	-	-
Megan Alexandra Colless	-	-	-
David Peter Johnston	-	-	-
Gregory Paul Bradley	-	-	-
Jane Esta Rice	-	-	-

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.

Significant changes in the state of affairs

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the company's financial performance so far, 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>E</u>	<u>A</u>	<u>E</u>	<u>A</u>
<i>E - eligible to attend</i>				
<i>A - number attended</i>				
Richard Cartright Beasley	11	10	9	9
Geoffrey Reynolds Hole	11	11	9	8
Helen Margaret Jones	11	7	9	8
Dr. Keith James Solomon	11	11	-	-
Rosalyn Joy Cheales	11	6	-	-
Megan Alexandra Colless	11	5	-	-
David Peter Johnston	11	11	-	-
Gregory Paul Bradley	11	7	9	7
Jane Esta Rice	4	2	-	-

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*.

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.

Buderim Community Enterprises Limited

Directors' Report

Non audit services *(continued)*

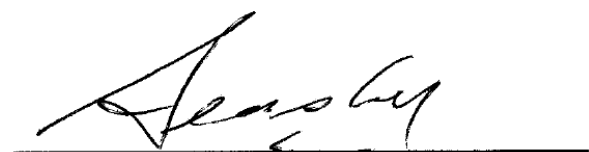
The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Audit & Governance Committee and, is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor 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 6.

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



Richard Cartright Beasley, Chairperson

Dated this 31st day of August 2021

Independent 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 2021, 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: 31 August 2021



Joshua Griffin
Lead Auditor

Buderim Community Enterprises Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	537,567	503,031
Other revenue	9	35,000	35,000
Employee benefit expenses	10c)	(315,145)	(299,094)
Charitable donations, sponsorship, advertising and promotion		(18,843)	(23,097)
Occupancy and associated costs		(18,143)	(19,258)
Systems costs		(20,179)	(20,563)
Depreciation and amortisation expense	10a)	(60,641)	(66,104)
Finance costs	10b)	(23,896)	(28,538)
General administration expenses		(55,584)	(53,691)
Profit before income tax credit		60,136	27,686
Income tax credit	11a)	279,588	-
Profit after income tax credit		339,724	27,686
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		339,724	27,686
Earnings per share		¢	¢
- Basic and diluted earnings per share:	28a)	42.32	3.45

Buderim Community Enterprises Limited

Statement of Financial Position

as at 30 June 2021

	Notes	2021 \$	2020 \$
ASSETS			
Current assets			
Cash and cash equivalents	12a)	544	667
Trade and other receivables	13a)	21,658	24,460
Total current assets		22,202	25,127
Non-current assets			
Property, plant and equipment	14a)	80,096	85,347
Right-of-use assets	15a)	155,177	197,498
Intangible assets	16a)	49,005	62,074
Deferred tax asset	17a)	279,588	-
Total non-current assets		563,866	344,919
Total assets		586,068	370,046
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	23,006	25,724
Loans and borrowings	19a)	443,218	499,635
Lease liabilities	20a)	54,072	51,241
Total current liabilities		520,296	576,600
Non-current liabilities			
Trade and other payables	18a)	29,234	43,850
Lease liabilities	20b)	159,250	213,321
Provisions	21a)	24,629	23,340
Total non-current liabilities		213,113	280,511
Total liabilities		733,409	857,111
Net liabilities		(147,341)	(487,065)
EQUITY			
Issued capital	22a)	765,372	765,372
Accumulated losses	23	(912,713)	(1,252,437)
Total equity		(147,341)	(487,065)

Buderim Community Enterprises Limited

Statement of Changes in Equity

for the year ended 30 June 2021

	Issued capital \$	Accumulated losses \$	Total equity \$
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)
Balance at 1 July 2020	765,372	(1,252,437)	(487,065)
Total comprehensive income for the year	-	339,724	339,724
Balance at 30 June 2021	765,372	(912,713)	(147,341)

Buderim Community Enterprises Limited

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		628,073	578,316
Payments to suppliers and employees		(477,225)	(453,362)
Interest paid		(9,600)	(11,627)
Lease payments (interest component)	10b)	(13,007)	(15,689)
Lease payments not included in the measurement of lease liabilities	10d)	(7,418)	(6,749)
Net cash provided by operating activities	24	120,823	90,889
Cash flows from investing activities			
Payments for intangible assets		(13,288)	(27,064)
Net cash used in investing activities		(13,288)	(27,064)
Cash flows from financing activities			
Lease payments (principal component)		(51,241)	(48,559)
Net cash used in financing activities		(51,241)	(48,559)
Net cash increase in cash held		56,294	15,266
Cash and cash equivalents at the beginning of the financial year		(498,968)	(514,234)
Cash and cash equivalents at the end of the financial year	12b)	(442,674)	(498,968)

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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. 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 2021 were authorised for issue in accordance with a resolution of the directors on 31 August 2021.

Note 3 Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements.

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:

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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

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.

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 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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

Ability to change financial return (continued)

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.

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.
--	--

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

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.

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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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) Employee benefits

Bendigo Bank seconded employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

e) Taxes

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

Current income tax

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

Deferred tax

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

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

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

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

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

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

e) Taxes (*continued*)

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.

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

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

f) Cash and cash equivalents

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

g) Property, plant and equipment

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

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.

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.

h) Intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company 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 required.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

i) Financial instruments

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

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method.

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

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

j) Impairment

Non-derivative financial assets

Expected credit losses (ECL) 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. At each reporting date, the entity recognises the movement in the ECL (if any) 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 10 business 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 ECL has been made in relation to trade receivables as at 30 June 2021.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

k) Issued capital

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

l) Provisions

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

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

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

m) Leases

At inception of a contract, the company assesses whether a contract contains or is 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 and obtain substantially all the economic benefits from the use of that asset.

As a lessee

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 company's incremental borrowing rate.

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

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

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.

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.

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

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 a lease that, at commencement date, has a lease term of 12 months or less.

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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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

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 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 the amount, the lease term, economic environment and other relevant factors.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2021 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 credit, liquidity and market risk arising from financial instruments. 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's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. 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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 6 Financial risk management (continued)

b) Liquidity risk (continued)

- \$570,000 overdraft facility with available facility of \$126,782 at the end the financial year.

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.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank overdraft	443,218	443,218	-	-
Lease liabilities	213,322	64,247	171,326	-
Trade and other payables	52,240	23,006	29,234	-
	<u>708,780</u>	<u>530,471</u>	<u>200,560</u>	<u>-</u>

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</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 and other payables	69,574	25,724	43,850	-
	<u>833,771</u>	<u>589,606</u>	<u>279,422</u>	<u>-</u>

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 and liabilities are held with Bendigo Bank and subject to movements in market interest. Borrowings issued at variable rates expose the company to cash flow interest-rate risk.

The company held cash and cash equivalents of \$544 at 30 June 2021 (2020: \$667). 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 2021

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 2021 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

	2021 \$	2020 \$
- Margin income	455,423	416,816
- Fee income	37,506	32,671
- Commission income	44,638	53,544
	<u>537,567</u>	<u>503,031</u>

Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	<u>35,000</u>	<u>35,000</u>

Note 10 Expenses

a) Depreciation and amortisation expense	2021 \$	2020 \$
<i>Depreciation of non-current assets:</i>		
- Leasehold improvements	3,701	6,326
- Plant and equipment	1,550	4,021
	<u>5,251</u>	<u>10,347</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	<u>42,321</u>	<u>42,323</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	2,178	2,239
- Franchise renewal process fee	10,891	11,195
	<u>13,069</u>	<u>13,434</u>
Total depreciation and amortisation expense	<u>60,641</u>	<u>66,104</u>

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 10 Expenses (*continued*)

b) Finance costs	2021 \$	2020 \$
- Bank overdraft interest paid or accrued	9,600	11,627
- Lease interest expense	13,007	15,689
- Unwinding of make-good provision	1,289	1,222
	<u>23,896</u>	<u>28,538</u>

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

c) Employee benefit expenses

Wages and salaries	252,927	250,286
Contributions to defined contribution plans	26,095	23,677
Expenses related to long service leave	6,769	(5,261)
Other expenses	29,354	30,392
	<u>315,145</u>	<u>299,094</u>

d) Recognition exemption

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

	2021 \$	2020 \$
Expenses relating to low-value leases	<u>7,418</u>	<u>6,749</u>

Note 11 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense/(credit)</i>		
- Recoupment of prior year tax losses	14,260	8,321
- Future income tax benefit attributable to losses not previously recognised	(306,646)	-
- Movement in deferred tax	1,615	(26,856)
- Adjustment to deferred tax on AASB 16 retrospective application	-	26,240
- Reduction in company tax rate	11,183	17,691
- Tax not brought to account	-	(25,396)
	<u>(279,588)</u>	<u>-</u>

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2021, the company tax rate will be reduced from 26% to 25%. This change resulted in a loss of \$11,183 related to the remeasurement of deferred tax assets and liabilities of the company.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 11 Income tax expense (continued)

b) <i>Prima facie</i> income tax reconciliation	2021 \$	2020 \$
Operating profit before taxation	60,136	27,686
Prima facie tax on profit from ordinary activities at 26% (2020: 27.5%)	15,635	7,614
Tax effect of:		
- Non-deductible expenses	240	92
- Temporary differences	(1,615)	616
- Movement in deferred tax	1,615	(26,856)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	11,183	17,691
- Adjustment to deferred tax upon adoption on AASB 16	-	26,240
- Tax not brought to account	-	(25,397)
- Future income tax benefit attributable to losses not previously recognised	(306,646)	-
	<u>(279,588)</u>	<u>-</u>

Note 12 Cash and cash equivalents

a) Cash and cash equivalents	2021 \$	2020 \$
Cash at bank and on hand	<u>544</u>	<u>667</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 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	2021 \$	2020 \$
Cash at bank and on hand		544	667
Bank overdraft	19a)	(443,218)	(499,635)
		<u>(442,674)</u>	<u>(498,968)</u>

Note 13 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	17,737	20,871
Prepayments	3,921	3,589
	<u>21,658</u>	<u>24,460</u>

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 14 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Leasehold improvements</i>		
At cost	172,345	172,345
Less: accumulated depreciation	(101,088)	(97,387)
	<u>71,257</u>	<u>74,958</u>
<i>Plant and equipment</i>		
At cost	71,763	71,763
Less: accumulated depreciation	(62,924)	(61,374)
	<u>8,839</u>	<u>10,389</u>
Total written down amount	<u>80,096</u>	<u>85,347</u>
b) Reconciliation of carrying amounts		
<i>Leasehold improvements</i>		
Carrying amount at beginning	74,958	81,284
Depreciation	(3,701)	(6,326)
	<u>71,257</u>	<u>74,958</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	10,389	14,410
Depreciation	(1,550)	(4,021)
	<u>8,839</u>	<u>10,389</u>
Total written down amount	<u>80,096</u>	<u>85,347</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

a) Carrying amounts	2021 \$	2020 \$
<i>Leased land and buildings</i>		
At cost	634,816	634,816
Less: accumulated depreciation	(479,639)	(437,318)
	<u>155,177</u>	<u>197,498</u>
b) Reconciliation of carrying amounts		
<i>Leased land and buildings</i>		
Carrying amount at beginning	197,498	-
Initial recognition on transition	-	634,820
Accumulated depreciation on adoption	-	(394,999)
Depreciation	(42,321)	(42,323)
	<u>155,177</u>	<u>197,498</u>

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 16 Intangible assets

a) Carrying amounts	2021	2020
	\$	\$
<i>Franchise fee</i>		
At cost	32,187	32,187
Less: accumulated amortisation	(24,019)	(21,841)
	<u>8,168</u>	<u>10,346</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	110,934
Less: accumulated amortisation	(70,097)	(59,206)
	<u>40,837</u>	<u>51,728</u>
Total written down amount	<u>49,005</u>	<u>62,074</u>
b) Reconciliation of carrying amounts		
<i>Franchise fee</i>		
Carrying amount at beginning	10,346	1,695
Additions	-	10,890
Amortisation	(2,178)	(2,239)
	<u>8,168</u>	<u>10,346</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	51,728	8,473
Additions	-	54,450
Amortisation	(10,891)	(11,195)
	<u>40,837</u>	<u>51,728</u>
Total written down amount	<u>49,005</u>	<u>62,074</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 2021

Note 17 Tax assets and liabilities

a) Deferred tax	2021 \$	2020 \$
<i>Deferred tax assets</i>		
- expense accruals	185	780
- make-good provision	6,157	6,068
- lease liability	53,331	68,786
- carried-forward tax losses	267,450	292,408
Total deferred tax assets	327,123	368,042
<i>Deferred tax liabilities</i>		
- property, plant and equipment	8,741	10,047
- right-of-use assets	38,794	51,349
Total deferred tax liabilities	47,535	61,396
Deferred taxes not brought to account	-	(306,646)
Net deferred tax assets (liabilities)	279,588	-
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	279,588	-

During the financial year, the company recognised their Deferred tax asset which had not previously been recognised. This occurred as it is now probable that future taxable profit will be available against which the company can use the benefits therefrom.

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	2021 \$	2020 \$
Trade creditors	4,805	1,896
Other creditors and accruals	18,201	23,828
	23,006	25,724
b) Non-current liabilities		
Other creditors and accruals	29,234	43,850

Note 19 Loans and borrowings

a) Current liabilities	2021 \$	2020 \$
Bank overdraft	443,218	499,635

The company has an approved overdraft limit of \$570,000 which was drawn down to \$443,218. As at 30 June 2021, the company had \$126,782 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

Interest is recognised using the effective interest method, currently 2.03% (2020: 0.00%).

b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	2.03%	Floating	443,218	443,218	499,635	499,635

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

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%.

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

The company's lease portfolio includes:

- Buderim Branch The lease agreement commenced in March 2010. A 5 year extension option was exercised in March 2020. The company has no renewal options available in the current lease agreement. As such, the lease term end date used in the calculation of the lease liability is February 2025.

a) Current lease liabilities	2021	2020
	\$	\$
Property lease liabilities	64,247	64,247
Unexpired interest	(10,175)	(13,006)
	<u>54,072</u>	<u>51,241</u>
 b) Non-current lease liabilities		
Property lease liabilities	171,326	235,572
Unexpired interest	(12,076)	(22,251)
	<u>159,250</u>	<u>213,321</u>
 c) Reconciliation of lease liabilities		
Balance at the beginning	264,562	-
Initial recognition on AASB 16 transition	-	313,121
Lease interest expense	13,007	15,689
Lease payments - total cash outflow	(64,247)	(64,248)
	<u>213,322</u>	<u>264,562</u>
 d) Maturity analysis		
- Not later than 12 months	64,247	64,247
- Between 12 months and 5 years	171,326	235,572
Total undiscounted lease payments	<u>235,573</u>	<u>299,819</u>
Unexpired interest	(22,251)	(35,257)
Present value of lease liabilities	<u>213,322</u>	<u>264,562</u>

Note 21 Provisions

a) Non-current liabilities	2021	2020
	\$	\$
Make-good on leased premises	<u>24,629</u>	<u>23,340</u>

In accordance with the branch lease agreement, the company must restore the leased premises to the original condition before the expiry of the lease term. The company has estimated the provision as at \$30,000 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. 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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 22 Issued capital

a) Issued capital	2021		2020	
	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.

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 (2020: 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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 22 Issued capital (*continued*)

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

Prohibited shareholding interest (continued)

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

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

Note 23 Accumulated losses

	2021 \$	2020 \$
Balance at beginning of reporting period	(1,252,437)	(1,184,705)
Adjustment for transition to AASB 16	-	(95,418)
Net profit after tax from ordinary activities	339,724	27,686
Balance at end of reporting period	<u>(912,713)</u>	<u>(1,252,437)</u>

Note 24 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	339,724	27,686
Adjustments for:		
- Depreciation	47,572	52,670
- Amortisation	13,069	13,434
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	2,803	(13,509)
- (Increase)/decrease in other assets	(279,588)	-
- Increase/(decrease) in trade and other payables	(4,046)	9,386
- Increase/(decrease) in provisions	1,289	1,222
Net cash flows provided by operating activities	<u>120,823</u>	<u>90,889</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.

Buderim Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2021

Note 25 Financial instruments (*continued*)

	Note	2021 \$	2020 \$
Financial assets			
Trade and other receivables	13	17,737	20,871
Cash and cash equivalents	12	544	667
		<u>18,281</u>	<u>21,538</u>
Financial liabilities			
Trade and other payables	18	52,240	69,574
Bank overdrafts	19	443,218	499,635
Lease liabilities	20	213,322	264,562
		<u>708,780</u>	<u>833,771</u>

Note 26 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	5,000	4,800
<i>Non audit services</i>		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,290	1,780
- Share registry services	2,400	2,470
Total auditor's remuneration	<u>10,290</u>	<u>9,650</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
 Rosalyn Joy Cheales
 Megan Alexandra Colless
 David Peter Johnston
 Gregory Paul Bradley
 Jane Esta Rice

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 2021

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.

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	339,724	27,686
	Number	Number
Weighted-average number of ordinary shares	802,740	802,740
	Cents	Cents
Basic earnings per share	42.32	3.45

Note 29 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 2021 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, Chairperson

Dated this 31st day of August 2021

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Buderim Community Enterprises Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

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 2021 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (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.

Responsibilities of the Directors 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 responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 31 August 2021



Joshua Griffin
Lead Auditor

Franchisee: Buderim Community Enterprises Limited

ABN: 62 136 810 074

4b/72 Burnett St

Buderim QLD 4556

Phone: 07 5456 2094 Fax: 07 5456 2764

Email: bcel@live.com.au

Share Registry:

AFS & Associates Pty Ltd

PO Box 454, Bendigo VIC 3552

Phone: 5443 0344

Fax: 5443 5304

Email: shareregistry@afsbendigo.com.au

This Annual Report has been printed on 100% Recycled Paper

