

Annual Report 2020

Cool Country Community Enterprises Limited

Community Bank
Trentham & Districts

ABN 14 147 009 158



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Cool Country Community Enterprises Limited

Chair's Report

Chair's Report

For the year ending 30 June 2020

It is with great pleasure I present this year's Annual Report as Chair & Treasurer. I would like to thank the directors past and present for their tireless efforts over the past 12 months.

Our results at a glance

Through the efforts of the Board and Branch team our company has achieved another year of generating a healthy profit while maintaining a strong balance sheet. Our Business on the Books has now surpassed \$80 million, a net increase of \$7.7 million from last year. To secure growth of over 10% under difficult trading conditions is indeed noteworthy. These foundations guided us to an Operating Profit, before community investments and tax, of \$123,933. This result was lower than the previous year due to full complement of staff now being in place. Your Board continues to apply prudent controls over operating expenditure and as a result we have posted a net profit after tax of \$28,580 after we added over \$50,000 to the Community Enterprise Foundation® (CEF) account. These funds are held in trust and are available for future community investment projects. Net profit after tax is down only slightly on the previous year, notwithstanding historically low interest rates cutting our margins and the affect of the Covid-19 pandemic. Employee costs have stabilised now that a full complement of staff is on board and our manager was in place for the full year. The Directors are pleased to advise that a fully franked dividend of 4c per share has been declared for this year, a fifth consecutive year of paying fully franked dividends.

Our work supporting our communities

As a result of our continued healthy operating profit, your Board has maintained a joint focus on investing in our communities and returning a dividend to our shareholders. As noted, we have declared a dividend of 4c per share plus made investments of just under \$40,000 into our communities across the year while also putting aside \$50,000 into the CEF account for future investments. The balance of the CEF now stands at \$108,326.

Not every investment we make costs dollars. We also support groups and organisations through the provision of the Community Point-of-Sale facility and through Branch Team initiatives such as the Biggest Morning Tea.

Through our Community Investment program, we continued to support the Trentham & Tylden CFA, Trentham Football and Netball Club (Sainters), Woodend Football and Netball Club, Trentham Men's Shed, Trentham Golf Club, Trentham Trumpet and the Neighbourhood Centre. We continue to invest into our community and a number of new initiatives are underway. The award of tertiary scholarships is a new program we are particularly proud of. There are 5 local students attending TAFE and university in 2020 assisted by scholarships awarded by the bank. We look forward to continuing to support these students and increasing the number of scholarships over the coming years.

Our Team

The branch operations and the team continue to prosper under the leadership of Joel Condon. His tireless efforts with the support of the branch team have resulted in a confident and resilient atmosphere.

Notwithstanding the difficult trading conditions due to the Covid-19 pandemic, our team has showed what is to be a community-based bank. I once again thank the efforts of Pauline Nolan and Cathy Main who are now entering their 10 year with us. Corina Sabo for the support of Joel during his first year and professional growth despite personal hardship. We sadly report that our effervescent Christine Rawson-Harris has left us for orange pastures. We thank her for her time with us.

I extend a sincere thank you to all our Directors who voluntarily contributed to our Community Bank® Company this year through their skill and expertise. Our Board continues to work with our partner, Bendigo and Adelaide Bank Limited, to navigate through the record low interest rates, cutting margins and difficult trading conditions during the Covid-19 pandemic. We will continue to deliver our promise to be the most trusted bank. With their continued support of the Community Bank® model, we are able to invest in our communities and provide strong returns to our shareholders.

I would like to take this opportunity to recognise and thank three of our board members for their dedication and tireless work:

Trevor Carr, who resigned mid last year. He dedicated 2 years to our Community Bank® Board providing risk awareness expertise.

Dianne Caithness who resigned late last year. She dedicated 2 years to Community Bank® Board. She set a high standard to our marketing and advertising strategy. I thank her very much for all the hours she gave to promote our bank.

Geoff Cullen who resigned just recently to move to a warmer climate at Bendigo. He was always on call to assist with building maintenance and support Brian on the Community Investment Committee.

Cool Country Community Enterprises Limited

Chair's Report

Chair's Report (continued)

Our plans for the future

In these unprecedented times the future is difficult to predict. With record low interest rates and the continued pandemic, we as a board need to carefully shape the operations of our community branch to guide it through the coming years. The board will be conducting a review of its short and long term growth and risk strategy prior to the end of the year.

We are encouraged by the interest of a number of potential directors to join us on the board to provide new and fresh insight.

We are looking forward to celebrating our 10th year in August 2021. We encourage all past and present directors, shareholders and customers to join us in celebration.

Thank You

Thank you especially to our shareholders who have committed to our Community Bank® Company over the past 9 years. Your continued support and your capital contribution play a key role in helping us prosper and grow. We trust that the ongoing returns and our investment in our communities makes you proud to be part of our ongoing journey. We ask all of you to be advocates and to encourage the people you know to come in and speak to our friendly team in the branch about the benefits of banking with our Community Bank® and the products we provide.

Thank you also to our growing customer base. You play the most important part of all. When you choose to bank with your local Community Bank® branch, you help us support your community. The more customers who choose to bank with us, the more income we can generate and, in turn, the more we can invest in our communities. After all, that's what it's really all about!

Wendy White
Chair

Cool Country Community Enterprises Limited

Manager's Report

Manager's Report

It is a great honour to present my second Branch Manager's report for inclusion in the 2020 Cool Country Community Enterprises Ltd Annual Report.

At 30 June 2020, our overall footings were standing at \$80.830 million, a net increase of \$7.7million on the figure at the same time last year. This position includes the impact of the sale of the Bendigo Bank Financial Planning arm this financial year which reduced our Business on the books by \$2.8million. In total, the Branch has grown its footing by \$10.5 million or over 14% this financial year.

This excellent result was achieved despite a very challenging year affected by bushfires and Covid-19. Branch customers were traditionally paying off debt and, with deposit interest rates so low, term deposits became less attractive than ever. This makes the result even more impressive. It is worth noting that our branch reached all three main targets being insurance, equipment finance and wealth for the first time in our branch's history, an achievement that the team are all particularly proud of.

The Board and all of our staff including Corina Sabo, Cathy Main, Pauline Nolan & Christine Rawson-Harris have contributed significantly to what I deem a very successful 2019/20 financial year and I want to thank them all for their commitment to our business. We farewelled Christine Rawson-Harris in August- she departed for new adventure in her life, returning to study and focusing on her growing saffron business and we wish her all the best. Christine's departure hasn't seen a replacement yet due to the restrictions on recruitment and training.

Pauline Nolan and Cathy Main continue to maintain the front counter with professionalism and genuine commitment. I would like to express our gratitude for their commitment to the branch and for supporting the Board. This team is a resource that the branch and the shareholders are fortunate to have.

Corina Sabo is becoming one of the region's most sought-after Customer Relationship Officers. Corina has a great passion for providing exceptional customer service and engaging with community. She has prospered significantly in her short time at this branch, having also recently achieved her Delegated Lending Authority to approve loans.

While the team and I have achieved many significant milestones during the past year, we acknowledge that the year ahead is also going to be very challenging with the banking industry and the way our customers bank both changing faster than ever before. Our branch is committed to ensuring flexibility and mobility to stay relevant to our customers, while we continue to provide an excellent level of banking services to our community. We will be meeting those challenges to ensure our continued growth so that Cool Country Community Enterprises Ltd can contribute funding, via the community investment program, sponsorships, and shareholder dividends, back into this great community.

I'd also like to thank the support given to the branch by the Board of Directors. They play a vital role in advocating for the branch in the community and supporting us with governance, strategic direction and as a sounding board for our ideas. Also, thanks to Shaun Leech, our Regional Manager, and the team at regional office in Bendigo for their support.

Finally, a big thank-you to our valued customers for everything they contribute to our success. I've met with so many wonderful people over the last year. Without them, we wouldn't be here making such a positive impact in the community. Our customers are greatly valued, and I want to thank each one for the support they give us.

Joel Condon
Branch Manager

Cool Country Community Enterprises Limited

Directors' Report

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

Directors

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

Wendy Pauline White

Chair and Treasurer

Occupation: Commercial lead - Major Projects

Qualifications, experience and expertise: Bachelor of Business (Accounting), MBA (Sustainable Business), Chartered Practising Accountant. Wendy has 30 years experience in various accounting based roles including working in one of the big 4 chartered firms to her current role as a National Commercial Manager for a mining service provider. She has a broad experience base in mining & construction, defence, airports, aged care, manufacturing, not for profit, joint ventures and rural businesses. Wendy and her family have now completed their move back to Trentham and are enjoying the cool country.

Special responsibilities: Finance Committee

Interest in shares: 1,101 ordinary shares

Brian Samuel Hood

Secretary

Occupation: Chief Finance Officer (CFO)

Qualifications, experience and expertise: Brian holds a Bachelor of Business (Accounting) Degree and has worked in the private and public sector as a CFO, Company Director and Company Secretary. He is skilled in the areas of Finance, Accounting, Corporate Governance and Risk Management.

Special responsibilities: Community Investment Committee

Interest in shares: nil share interest held

Charl Parris

Non-executive director

Occupation: Marketing and Communications

Qualifications, experience and expertise: TLnews Community Newspaper - Business Development and Sales (2019 - 2020).

Freelance Charl Parris Graphic Art Services (1997 – 2019). Trentham Primary School Trivia Night Committee (2014 – 2019). Digital Marketing & Communications Degree (2017-Present). NSW Enterprise Workshop (2001). Australian Business Woman's Mentoring (2002). Graphic Arts Compositor Diploma (1989 – 1992).

Special responsibilities: Marketing and Communications Committee

Interest in shares: 7,000 ordinary shares

Stan Falloon

Non-executive director (appointed 1 July 2019)

Occupation: Retired

Qualifications, experience and expertise: Stan was involved in the construction industry for over 45 years and was responsible for the design and construction of many of Melbourne's largest office buildings including the Rialto Office Tower, Telstra Headquarters, The Shell Building, SECV Headquarters, City Square Hotel and Apartments, and Crown Casino. Earlier in his career he was responsible for the construction of a number of shopping centres including Greensborough, Altona Gate and Wendouree.

He was project manager for the construction of 400 houses in Darwin after Cyclone Tracey. Stan served on the board of the Victorian Master Builders and was Vice President of 2 years. He was also involved in other committees within the organisation and has been awarded Life Membership for his contribution. He also served on committees with the Property Council of Australia. Stan has been a member of the Lions Club International for over 15 years and has served in many committees and their cabinet. He served as District Governor in the years 2013-2014. He is the Chairman of the Lions Crime-Watch committee and has been involved in that group for some 12 years. Stan served on the school council of the Essendon North Primary School for over 12 years and was president for 4 years. Stan has a diploma in Building Construction and other qualifications in relation to the construction industry. Most of his qualifications relate to practical experience from being Project and Construction Manager on

Special responsibilities: PR representative for Lions Club Australia district and serves on national committee

Interest in shares: 20,000 ordinary shares

Cool Country Community Enterprises Limited

Directors' Report

Directors (*continued*)

Helen Elizabeth Macdonald

Non-executive director (appointed 1 July 2019)

Occupation: Business Consultant

Qualifications, experience and expertise: Helen has more than three decades of experience as a Business Development Consultant, Corporate Trainer and Business coach. She holds a Bachelor Degree in Psychology, has run her own businesses for many years and is a past National President of PSA. She is currently President of the Trentham Community Forum and has convened The Great Trentham Spudfest for the past three years.

Special responsibilities: Human Resources committee

Interest in shares: nil share interest held

Geoffrey Harold Cullen

Non-executive director (resigned 11 August 2020)

Occupation: Company Director

Qualifications, experience and expertise: Geoff has previous experience as a Director of the Strathmore Community Bank. Geoff has significant business experience having owned and managed different successful businesses. He and his wife have recently sold their Coffee Club business and will now be retiring. They have lived for the last few years and love the cool country lifestyle.

Special responsibilities: Community Investment & Marketing Committee

Interest in shares: nil share interest held

Charles Henry Sherlock

Non-executive director (resigned 11 November 2019)

Occupation: Retired

Qualifications, experience and expertise: BA(Hons), ThL(Hons), MA, BD(Hons), ThD. Research Fellow, Yale University 1982. Charles taught Theology for over 40 years, and was involved in policy formation nationally. In Trentham he is active in St George's, Men's Shed, Cool Harmony Choir, Sustainability Group and historical Society. He has lots of editing experience and had several books published. He enjoys Meccano, gardening and playing 5-string banjo.

Special responsibilities: Company Secretary

Interest in shares: 20,000 ordinary shares

Dianne Louise Caithness

Non-executive director (resigned 11 November 2019)

Occupation: Graphic Designer

Qualifications, experience and expertise: Prior to moving to Trentham a few years ago with her husband Phil, Dianne has a Diploma of Graphic Design and provides freelance graphic design services from her home-based business. Dianne also has 12 years experience working in a unit trust administration role. Dianne is community focused and currently volunteers her time on many community projects including The Trentham Trumpet, The Great Trentham Spudfest, and Words in Winter. Dianne enjoys the community aspect of a small country town and collaborating with organisations and businesses in and around Trentham.

Special responsibilities: Community Investment & Marketing Committee

Interest in shares: nil share interest held

Trevor John Carr

Non-executive director (resigned 30 August 2019)

Occupation: Company Director

Qualifications, experience and expertise: MBA (Exec)(AGSM); BHA (UNSW); Churchill Fellow (C.F.). Trevor has a substantial and varied leadership career that has successfully transitioned from executive roles to governance as a Company Director. As a company director he has an aptitude for recognising the varying components of strategy and how they interact within conversations at the board table. For the last 10 years he has been involved with sophisticated stakeholder engagement, has demonstrated tactical aptitude and a capacity to contribute within complex systems. Trevor is also holds current directorships at First State Super, State Super Financial Services Australia Ltd, Goulburn Valley Health and Daylesford Macedon Ranges Tourism

Special responsibilities: Governance & Risk

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.

Cool Country Community Enterprises Limited

Directors' Report

Company Secretary

There have been two company secretaries holding the position during the financial year:

- Brian Hood was appointed company secretary on 11 November 2019.
- Charles Henry Sherlock was appointed company secretary on 30 January 2013 and ceased on 11 November 2019.

Qualifications, experience and expertise: Brian holds a Bachelor of Business (Accounting) Degree and has worked in the private and public sector as a CFO, Company Director and Company Secretary. He is skilled in the areas of Finance, Accounting, Corporate Governance and Risk Management.

Principal activity

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

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

Operating results

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

| Year ended 30 June 2020 | Year ended 30 June 2019 |
|----------------------------|----------------------------|
| \$ | \$ |
| 28,580 | 31,478 |

Directors note that the 2019/2020 operating result has been adversely affected by the adoption of AASB 16 Leases. The impact of this new accounting standard is that assets have been increased by \$188,257, liabilities increased by \$194,400 and the operating result reduced by \$6,143.

Directors do not agree with the accounting treatment of leases under AASB 16 as it brings onto our balance sheet an asset, namely the economic benefits associated with the right-to-use the bank premises in Trentham, which the company does not own. Directors note the value assigned to this asset is unrealistic and misleading.

Directors have reluctantly adopted AASB 16 to avoid a qualified audit report and therefore simply for compliance sake. Directors are of the view that this adoption distorts the financial statements unnecessarily.

Directors' interests

| | Fully paid ordinary shares | | |
|---------------------------|------------------------------------|-------------------------------|----------------------------------|
| | Balance at start of the year | Changes during the year | Balance at end of the year |
| Wendy Pauline White | 1,101 | - | 1,101 |
| Brian Samuel Hood | - | - | - |
| Charl Parris | 7,000 | - | 7,000 |
| Stan Falloon | 20,000 | - | 20,000 |
| Helen Elizabeth Macdonald | - | - | - |
| Trevor John Carr | - | - | - |
| Charles Henry Sherlock | 20,000 | - | 20,000 |
| Dianne Louise Caithness | - | - | - |
| Geoffrey Harold Cullen | - | - | - |

Cool Country Community Enterprises Limited

Directors' Report

Dividends

During the financial year, the following dividend was provided for and paid. The dividend has been provided for in the statement of changes in equity and statement of cash flows.

| | Cents per share | Total amount \$ |
|------------------------------|--------------------|--------------------|
| Final fully franked dividend | 6.5 | 51,351 |
| Total amount | <u>6.5</u> | <u>51,351</u> |

During the financial year, the following dividend was provided for but not paid. The dividend has been provided for in the statement of changes in equity.

| | Cents per share | Total amount \$ |
|------------------------------|--------------------|--------------------|
| Final fully franked dividend | 4.0 | 31,600 |
| Total amount | <u>4.0</u> | <u>31,600</u> |

New Accounting Standards implemented

The company has implemented AASB 16: Leases (AASB 16) for the first time this financial year. AASB 16 has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. The comparative information has not been restated and continues to be reported under AASB 117: Leases. See note 3 and 4I) 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 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.

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.

Cool Country Community Enterprises Limited

Directors' Report

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 attended by each of the directors of the company during the financial year were:

| | Board Meetings Attended | |
|---------------------------|-------------------------|-----------------|
| | <i>Eligible</i> | <i>Attended</i> |
| Wendy Pauline White | 12 | 12 |
| Brian Samuel Hood | 12 | 12 |
| Charl Parris | 12 | 11 |
| Stan Falloon | 12 | 10 |
| Helen Elizabeth Macdonald | 12 | 9 |
| Trevor John Carr | 2 | 1 |
| Charles Henry Sherlock | 4 | 4 |
| Dianne Louise Caithness | 4 | 4 |
| Geoffrey Harold Cullen | 12 | 10 |

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*.

Cool Country 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 27 to the accounts.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Signed in accordance with a resolution of the directors at Trentham, Victoria.



Wendy Pauline White, Chair

Dated this 28th day of September 2020

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

As lead auditor for the audit of Cool Country 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: 28 September 2020



Joshua Griffin
Lead Auditor

Cool Country 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 | 543,597 | 534,784 |
| Other revenue | 9 | 48,958 | 37,500 |
| Finance income | 10 | 10,676 | 12,002 |
| Employee benefit expenses | 11e) | (309,718) | (239,037) |
| Community investments, sponsorship, advertising and promotion | 11c) | (88,712) | (130,475) |
| Occupancy and associated costs | | (15,734) | (54,164) |
| Systems costs | | (33,008) | (32,880) |
| Depreciation and amortisation expense | 11a) | (49,369) | (20,725) |
| Finance costs | 11b) | (11,211) | - |
| General administration expenses | | (60,258) | (63,587) |
| Profit before income tax expense | | 35,221 | 43,418 |
| Income tax expense | 12a) | (6,641) | (11,940) |
| Profit after income tax expense | | 28,580 | 31,478 |
| Total comprehensive income for the year attributable to the ordinary shareholders of the company: | | 28,580 | 31,478 |
| Earnings per share | | ¢ | ¢ |
| - Basic and diluted earnings per share: | 30a) | 3.62 | 3.98 |

The accompanying notes form part of these financial statements

Cool Country Community Enterprises Limited
Statement of Financial Position
as at 30 June 2020

| | Notes | 2020 \$ | 2019 \$ |
|--------------------------------------|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 13a) | 609,439 | 731,505 |
| Trade and other receivables | 14a) | 45,541 | 27,672 |
| Current tax assets | 18a) | 9,714 | 13,109 |
| Total current assets | | 664,694 | 772,286 |
| Non-current assets | | | |
| Property, plant and equipment | 15a) | 91,503 | 88,275 |
| Right-of-use assets | 16a) | 188,258 | - |
| Intangible assets | 17a) | 15,417 | 28,973 |
| Total non-current assets | | 295,178 | 117,248 |
| Total assets | | 959,872 | 889,534 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 19a) | 41,480 | 111,475 |
| Lease liabilities | 20b) | 27,650 | - |
| Employee benefits | 21a) | 13,555 | 12,496 |
| Total current liabilities | | 82,685 | 123,971 |
| Non-current liabilities | | | |
| Lease liabilities | 20c) | 166,751 | - |
| Employee benefits | 21b) | 791 | 356 |
| Deferred tax liability | 18b) | 5,482 | 6,673 |
| Total non-current liabilities | | 173,024 | 7,029 |
| Total liabilities | | 255,709 | 131,000 |
| Net assets | | 704,163 | 758,534 |
| EQUITY | | | |
| Issued capital | 22a) | 768,649 | 768,649 |
| Accumulated dividends | 24 | (201,451) | (118,500) |
| Retained earnings | 23 | 136,965 | 108,385 |
| Total equity | | 704,163 | 758,534 |

The accompanying notes form part of these financial statements

Cool Country Community Enterprises Limited
Statement of Changes in Equity
for the year ended 30 June 2020

| | Notes | Issued capital \$ | Accumulated dividends \$ | Retained earnings \$ | Total equity \$ |
|--|-------|-------------------------|--------------------------------|----------------------------|-----------------------|
| Balance at 1 July 2018 | | 768,649 | (79,000) | 76,907 | 766,556 |
| Total comprehensive income for the year | | - | - | 31,478 | 31,478 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 29b) | - | (39,500) | - | (39,500) |
| Balance at 30 June 2019 | | 768,649 | (118,500) | 108,385 | 758,534 |
| Balance at 1 July 2019 | | 768,649 | (118,500) | 108,385 | 758,534 |
| Total comprehensive income for the year | | - | - | 28,580 | 28,580 |
| Transactions with owners in their capacity as owners: | | | | | |
| Dividends provided for or paid | 29b) | - | (82,951) | - | (82,951) |
| Balance at 30 June 2020 | | 768,649 | (201,451) | 136,965 | 704,163 |

The accompanying notes form part of these financial statements

Cool Country 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 | | 641,554 | 650,398 |
| Payments to suppliers and employees | | (662,884) | (517,266) |
| Interest received | | 13,448 | 11,178 |
| Lease payments (interest component) | 11b) | (11,211) | - |
| Lease payments not included in the measurement of lease liabilities | 11f) | (14,288) | - |
| Income taxes paid | | (4,436) | (25,186) |
| Net cash provided by/(used in) operating activities | 25 | (37,817) | 119,124 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (8,095) | - |
| Net cash used in investing activities | | (8,095) | - |
| Cash flows from financing activities | | | |
| Lease payments (principle component) | 20a) | (24,803) | - |
| Dividends paid | 29a) | (51,351) | (39,500) |
| Net cash used in financing activities | | (76,154) | (39,500) |
| Net cash increase/(decrease) in cash held | | (122,066) | 79,624 |
| Cash and cash equivalents at the beginning of the financial year | | 731,505 | 651,881 |
| Cash and cash equivalents at the end of the financial year | 13a) | 609,439 | 731,505 |

The accompanying notes form part of these financial statements

Cool Country 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 Cool Country 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:

| Principal Place of Business | Principal Place of Business |
|--------------------------------------|--------------------------------------|
| 37B High Street Trentham VIC 3458 | 37B High Street Trentham VIC 3458 |

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 28.

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 200*. 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 financial instruments that are measured at fair value 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 28 September 2020.

Note 3 Changes in accounting policies, standards and interpretations

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 adopted AASB 16: Leases (AASB 16) from 1 July 2019. AASB 16: Leases has been applied retrospectively without restatement of comparatives. The company has elected to measure the right-of-use asset at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions. As a result, there was no impact on retained earnings. 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.

Cool Country 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 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 leases as operating leases under AASB 117. On transition 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 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 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. 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.

Cool Country 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. The impact on transition is summarised below.

| | Note | 1 July 2019 \$ |
|--|-------------|---------------------------------|
| Asset | | |
| Right-of-use assets - land and buildings | 16b) | 219,204 |
| Liability | | |
| Lease liabilities | 20a) | (219,204) |

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 | 75,272 |
| Add: additional options now expected to be exercised | 173,702 |
| Less: AASB 117 lease commitments reconciliation | 15,504 |
| Less: present value discounting | (45,274) |
| Lease liability as at 1 July 2019 | <u>219,204</u> |

Cool Country 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.

Cool Country 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.

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

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

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.

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

b) Other revenue (*continued*)

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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.

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

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.

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

e) Taxes (*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.
- when receivables and payables are stated with the amount of GST included.

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost 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

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

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line 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 15 years |
| Plant and equipment | Straight-line | 2.5 to 40 years |

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

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4 Summary of significant accounting policies (continued)

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

| <u>Asset class</u> | <u>Method</u> | <u>Useful life</u> |
|-----------------------------|-------------------------|-----------------------------------|
| Franchise establishment fee | Straight-line | Over the franchise term (5 years) |
| Franchise fee | Straight-line | Over the franchise term (5 years) |
| Agency cost | Assessed for impairment | Indefinite |

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

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

i) Financial instruments (*continued*)

Classification and subsequent measurement

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.

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

i) Financial instruments (*continued*)

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.

j) Impairment

Non-derivative financial assets

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

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than 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.

k) Issued capital

Ordinary shares

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

Cool Country 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

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.

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

As a lessee

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.

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.

The lease liability is initially measured at the present value of the outstanding lease payments 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 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; 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 a 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.

Cool Country 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*)

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.

As a lessee

In the comparative period, all of the company's 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.

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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 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. |

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 18 - recognition of deferred tax assets | availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised; |
| - Note 11a) - impairment test of intangible assets | key assumptions underlying recoverable amounts; |
| - Note 15 - estimation of useful lives of assets | key assumptions on historical experience and the condition of the asset; |
| - Note 21 - long service leave provision | key assumptions on attrition rate and pay increases through promotion and inflation. |

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.

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6 Financial risk management (continued)

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

30 June 2020

| <u>Non-derivative financial liability</u> | <u>Carrying amount</u> | <u>Contractual cash flows</u> | | |
|---|------------------------|---------------------------------|---|--------------------------------|
| | | <u>Not later than 12 months</u> | <u>Between 12 months and five years</u> | <u>Greater than five years</u> |
| Lease liabilities | 194,401 | 37,455 | 150,302 | 40,707 |
| Trade payables | 160 | 160 | - | - |
| | <u>194,561</u> | <u>37,615</u> | <u>150,302</u> | <u>40,707</u> |

30 June 2019

| <u>Non-derivative financial liability</u> | <u>Carrying amount</u> | <u>Contractual cash flows</u> | | |
|---|------------------------|---------------------------------|---|--------------------------------|
| | | <u>Not later than 12 months</u> | <u>Between 12 months and five years</u> | <u>Greater than five years</u> |
| Trade payables | 106,502 | 106,502 | - | - |
| | <u>106,502</u> | <u>106,502</u> | <u>-</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.

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6 Financial risk management (continued)

c) Market risk (continued)

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of \$609,439 at 30 June 2020 (2019: \$731,505). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

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 community investments and sponsorship. Community investments 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 | 543,597 | 534,784 |
| | <u>543,597</u> | <u>534,784</u> |
| <i>Disaggregation of revenue from contracts with customers</i> | | |
| At a point in time: | | |
| - Margin income | 454,153 | 450,062 |
| - Fee income | 38,836 | 39,055 |
| - Commission income | 50,608 | 45,667 |
| | <u>543,597</u> | <u>534,784</u> |

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

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9 Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor and cash flow boost from the Australian Government.

| <i>Other revenue</i> | 2020 | 2019 |
|----------------------------------|---------------|---------------|
| | \$ | \$ |
| Revenue: | | |
| - Market development fund income | 36,458 | 37,500 |
| - Cash flow boost | 12,500 | - |
| | <u>48,958</u> | <u>37,500</u> |

Note 10 Finance income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.

Term deposits with a maturity term of three months or greater are classified as investments unless it can be readily converted to a known amount of cash and subject to an insignificant risk of change in which case it may qualify as a cash equivalent.

| <i>Finance income</i> | 2020 | 2019 |
|-----------------------|---------------|---------------|
| | \$ | \$ |
| At amortised cost: | | |
| - Term deposits | 10,676 | 12,002 |
| | <u>10,676</u> | <u>12,002</u> |

Note 11 Expenses

| a) Depreciation and amortisation expense | 2020 | 2019 |
|---|---------------|---------------|
| | \$ | \$ |
| <i>Depreciation of non-current assets:</i> | | |
| - Leasehold improvements | 3,704 | 3,670 |
| - Plant and equipment | 1,163 | 279 |
| | <u>4,867</u> | <u>3,949</u> |
| <i>Depreciation of right-of-use assets</i> | | |
| - Leased land and buildings | 30,946 | - |
| | <u>30,946</u> | <u>-</u> |
| <i>Amortisation of intangible assets:</i> | | |
| - Franchise fee | 2,260 | 2,266 |
| - Franchise establishment fee | 11,296 | 11,328 |
| - Other intangible assets | - | 3,182 |
| | <u>13,556</u> | <u>16,776</u> |
| Total depreciation and amortisation expense | <u>49,369</u> | <u>20,725</u> |

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

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11 Expenses (continued)

| b) Finance costs | Note | 2020 \$ | 2019 \$ |
|--------------------------|------|------------|------------|
| <i>Finance costs:</i> | | | |
| - Lease interest expense | 20a) | 11,211 | - |
| | | 11,211 | - |

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

c) Community investments, sponsorship, advertising and promotion

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations and grants).

| | | 2020 \$ | 2019 \$ |
|---|------|------------|------------|
| - Direct sponsorship, advertising, and promotion payments | | 30,817 | 14,686 |
| - Contribution to the Community Enterprise Foundation™ | 11d) | 57,895 | 115,789 |
| | | 88,712 | 130,475 |

The funds contributed are held by the Community Enterprise Foundation (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

d) Community Enterprise Foundation™ contributions

During the financial year the company contributed funds to the CEF, the philanthropic arm of the Bendigo Bank. These contributions paid in form part of community investments and sponsorship expenditure included in profit or loss.

| <i>Disaggregation of CEF funds</i> | | 2020 \$ | 2019 \$ |
|------------------------------------|------|------------|------------|
| Opening balance | | 104,214 | - |
| Contributions paid | 11c) | 57,895 | 115,789 |
| Grants paid out | | (34,250) | (10,000) |
| Interest received | | 821 | 4 |
| Management fees incurred | | (20,354) | (1,579) |
| Balance available for distribution | | 108,326 | 104,214 |

e) Employee benefit expenses

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Wages and salaries | 242,565 | 198,466 |
| Non-cash benefits | 61 | - |
| Contributions to defined contribution plans | 24,372 | 19,345 |
| Expenses related to long service leave | 5,056 | 2,405 |
| Other expenses | 37,664 | 18,821 |
| | 309,718 | 239,037 |

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11 Expenses (continued)

f) 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 | 14,288 | - |
| | <u>14,288</u> | <u>-</u> |

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

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

Note 12 Income tax expense

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

a) Amounts recognised in profit or loss

| | 2020 \$ | 2019 \$ |
|---------------------------------|--------------|---------------|
| <i>Current tax expense</i> | | |
| - Current tax | 7,831 | 7,852 |
| - Movement in deferred tax | (874) | 4,088 |
| - Reduction in company tax rate | (316) | - |
| | <u>6,641</u> | <u>11,940</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 \$316 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

| | 2020 \$ | 2019 \$ |
|---|--------------|---------------|
| Operating profit before taxation | 35,221 | 43,418 |
| Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%) | 9,686 | 11,940 |
| Tax effect of: | | |
| - Non-deductible expenses | 22 | - |
| - Temporary differences | 873 | 4,088 |
| - Other assessable income | (2,750) | - |
| - Movement in deferred tax | (874) | (4,088) |
| - Reduction in company tax rate | (316) | - |
| | <u>6,641</u> | <u>11,940</u> |

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

Cash and cash equivalents includes cash on hand and in banks. Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

| | 2020 \$ | 2019 \$ |
|----------------------------|----------------|----------------|
| - Cash at bank and on hand | 191,701 | 274,452 |
| - Term deposits | 417,738 | 457,053 |
| | <u>609,439</u> | <u>731,505</u> |

Note 14 Trade and other receivables

a) Current assets

| | 2020 \$ | 2019 \$ |
|--------------------------------|---------------|---------------|
| Trade receivables | 28,161 | 18,730 |
| Prepayments | 6,979 | 5,409 |
| Other receivables and accruals | 10,401 | 3,533 |
| | <u>45,541</u> | <u>27,672</u> |

Note 15 Property, plant and equipment

a) Carrying amounts

| | 2020 \$ | 2019 \$ |
|--------------------------------|---------------|---------------|
| <i>Leasehold improvements</i> | | |
| At cost | 139,856 | 137,896 |
| Less: accumulated depreciation | (60,115) | (56,411) |
| | <u>79,741</u> | <u>81,485</u> |
| <i>Plant and equipment</i> | | |
| At cost | 41,483 | 35,348 |
| Less: accumulated depreciation | (29,721) | (28,558) |
| | <u>11,762</u> | <u>6,790</u> |
| Total written down amount | <u>91,503</u> | <u>88,275</u> |

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

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

| b) Reconciliation of carrying amounts | 2020 | 2019 |
|---------------------------------------|---------------|---------------|
| | \$ | \$ |
| <i>Leasehold improvements</i> | | |
| Carrying amount at beginning | 81,485 | 85,155 |
| Additions | 1,960 | - |
| Depreciation | (3,704) | (3,670) |
| Carrying amount at end | <u>79,741</u> | <u>81,485</u> |
| <i>Plant and equipment</i> | | |
| Carrying amount at beginning | 6,790 | 7,069 |
| Additions | 6,135 | - |
| Depreciation | (1,163) | (279) |
| Carrying amount at end | <u>11,762</u> | <u>6,790</u> |
| Total written down amount | <u>91,503</u> | <u>88,275</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 16 Right-of-use assets

| a) Carrying amounts | Note | 2020 | 2019 |
|--|------|----------------|----------|
| | | \$ | \$ |
| <i>Leased land and buildings</i> | | | |
| At cost | | 219,204 | - |
| Less: accumulated depreciation | | (30,946) | - |
| Total written down amount | | <u>188,258</u> | <u>-</u> |
| b) Reconciliation of carrying amounts | | | |
| <i>Leased land and buildings</i> | | | |
| Initial recognition on transition | 3d) | 228,463 | - |
| Accumulated depreciation on adoption | 3d) | (9,259) | - |
| Remeasurement adjustments | | - | - |
| Depreciation | | (30,946) | - |
| Total written down amount | | <u>188,258</u> | <u>-</u> |

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17 Intangible assets

| a) Carrying amounts | 2020 \$ | 2019 \$ |
|--|------------|------------|
| <i>Franchise fee</i> | | |
| At cost | 21,296 | 21,297 |
| Less: accumulated amortisation | (18,727) | (16,468) |
| | 2,569 | 4,829 |
| <i>Franchise establishment fee</i> | | |
| At cost | 156,485 | 156,484 |
| Less: accumulated amortisation | (143,637) | (132,340) |
| | 12,848 | 24,144 |
| <i>Other intangible assets</i> | | |
| At cost | 3,182 | 3,182 |
| Less: accumulated amortisation | (3,182) | (3,182) |
| | - | - |
| Total written down amount | 15,417 | 28,973 |
| b) Reconciliation of carrying amounts | | |
| <i>Franchise fee</i> | | |
| Carrying amount at beginning | 4,829 | 7,095 |
| Amortisation | (2,260) | (2,266) |
| Carrying amount at end | 2,569 | 4,829 |
| <i>Franchise establishment fee</i> | | |
| Carrying amount at beginning | 24,144 | 35,472 |
| Amortisation | (11,296) | (11,328) |
| Carrying amount at end | 12,848 | 24,144 |
| Total written down amount | 15,417 | 28,973 |

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.

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18 Tax assets and liabilities

| a) Current tax | 2020 \$ | 2019 \$ |
|-----------------------|----------------|-----------------|
| Income tax refundable | <u>(9,714)</u> | <u>(13,109)</u> |

b) Deferred tax

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

| | 30 June 2019 \$ | Recognised in profit or loss \$ | 30 June 2020 \$ |
|---------------------------------------|--------------------|---------------------------------------|--------------------|
| <i>Deferred tax assets</i> | | | |
| - expense accruals | 798 | (668) | 130 |
| - employee provisions | 3,534 | 196 | 3,730 |
| - lease liability | - | 50,544 | 50,544 |
| Total deferred tax assets | <u>4,332</u> | <u>50,072</u> | <u>54,404</u> |
| <i>Deferred tax liabilities</i> | | | |
| - income accruals | 873 | (769) | 104 |
| - property, plant and equipment | 10,132 | 703 | 10,835 |
| - right-of-use assets | - | 48,947 | 48,947 |
| Total deferred tax liabilities | <u>11,005</u> | <u>48,881</u> | <u>59,886</u> |
| Net deferred tax assets (liabilities) | <u>(6,673)</u> | <u>1,191</u> | <u>(5,482)</u> |

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

| | 30 June 2018 \$ | Recognised in profit or loss \$ | 30 June 2019 \$ |
|---------------------------------------|--------------------|---------------------------------------|--------------------|
| <i>Deferred tax assets</i> | | | |
| - expense accruals | 770 | 28 | 798 |
| - employee provisions | 4,045 | (511) | 3,534 |
| Total deferred tax assets | <u>4,815</u> | <u>(483)</u> | <u>4,332</u> |
| <i>Deferred tax liabilities</i> | | | |
| - income accruals | 646 | 227 | 873 |
| - property, plant and equipment | 6,754 | 3,378 | 10,132 |
| Total deferred tax liabilities | <u>7,400</u> | <u>3,605</u> | <u>11,005</u> |
| Net deferred tax assets (liabilities) | <u>(2,585)</u> | <u>(4,088)</u> | <u>(6,673)</u> |

c) Uncertainty over income tax treatments

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

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

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19 Trade creditors and other payables

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

| a) Current liabilities | 2020 \$ | 2019 \$ |
|------------------------------|---------------|----------------|
| Trade creditors | 160 | 106,502 |
| Other creditors and accruals | 41,320 | 4,973 |
| | <u>41,480</u> | <u>111,475</u> |

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%.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the inception of the lease arrangement.

The company's lease portfolio includes:

- Trentham Branch The current lease term expires in August 2021. The lease has one further five year extension option available. The company is reasonably certain to exercise the final five-year lease term.

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 option 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.

a) Lease liability measurement

| <i>Lease liabilities on transition</i> | Note | 2020 \$ | 2019 \$ |
|---|------|----------------|------------|
| Initial recognition on AASB 16 transition | 3d) | 219,204 | - |
| Lease payments - interest | | 11,211 | - |
| Lease payments | | (36,014) | - |
| | | <u>194,401</u> | <u>-</u> |

b) Current lease liabilities

| | 2020 \$ | 2019 \$ |
|----------------------------|---------------|------------|
| Property lease liabilities | 37,455 | - |
| Unexpired interest | (9,805) | - |
| | <u>27,650</u> | <u>-</u> |

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20 Lease liabilities (continued)

| c) Non-current lease liabilities | 2020 \$ | 2019 \$ |
|------------------------------------|----------------|------------|
| Property lease liabilities | 191,009 | - |
| Unexpired interest | (24,258) | - |
| | <u>166,751</u> | <u>-</u> |
| d) Maturity analysis | | |
| - Not later than 12 months | 37,455 | - |
| - Between 12 months and 5 years | 150,302 | - |
| - Greater than 5 years | 40,707 | - |
| Total undiscounted lease payments | <u>228,464</u> | <u>-</u> |
| Unexpired interest | (34,063) | - |
| Present value of lease liabilities | <u>194,401</u> | <u>-</u> |

e) Impact on the current reporting period

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

The net impact for the current reporting period is a decrease in profit after tax of \$4,454.

| | 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 | 36,014 | (36,014) | - |
| - Depreciation and amortisation expense | - | 30,946 | 30,946 |
| - Finance costs | - | 11,211 | 11,211 |
| Increase in expenses - before tax | <u>36,014</u> | <u>6,143</u> | <u>42,157</u> |
| - Income tax expense / (credit) - current | (9,904) | 9,904 | - |
| - Income tax expense / (credit) - deferred | - | (11,593) | (11,593) |
| Increase in expenses - after tax | <u>26,110</u> | <u>4,454</u> | <u>30,564</u> |

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21 Employee benefits

| a) Current liabilities | 2020 \$ | 2019 \$ |
|----------------------------------|------------|------------|
| Provision for annual leave | 5,215 | 4,903 |
| Provision for long service leave | 8,340 | 7,593 |
| | 13,555 | 12,496 |
| | | |
| b) Non-current liabilities | | |
| Provision for long service leave | 791 | 356 |
| | 791 | 356 |

c) Key judgement and assumptions

Employee attrition rates

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

Note 22 Issued capital

| a) Issued capital | 2020 | | 2019 | |
|------------------------------|---------|----------|---------|----------|
| | Number | \$ | Number | \$ |
| Ordinary shares - fully paid | 790,009 | 790,009 | 790,009 | 790,009 |
| Less: equity raising costs | - | (21,360) | - | (21,360) |
| | 790,009 | 768,649 | 790,009 | 768,649 |

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).

Cool Country 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)

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 258. As at the date of this report, the company had 286 shareholders (2019: 288 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.

Note 23 Retained earnings

Retained earnings consists of cumulative profits/(losses) generated by the company since the incorporation of the company.

| | 2020 | 2019 |
|---|---------|---------|
| | \$ | \$ |
| Balance at beginning of reporting period | 108,385 | 76,907 |
| Net profit after tax from ordinary activities | 28,580 | 31,478 |
| Balance at end of reporting period | 136,965 | 108,385 |

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24 Accumulated dividends

Accumulated dividends consists of dividends provided for or paid by the company since the incorporation of the company.

| | Note | 2020 \$ | 2019 \$ |
|--|------|------------------|------------------|
| Balance at beginning of reporting period | | (118,500) | (79,000) |
| Dividends provided for or paid | 29b) | (82,951) | (39,500) |
| Balance at end of reporting period | | <u>(201,451)</u> | <u>(118,500)</u> |

Note 25 Reconciliation of cash flows from operating activities

| | 2020 \$ | 2019 \$ |
|---|-----------------|----------------|
| Net profit after tax from ordinary activities | 28,580 | 31,478 |
| Adjustments for: | | |
| - Depreciation | 35,813 | 3,949 |
| - Amortisation | 13,556 | 16,776 |
| Changes in assets and liabilities: | | |
| - (Increase)/decrease in trade and other receivables | (17,871) | 20,145 |
| - (Increase)/decrease in other assets | 3,395 | (13,109) |
| - Increase/(decrease) in trade and other payables | (101,594) | 61,878 |
| - Increase/(decrease) in employee benefits | 1,494 | (1,856) |
| - Increase/(decrease) in tax liabilities | (1,190) | (137) |
| Net cash flows provided by/(used in) operating activities | <u>(37,817)</u> | <u>119,124</u> |

Note 26 Financial instruments

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

| | Note | 2020 \$ | 2019 \$ |
|------------------------------|------|----------------|----------------|
| Financial assets | | | |
| Trade and other receivables | 14 | 38,562 | 22,263 |
| Cash and cash equivalents | 13 | 191,701 | 274,452 |
| Term deposits | 13 | 417,738 | 457,053 |
| | | <u>648,001</u> | <u>753,768</u> |
| Financial liabilities | | | |
| Trade and other payables | 19 | 160 | 106,502 |
| Lease liabilities | 20 | 194,401 | - |
| | | <u>194,561</u> | <u>106,502</u> |

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27 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 | 800 |
| - General advisory services | 2,400 | 1,830 |
| - Share registry services | 4,857 | 4,089 |
| | <u>7,857</u> | <u>6,719</u> |
| Total auditor's remuneration | <u>12,657</u> | <u>11,319</u> |

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Wendy Pauline White
 Brian Samuel Hood
 Charl Parris
 Stan Falloon
 Helen Elizabeth Macdonald
 Trevor John Carr
 Charles Henry Sherlock
 Dianne Louise Caithness
 Geoffrey Harold Cullen

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.

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29 Dividends provided for or paid

a) Dividends paid during the period

The following dividends were paid to shareholders during the reporting period as presented in the statement of cash flows.

| | 30 June 2020 | | 30 June 2019 | |
|--|--------------|---------------|--------------|---------------|
| | Cents | \$ | Cents | \$ |
| Fully franked dividend | 6.50 | 51,351 | 5.00 | 39,500 |
| Total dividends paid during the financial year | <u>6.50</u> | <u>51,351</u> | <u>5.00</u> | <u>39,500</u> |

The tax rate at which dividends have been franked is 27.5% (2019: 27.5%).

b) Dividends provided for during the period

The following dividends were provided for during the reporting period as presented in the statement of changes in equity.

| | 30 June 2020 | | 30 June 2019 | |
|--|--------------|---------------|--------------|---------------|
| | Cents | \$ | Cents | \$ |
| Fully franked dividend | 4.00 | 31,600 | - | - |
| Fully franked dividend | 6.50 | 51,351 | 5.00 | 39,500 |
| Total dividends provided for during the financial year | <u>10.50</u> | <u>82,951</u> | <u>5.00</u> | <u>39,500</u> |

The tax rate at which dividends will be franked is 26% (2019: 27.5%).

c) Franking account balance

| | 2020 | 2019 |
|--|---------------|---------------|
| | \$ | \$ |
| <i>Franking credits available for subsequent reporting periods</i> | | |
| Franking account balance at the beginning of the financial year | 36,371 | 19,313 |
| Franking transactions during the financial year: | | |
| - Franking credits (debits) arising from income taxes paid (refunded) | (3,976) | 4,225 |
| - Franking credits from the payment of income tax instalments during the financial year | 17,545 | 27,816 |
| - Franking debits from the payment of franked distributions | (19,478) | (14,983) |
| Franking account balance at the end of the financial year | <u>30,462</u> | <u>36,371</u> |
| Franking transactions that will arise subsequent to the financial year end: | | |
| - Franking credits (debits) that will arise from payment (refund) of income tax | (9,714) | (13,109) |
| - Franking debits that will arise from payment of dividends subsequent to financial year end | (11,986) | - |
| Franking credits available for future reporting periods | <u>8,762</u> | <u>23,262</u> |

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

Cool Country Community Enterprises Limited

Notes to the Financial Statements

for the year ended 30 June 2020

Note 30 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 | 28,580 | 31,478 |
| | Number | Number |
| Weighted-average number of ordinary shares | 790,009 | 790,009 |
| | Cents | Cents |
| Basic earnings per share | 3.62 | 3.98 |

Note 31 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 | - | 34,741 |
| - between 12 months and 5 years | - | 40,531 |
| - greater than 5 years | - | - |
| Minimum lease payments payable | - | 75,272 |

b) Other commitments

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

Note 32 Contingencies

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

Note 33 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.

Cool Country Community Enterprises Limited

Directors' Declaration

Directors' Declaration

In accordance with a resolution of the directors of Cool Country 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.



Wendy Pauline White, Chair

Dated this 28th day of September 2020

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

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Cool Country 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

Cool Country 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: 28 September 2020



Joshua Griffin
Lead Auditor

Community Bank - Trentham & Districts

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 **Bendigo Bank**