Annual Report 2020

Midwest Community Enterprises Limited

Community Bank
Geraldton

ABN 90 132 512 460

Contents

Chairperson's report

For year ending 30 June 2020

In what has been a tumultuous year in the WA economy, I am so pleased to report to you that our Community Branch of Bendigo Bank in Geraldton continues to grow and prosper, and has proven to be resilient and successful and is providing a basis of funding for the Community that will grow over the foreseeable future.

The staff, and Branch Manager Jody Beven, have handled every challenge that has come along this year, and in the changing world of Covid19 and record low interest rates, continued to grow the business to new levels of profitability. The dedication and adaptability of all staff to work through this challenging environment has been remarkable and reinforces the talent and skill that has been accumulated in our group.

On behalf of the Board of the Bendigo Bank in Geraldton, we are excited to present the results for the 2019/20 financial year.

My thanks, as always, go to our people. The management and staff at the Branch, our partners the Bendigo Bank, and our Board of Directors who continue to offer insight, knowledge and a community attitude to all we do.

Finally, I would like to remind all our shareholders that our ability to give back to the Community comes solely from our banking business, so we always urge you to consider the Bendigo Bank as your banking partner.

Regards,

Rob Houwen
Chairperson

Manager’s report

For year ending 30 June 2020

The 2020 financial year was another challenging but ultimately rewarding one for everyone involved in our business, not the least after some of the issues experienced by all of Australia from the Covid-19 pandemic. Despite these challenges our branch business volumes, income and profitability all grew at near record levels compared to our previous 10 years of operation.

Over the year total balances held by customers with us increased by $30.3 million, and as of June 2020 we had 5,379 accounts operated by 3,818 clients (increases of 787 and 353 respectively on the prior year). This growth was consistent, although slightly higher, with previous years and represented a strong outcome during a difficult period.

What was most pleasing during this past year was that our income grew by 15.15% from 2019 off the back of the increase in business volumes, with a lot of the growth being generated in higher income products.

Even with the significant growth in business volumes and active accounts we also maintained good budgetary control with only a slight increase in expenses of 3.33% compared to the prior year. In an environment where costs are difficult to contain, and where we continued to take on a lot of new clients, this is a very pleasing outcome.

While the low interest rate environment continued (and looks likely too well into the foreseeable future and with a potentially negative impact on margins in banking), we managed to record our highest ever profit of $315,860. It should be noted however that we deferred $60,000 for our fourth official Grant Program from early in the year to late in 2020 due to the impact of Covid-19. A better comparison is based on our profit before the discretionary spend on Grants, Marketing and Sponsorship which increased from $288,853 in 2019 to $344,401 in 2020. This represents an annual increase of 19.23% and an average over the past 3 years of 15.97%.

This past financial year also saw us continue in our payments to our shareholders, with another capital return of 10c per share, which resulted in $140,000 being distributed to our local community. We are confident we can maintain both a return to shareholders and distribution of grant funds every year from now on thanks to the solid business base that is now in place.

As always there have been changes in the staffing of the branch, with Aimee Rowland leaving her role in Business Banking in November 2019. This position is a Corporate position employed directly by Bendigo and Adelaide Bank and the decision was made not to replace Aimee in Geraldton, but we are working with the Bank to look at alternative solutions and have a strong relationship with other Perth based Business Banking staff members, including Alister Ritchie who was based in our branch for several years before relocating to the City in 2017.

Kevin Bright from Rural Bank has continued to establish a strong working relationship with our staff and existing customers since joining the group in early 2016 and contributed to substantial growth in the sector of our business by bringing on more new clients to the group during the past year. He is always an active participant and contributor in our Agribusiness marketing initiatives and provides training and support to the branch staff.

Kelly Eastough, Mandy Woodman, Kate York, Melissa Nillson, Sarah Thurkle and Renee Marchetti remain as members of the branch team and are doing a fantastic job meeting the expectations of our customers and other stakeholders. Unfortunately, Tim McAuliffe resigned in April this year, but we welcomed Gemma Jones in December 2019 and Emma O’Brien (who is also our board Administration and Finance Officer) to our team as a part time member in June. We are also working with ATC (Apprentice and Traineeship Company) to engage a trainee who will hopefully start later in 2020.

The amount of positive feedback I get from our customers about the service provided by our staff makes me incredibly proud of the work they do every day, both in the branch and in the community.

Manager’s report (continued)

The board, ably led by Rob Houwen, continues to provide fantastic support and direction to the staff and are looking for any opportunity to promote our business and introduce their friends and business associates to our staff. Their ongoing commitment and vision are the inspiration for our staff, and their continual review of our business planning is vital to meet the constantly changing market in which we operate.

While the early signs for 2020/21 are that the economic and business environments in which we operate are not going to get any easier, we have built a robust business and have laid the foundations to continue to grow strongly despite the external factors. In fact, our business growth across the early stages of the new financial year have been in excess of $8 million and active opportunities across all sectors of the market are currently very strong. Now more than ever we need to be flexible, agile and focused on both short-term outcomes and long term goals.

We ask that all our shareholders continue to support us, with your banking business and by promoting our service and experience with your families, friends and acquaintances. This support is what enables us to reward you with capital returns and future dividends.

I am looking forward to sharing our continued success with you in coming years.

Regards,

Jody Beven

Branch Manager

Sponsorship & Contributions Report

In the Financial Year 2019/20, a total of $28,541 was contributed to the Mid-West community via grants, advertising, sponsorship, promotion and donations. This was lower than in previous years and less than we had budgeted for, and was primarily a result of the decision to postpone our annual Grants round in March due to the impact of Covid-19. The pandemic caused us to be cautious with our financial situation at the time, plus a lot of the community groups that would normally have applied for either Grants or Sponsorship around that time were also cancelling their seasons or events they had planned.

While the Grants round did not happen in 2019/20 the funds were reserved and we expect to award around $60,000 to recipients in October, plus it is likely that we will look at another round in early 2021 so as to support a greater number and variety of community organisations trying to re-establish themselves after the difficult circumstances of 2020 and the effects of Covid-19. We may also look for some longer term sponsorship opportunities in 2021 that provide strong marketing potential and broaden our exposure to new markets for business.

Since opening the branch in 2009, a total of $763,919 has been contributed to the Mid-West community, of which $395,381 has been distributed over the past 4 years. Coupled with all our other operating expenses such as wages etc, our total direct input to the local economy is now over $10mil, and will be over $1.2mil in 2020/21.

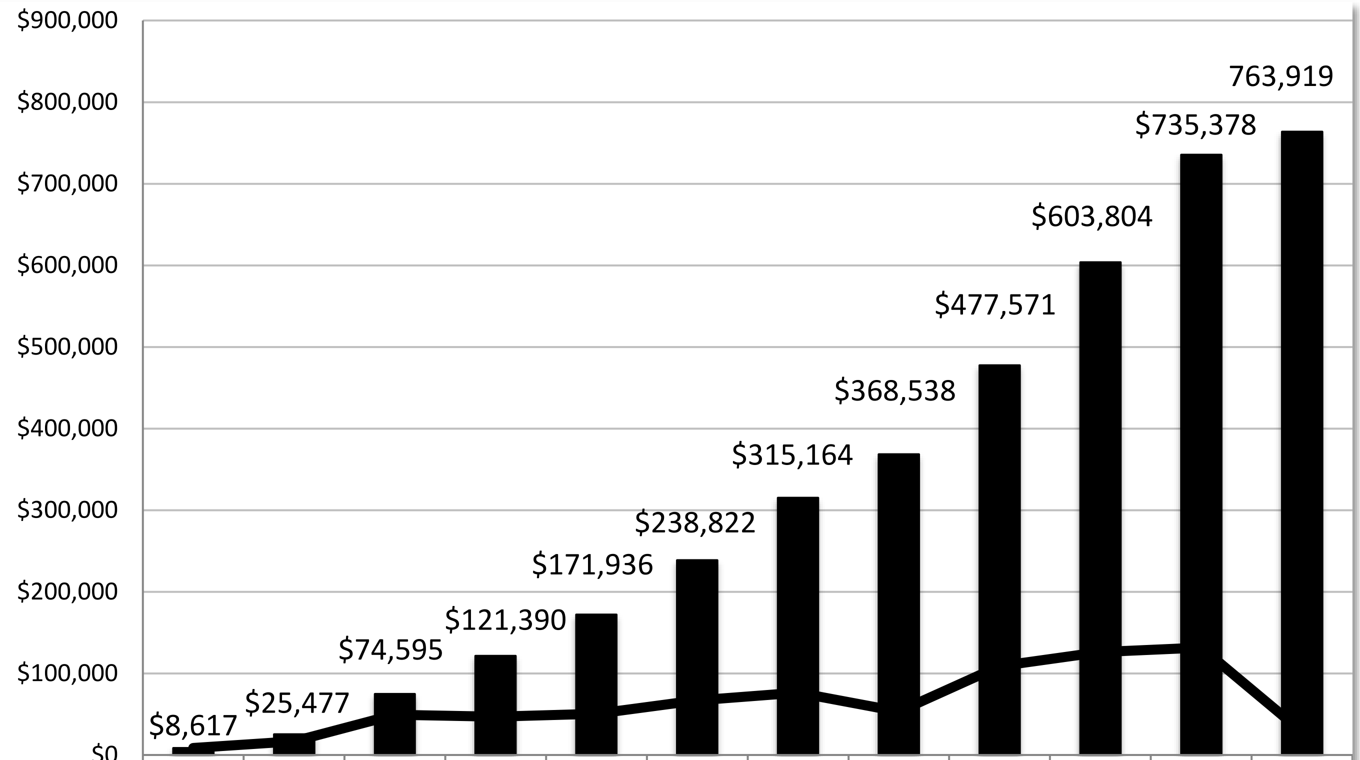
Recipients for the 2019-2020 Financial Year:

Date	Recipient	Purpose
24/07/2019	Towns Football Club	Sponsorship
30/07/2019	Geraldton Yacht Club	Annual sponsorship
1/08/2019	Geraldton Golf Club	Day sponsor - Ladies Day
12/08/2019	Byron Clarkson Golf Services	Day sponsor
14/08/2019	Walkaway Polocrosse Club	Tournament sponsorship
12/10/2019	Geraldton Pro Shop	Day sponsor
8/11/2019	Hollomby Foundation	Scholarship at Geraldton University Centre x2
20/11/2019	Beachlands Primary School	Excellence in Education Awards
5/12/2019	Central Regional TAFE	2020 Scholarship - Semester 1
1/02/2020	Telethon	Logo
31/01/2020	Salvation Army	Bushfire Relief
21/01/2020	Geraldton Golf Club	Country Week Naming Rights
30/01/2020	Dancoor Community Finances	Sponsorship Fee for Northern Bowling Zone Ladies Pairs Competition
1/03/2020	Mullewa Bowls Club	Sponsorship Golden Bowl 2020
11/03/2020	Midwest Multicultural Association	Sponsorship of Harmony Festival 2020
12/03/2020	Geraldton Regional Cricket Board	Sponsorship GRCB 2019-2020
Various	Various NFP’s	Community EFTPOS fees absorbed by branch

Sponsorship & Contributions Report (continued)

For year ending 30 June 2020

Annual and cumulative contribution to Geraldton community since opening via grants, advertising, sponsorship, promotion and donation (GASPD).



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Cumulative	8,617	25,477	74,595	121,390	171,936	238,822	315,164	368,538	477,571	603,804	735,378	763,919
GASPD	8,617	16,860	49,118	46,795	50,546	66,886	76,342	53,374	109,033	126,233	131,574	28,541

Return of Capital Payments History

For year ending 30 June 2020

Return of Capital to Shareholders		
Financial Year	Amount Per Share	Date Paid
2019/2020	.10	29 November 2019
2018/2019	.10	30 November 2018
2017/2018	.10	30 November 2017
2016/2017	.05	30 November 2016

Bendigo and Adelaide Bank report

For year ending 30 June 2020

In the 20-plus years since the opening of the very first Community Bank branch, it's fair to say we haven't seen a year quite like 2020.

After many years of drought, the 2019 calendar year ended with bushfires burning across several states. A number of our Community Bank companies were faced with an unprecedented natural disaster that impacted lives, homes, businesses and schools in local communities.

As fires took hold, Bendigo and Adelaide Bank's head office phones started to ring, emails came in from all over the world and our customers, and non-customers, headed into our branches to donate to an appeal that we were still in the process of setting up.

Our reputation as Australia's most trusted bank and the goodwill established by 321 Community Bank branches across the country meant that people instinctively knew that Bendigo, and our Community Bank partners, would be there to help. An appeal was established and donations were received in branch and online from 135,000 donors from all around the world. More than $45 million was donated.

Just as the fires had been extinguished and the Bank's Community Enterprise Foundation was working with government, not-for-profit organisations and impacted communities to distribute donations, the global COVID-19 pandemic arrived.

The impact of this pandemic was, and continues to be, more than about health. The impacts are far-reaching and banking is not immune. Your support as a shareholder, and a customer, of your local Community Bank company has never been so important.

You should be proud of your investment in your local Community Bank company. As the Australian workforce had to adjust its way of working, your Community Bank branch staff were classified as essential workers and turned up for work every day throughout the pandemic to serve your local customers.

Your Community Bank company, led by your local directors, were committed to supporting local economies. Often it was the little things like purchasing coffees and meals from local cafes, not only for their branch staff but for other essential workers (teachers, nurses, hospital support staff, ambulance and police officers and aged care workers). This not only supported essential workers also supported many local businesses when they needed it the most.

What we've discovered in 2020 is that in times of crisis, Australia's Community Bank network has unofficially become Australia's 'second responder'. Local organisations and clubs look to their local Community Bank companies not only for financial assistance, but to take the lead in connecting groups and leading the community through a crisis.

So, what does this all mean? For Bendigo and Adelaide Bank, it reinforces the fact that you are a shareholder of a unique and caring company – run by locals to benefit not only your community but those in need.

As Australia's 5th largest bank with more than 1.9 million customers we are proud to partner with your community.

If 2020 has shown us anything, it's that we're stronger for the partnerships we have with the communities we operate in.

On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company directors and shareholders and your branch staff and customers for your continued support throughout the year.

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2020

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

Directors

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

Robert Francis Houwen
Chairman
Occupation: Dealer Principal
Qualifications, experience and expertise: Dealer Principal - Geraldton Toyota. Treasurer of Rotary Club of Geraldton Greenough.
Special responsibilities: Chairman & Finance Group
Interest in shares: 50,001 ordinary shares

Wayne John Clarkson
Deputy Chairman
Occupation: Insurance Broker/AFSL Holder
Qualifications, experience and expertise: Current holder of Australian Financial Services License. Operating a general insurance broking service together with life insurance and superannuation products and services (broking) and Senior Associate CIP qualification.
Special responsibilities: Finance Group
Interest in shares: 28,001 ordinary shares

Paul James Adam
Treasurer
Occupation: Accountant
Qualifications, experience and expertise: Bachelor of Business, CPA, Principal of accounting practice Adam Hunter Pty Ltd. Public Practice Accountant for 23 years. Charter member of Taxation Institute of Australia. Director of Geraldton Resource Centre Inc. Tax agent with ATO for 27 years. Vice-Captain of Spalding Park Golf Club Inc.
Special responsibilities: Treasurer and Finance Group
Interest in shares: 7,001 ordinary shares

Gary Bruce Clark
Non-executive director
Occupation: Consultant
Qualifications, experience and expertise: Former Manager Mission Australia, Regional Manager Dept. of Sport and Recreation (30 years), Assoc Dip Recreation, Life Member Surf Life Saving WA, Geraldton Surf Life Saving Club, Brigades Football Club and Geraldton Harriers Running Club. Founding Director and Former Owner-Manager Mid West Times Community Newspaper (Geraldton). Chairman Mid West Academy of Sport.
Special responsibilities: Chairman, Marketing Committee
Interest in shares: 7,201 ordinary shares

Harold McCashney
Non-executive director
Occupation: Retired primary producer
Qualifications, experience and expertise: Inaugural Director and Fund Raiser. 50 years as a primary producer in wool grain and sheep meat including a term as a director (grower) of W.A Meat Marketing Corporation. Farmed at Cadoux in Wongan Ballidu Shire. 14 years in local government at Wongan Hills and Greenough which has now amalgamated to form the City of Greater Geraldton. 10 years on the Executive of WA Farmers including a 3 year term as State Treasurer.
Special responsibilities: Nil
Interest in shares: 30,001 ordinary shares

Directors (continued)

Renaye Ellen Stokes
Non-executive director
Occupation: Primary Producer
Qualifications, experience and expertise: Previously employed as a Development Officer with the Department of Agriculture & Food for 6 years before starting a family in 2008. Full time parent, farm office administrator and voluntary community contributor ever since. Renaye has proactively contributed to the Chapman Valley (CV) Playgroup, Geraldton Toy Library, CV Community Newspaper (Valley Vibes), CV Tennis Club, CV Primary School P&C, CV Community Ball Inc. and is the current CV Primary School Board Chair. Renaye is passionate about health, wellbeing and resilient communities. Holds a Bachelor of Agribusiness (Marketing) with First Class Honours.
Special responsibilities: Secretary and Marketing Group
Interest in shares: Nil

Emma McNerney
Non-executive director
Occupation: Community Development Officer
Qualifications, experience and expertise: Coordinator of LEAD (Leadership, Exploration and Development) at Ngala. Owner, Director and General Manager of Euphorium, social enterprise arts company. Raised over $77,000 for local community causes through volunteer events, Long term volunteer. Twice winner of Australia Day Active Citizenship (under 26) Award. Holds Diploma of Events and Trainers/Assessors qualification.
Special responsibilities: Marketing Group
Interest in shares: 500 ordinary shares

Kimberly James Stokes
Non-executive director
Occupation: Small Business Advisor
Qualifications, experience and expertise: Self-employed small business adviser, previously senior administration officer Defence Satellite Communications Station Kojarena and employment services manager various country and metropolitan locations. Past Chair, Geraldton Regional Community Education Centre and past Board Director Ngala, Past President of The Geraldton Club and Past President and current member of the Rotary Club of Geraldton Greenough.
Special responsibilities: Marketing Group
Interest in shares: 10,000 ordinary shares

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

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

Company Secretary

The company secretary is Emma O'Brien. Emma was appointed to the position of secretary on 30 October 2018.

Qualifications, experience and expertise: Previously employed as a finance officer, and has a decade of business, taxation, administration and financial experience, before starting a family in 2015. Emma is actively involved in the local community including Treasurer for the Wandina Parents & Citizens Association and Secretary for Funtavia Inc.

Principal Activity

The principal activities of the company during the financial year were 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 year.

Directors' report (continued)

Directors (continued)

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
$238,029	$122,270

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Robert Francis Houwen	50,001	-	50,001
Wayne John Clarkson	28,001	-	28,001
Renaye Ellen Stokes	-	-	-
Paul James Adam	7,001	-	7,001
Gary Bruce Clark	7,201	-	7,201
Harold McCashney	30,001	-	30,001
Emma McNerney	500	-	500
Kimberly James Stokes	10,000	-	10,000

No debentures or rights have been granted or options over such instruments in previous financial years or during the current financial year.

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Capital Reduction

During the financial year, the following capital reduction was provided for and paid. This capital reduction has been provided in the financial statements.

	Cents per share	Total amount
Capital Reduction	10	140,000
Total Amount	**10**	**140,000**

Significant changes in the state of affairs

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

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

New Accounting Standards Implemented

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

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 except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

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 year were:

	Directors' Meetings	
	Eligible	**Attended**
Robert Francis Houwen	11	11
Wayne John Clarkson*	11	8
Renaye Ellen Stokes**	11	6
Paul James Adam	11	10
Gary Bruce Clark***	11	8
Harold McCashney	11	10
Emma McNerney****	11	6
Kimberly James Stokes*****	11	9

* Approved leave of absence 8 September 2019
** Approved leave of absence July 2019 – September 2019
*** Approved leave of absence July 2019 & June 2020
**** Approved leave of absence July 2019 – August 2019
***** Approved leave of absence July 2019

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 27 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor ans 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 a 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 13.

Signed in accordance with a resolution of the directors at Geraldton, Western Australia.

Robert Francis Houwen,

Chairman

Dated this 28th day of August 2020

Auditor’s independence declaration

Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

As lead auditor for the audit of Midwest 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 August 2020

Joshua Griffin
Lead Auditor

6

Taxation | Audit | Business Services

Financial statements

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	1,421,094	1,277,457
Other revenue	9	72,500	19,655
Finance income	10	51	50
Employee benefits expense	11d)	(832,431)	(688,759)
Charitable donations, sponsorship, advertising and promotion		(28,541)	(131,574)
Occupancy and associated costs		(25,064)	(95,526)
Systems costs		(34,981)	(36,060)
Depreciation and amortisation expense	11a)	(79,721)	(31,684)
Finance costs	11b)	(14,151)	(1,257)
General administration expenses		(162,896)	(155,023)
Profit before income tax expense		**315,860**	**157,279**
Income tax expense	12a)	(77,831)	(35,009)
Profit after income tax expense		**238,029**	**122,270**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**238,029**	**122,270**
Earnings per share		**¢**	**¢**
Basic and diluted earnings per share:	29a)	17.00	8.73

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current Assets			
Cash and cash equivalents	13a)	443,576	296,199
Trade and other receivables	14a)	150,718	127,801
Total Current Assets		594,294	424,000
Non-Current Assets			
Property, plant and equipment	15a)	141,422	193,989
Right-of-use assets	16a)	228,174	-
Intangible assets	17a)	52,735	65,919
Deferred tax asset	18a)	126,524	175,322
Total Non-Current Assets		**548,855**	**435,230**
Total Assets		**1,143,149**	**859,230**
LIABILITIES			
Current Liabilities			
Trade and other payables	19a)	60,782	112,498
Loans and borrowings	20a)	-	13,753
Lease liabilities	21b)	84,178	-
Employee benefits	22a)	126,863	80,409
Total Current Liabilities		**206,660**	**196,646**
Non-Current Liabilities			
Trade and other payables	19b)	43,507	58,009
Loans and borrowings	20b)	-	19,379
Lease liabilities	21c)	225,065	-
Employee benefits	22b)	13,888	7,802
Total Non-Current Liabilities		**282,460**	**85,190**
Total Liabilities		**554,283**	**291,850**
Net Assets		**588,866**	**567,380**
EQUITY			
Issued capital	23a)	868,402	1,008,402
Accumulated losses	24	(279,536)	(441,022)
Total Equity		**588,866**	**567,380**

The accompanying notes form part of these financial statements

Statement of Changes in Equity for the year ended 30 June 2020

	Notes	Issued Capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		**1,148,402**	**(563,292)**	**585,110**
Total comprehensive income for the year		-	122,270	122,270
Transactions with owners in their capacity as owners:				
Capital reduction	23a)	(140,000)	-	(140,000)
Balance at 30 June 2019		**1,008,402**	**(441,022)**	**567,380**
Balance at 1 July 2019		**1,008,402**	**(441,022)**	**567,380**
Effect of AASB 16: Leases	3d)	-	(76,543)	(76,543)
Restated balance at 1 July 2019		**1,008,402**	**(517,565)**	**490,837**
Total comprehensive income for the year		-	238,029	238,029
Transactions with owners in their capacity as owners:				
Capital reduction	23a)	(140,000)	-	(140,000)
Balance at 30 June 2020		**868,402**	**(279,536)**	**588,866**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,580,051	1,417,207
Payments to suppliers and employees		(1,178,479)	(1,272,035)
Interest received		51	50
Interest paid		-	(1,257)
Lease payments (interest component)	11b)	(14,151)	-
Lease payments not included in the measurement of lease liabilities	11e)	(15,300)	-
Net cash provided by operating activities	**25**	**372,172**	**143,965**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,625)	(53,494)
Proceeds from sale of property, plant and equipment		-	7,727
Payments for intangible assets		(13,184)	-
Net cash used in investing activities		**(14,809)**	**(45,767)**
Cash flows from financing activities			
Repayment of capital		(140,000)	(140,000)
Proceeds from loans and borrowings		-	41,461
Repayment of loans and borrowings		-	(8,329)
Lease payments (principal component)	21a)	(69,986)	-
Net cash used in financing activities		**(209,986)**	**(106,868)**
Net cash increase/(decrease) in cash held		**147,377**	**(8,670)**
Cash and cash equivalents at the beginning of the financial year		296,199	304,869
Cash and cash equivalents at the end of the financial year	**13a)**	**443,576**	**296,199**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2020

Note 1. Reporting Entity

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

Registered Office	Principal Place of Business
Unit 1 31-33 Hosken Street Bluff Point WA 6530	79 Forrest Street Geraldton WA 650

Further information on the nature of the operations and principal activity of the company is provided in the director's report. Information on the company's related party relationships is provided in Note 28.

Note 2. Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 28 August 2020.

Note 3. Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

Previously, the company determined at contract inception whether an arrangement was or contained a lease under Interpretation 4 Determining whether an Arrangement contains a Lease. The company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 21.

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.

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

d) Impact on financial statements

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

	Note	1 July 2019 $
Impact on equity presented as increase (decrease)		
Asset		
Right-of-use assets - land and buildings	16b)	239,432
Deferred tax asset	18a)	29,033
Liability		
Lease liabilities	21a)	(345,008)
Equity		
Accumulated losses		**(76,543)**

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

e) Impact on financial statements (continued)

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 4.00%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	334,364
Less: AASB 117 lease commitments reconciliation	47,240
Less: present value discounting	(36,596)
Lease liability as at 1 July 2019	**345,008**

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:

Revenue	Includes	Performance obligation	Timing of recognition
Franchise agreement Profit share	Margin, commission and fee income	When the company satisfies its obligation to arrange for 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).

<u>Revenue calculation</u>

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.

<u>Margin</u>

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.

Note 4. Summary of significant accounting policies (continued)

a) Revenue from contracts with customers (continued)

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.
The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company,and is a significant judgement area.

Fee income

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

Core banking products

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

Ability to change financial return

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.
The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

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

b) Other revenue

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

Revenue	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
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.

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.

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.

Note 4. Summary of significant accounting policies (continued)

d) Employee benefits (continued)

Short-term employee benefits (continued)

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.

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

Current income tax

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

Deferred tax

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

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

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Note 4. Summary of significant accounting policies (continued)

e) Taxes (continued)

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.

The company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority on the company either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

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

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	5 to 15 years
Plant and equipment	Straight-line	2.5 to 40 years
Motor vehicles	Straight-line	3 to 5 years

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

Note 4. Summary of significant accounting policies (continued)

h) Intangible assets

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:

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

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

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, cash and cash equivalents, borrowings, leases.

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

Note 4. Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Financial assets (continued)

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.

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.

Note 4. Summary of significant accounting policies (continued)

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

- financial assets that are measured at FVTOCI;
- lease receivables;
- loan commitments that are not measured at FVTPL; and
- financial guarantee contracts that are not measured at FVTPL.

Loss allowance is not recognised for:

- financial assets measured at FVTPL; or
- equity instruments measured at FVTOCI.

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, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime ECL at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

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 its 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 directors have assessed the ECL and noted it is not material.

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.

l) Leases

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

Note 4. Summary of significant accounting policies (continued)

l) Leases (continued)

Policy applicable from 1 July 2019

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

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

As a lessee

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

Note 4. Summary of significant accounting policies (continued)

l) Leases (continued)

As a lessor

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

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

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

As a lessor

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

m) Standards issued but not yet effective

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

Note 5. Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

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

a) Judgements (continued)

Note	Judgement
Note 8 – revenue recognition	whether revenue is recognised over time or at a point in time;
Note 21 – leases:	
a) Control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) Lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) Discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: o the amount; o the lease term; o economic environment; and o 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:

Note	Assumptions
Note 8 – revenue recognition	estimate of expected returns;
Note 18 –- recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
Note 15 – estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
Note 22 – long service leave provisions	key assumptions on attrition rate and pay increases though 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.

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.

Note 6. Financial risk management (continued)

b) Liquidity risk

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

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

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

30 June 2020

Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Total comprehensive income for the year		-	122,270	122,270
Lease liabilities	309,243	95,138	238,567	-
Trade payables	44,604	1,097	-	-
	353,847	**96,235**	**238,567**	**-**

30 June 2019

Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Total comprehensive income for the year		-	122,270	122,270
Chattel Mortgage	33,132	13,753	-	-
Trade payables	119,513	61,504	-	-
	152,645	**89,010**	**-**	**-**

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 at fair value. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $443,576 at 30 June 2020 (2019: $296,199). 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 charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2020 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8. Revenue from contracts with customers

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

	2020 $	2019 $
Revenue from contracts with customers,		
Revenue:		
Revenue from contracts with customers	1,421,094	1,277,457
	1,421,094	**1,277,457**
Disaggregation of revenue from contracts with customers		
At a point in time:		
Margin income	1,018,124	940,110
Fee income	84,686	81,569
Commission income	318,284	255,778
	1,421,094	**1,277,457**

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

Note 9. Other Revenue

The company generated other sources of revenue from discretionary contributions received from the franchisor and Cash flow boost income from the Australian Government.

	2020 $	2019 $
Other revenue		
Revenue:		
Market development fund income	10,000	10,000
Cash flow boost	62,500	-
Sale of property, plant and equipment	-	7,727
Other income	-	1,928
	72,500	**19,655**

Note 10. Finance Income

The company holds financial instruments measured at amortised cost. Interest income is recognised at the effective interest rate.
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 $
Finance Income		
At amortised cost:		
Term deposits	51	50
	51	**50**

Note 11. Expenses

	2020 $	2019 $
a) Depreciation and amortisation expense		
Depreciation of non-current assets:		
- Leasehold improvements	6,207	6,835
- Plant and equipment	5,808	6,456
- Motor vehicles	-	3,843
	12,015	**17,134**
Depreciation of right-of-use assets		
- Leased land and buildings	48,742	-
- Leased motor vehicles	5,780	-
	54,522	-
Amortisation of intangible assets:		
- Franchise fee	2,197	2,290
- Franchise renewal process fee	10,987	12,260
	13,184	**14,550**
Total depreciation and amortisation expense	**79,721**	**31,684**

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

	2020 $	2019 $
b) Finance costs		
Finance costs:		
- Bank loan interest paid or accrued	-	1,257
- Lease interest expense (Note 21a)	14,151	-
	12,015	**17,134**

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

Note 11. Expenses (continued)

c) Impairment loss on trade receivables and contract assets

The franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. Due to the reliance on Bendigo Bank the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of 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 the Bendigo Bank receivable as at 30 June 2020.

	2020 $	2019 $
d) Employee benefit expenses		
- Wages and salaries	699,587	570,447
- Non-cash benefits	4,732	3,411
- Contributions to defined contribution plans	79,568	71,591
- Expenses related to long service leave	12,037	11,823
- Other expenses	36,507	31,487
	832,431	**688,759**

e) 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 assets	15,300	-
	15,300	**-**

Expenses relating to leases exempt from recognition are included in system 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.

	2020 $	2019 $
a) Amounts recognised in profit or loss		
Current tax expense/(credit)		
- Recoupment of prior year tax losses	82,915	-
- Movement in deferred tax	(41,417)	5,013
- Adjustment to deferred tax on AASB 16 retrospective application	29,033	-
- Recognition of previously unrecognised tax losses	-	38,238
- Adjustment to deferred tax to reflect reduction in tax rate in future periods	7,300	-
Changes in estimates related to prior years	-	(8,242)
	77,831	**35,009**

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $7,300 related to the remeasurement of deferred tax assets and liabilities of the company.

Note 12. Income tax expense (continued)

	2020 $	2019 $
b) Prima facie income tax reconciliation		
Operating profit before taxation	315,860	157,279
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	86,862	43,252
Tax effect of:		
- Non-deductible expenses	858	-
- Temporary differences	12,383	(5,013)
- Other assessable income	(17,188)	-
- Movement in deferred tax	(41,417)	5,013
- Reduction in the company tax rate	7,300	-
- Leases initial recognition	29,033	-
- Under/(over) provision of income tax in the prior year	-	(8,243)
	77,831	**35,009**

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	443,576	296,199
	443,576	**296,199**

Note 14. Trade and other receivables

	2020 $	2019 $
a) Current assets		
- Trade receivables	141,105	110,137
- Prepayments	9,157	17,208
- Other receivables and accruals	456	456
	150,718	**127,801**

Note 15. Property, plant and equipment

	2020 $	2019 $
a) Carrying amounts		
Leasehold Improvements		
At cost	252,539	252,539
Less: accumulated depreciation	(135,594)	(129,387)
	116,945	**123,152**

Note 15. Property, plant and equipment (continued)

	2020 $	2019 $
a) Carrying amounts (continued)		
Plant and equipment		
At cost	80,197	82,606
Less: accumulated depreciation	(61,505)	(59,731)
	18,692	**22,875**
Motor vehicles		
At cost	-	46,117
Less: accumulated depreciation	-	(3,940)
	-	**42,177**
Property Development Work In Progress		
At cost	5,785	5,785
	5,785	**5,785**
Total written down amount	**141,422**	**193,989**

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

	Note	2020 $	2019 $
b) Reconciliation of carrying amounts			
Leasehold improvements			
- Carrying amount at beginning		123,152	129,987
- Depreciation		(6,207)	(6,835)
- Carrying amount at end		**116,945**	**123,152**
Plant and equipment			
- Carrying amount at beginning		22,875	27,643
- Additions		1,625	1,590
- Disposals		(4,034)	-
- Depreciation		(1,774)	(6,358)
- Carrying amount at end		**18,692**	**22,875**
Motor vehicles			
- Carrying amount at beginning		42,177	-
- Lease asset transferred out - at cost	16b)	(46,117)	-
- Lease asset transferred out - accumulated depreciation	16b)	3,940	-
- Additions		-	46,117
- Depreciation		-	(3,940)
- Carrying amount at end		-	**42,177**

Notes to the financial statements (continued)

Note 15. Property, plant and equipment (continued)

b) Reconciliation of carrying amounts (continued)

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

	2020 $	2019 $
Property Development Work In Progress		
- Carrying amount at beginning	5,785	-
- Additions	-	5,785
- Carrying amount at end	**5,785**	**5,785**
Total written down amount	**141,422**	**193,989**

c) Changes in estimates

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

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

Note 16. Right-of-use assets

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

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

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

	2020 $	2019 $
a) Carrying amounts		
Leased land and buildings		
- At cost	731,557	-
- Less: accumulated depreciation and impairment	(539,780)	-
	191,777	-
Leased motor vehicles		
- At cost	46,117	-
- Less: accumulated depreciation and impairment	(9,720)	-
	36,397	-
Total written down amount	**228,174**	-

Note 16. Right-of-use assets (continued)

		2020 $	2019 $
b) Reconciliation of carrying amounts			
Leased land and buildings			
- Carrying amount at beginning		-	-
- Initial recognition on transition	3d)	730,469	-
- Accumulated depreciation on adoption	3d)	(491,038)	-
- Remeasurement adjustments		1,088	-
- Depreciation		(48,742)	-
- Carrying amount at end		**191,777**	-
Leased motor vehicles			
- Carrying amount at beginning		228,174	-
- Lease asset transferred in - at cost	15b)	46,117	-
- Lease asset transferred in - accumulated depreciation	15b)	(3,940)	-
- Depreciation		(5,780)	-
- Carrying amount at end		**36,397**	-
Total written down amount		**228,174**	-

Note 17. Intangible assets

	2020 $	2019 $
a) Carrying amounts		
Franchise fee		
- At cost	32,440	32,440
- Less: accumulated amortisation	(23,650)	(21,453)
	8,790	**10,987**
Franchise establishment fee		
- At cost	100,000	100,000
- Less: accumulated amortisation	(100,000)	(100,000)
	-	**-**
Franchise renewal process fee		
- At cost	116,230	116,230
- Less: accumulated amortisation	(72,285)	(61,298)
	43,945	**54,932**
Total written down amount	**52,735**	**65,919**

Note 17. Intangible assets (continued)

	2020 $	2019 $
b) Reconciliation of carrying amounts		
Franchise fee		
- Carrying amount at beginning	10,987	2,290
- Additions	-	10,987
- Amortisation	(2,197)	(2,290)
- Carrying amount at end	**8,790**	**10,987**
Franchise renewal process fee		
- Carrying amount at beginning	54,932	12,260
- Additions	-	54,932
- Amortisation	(10,987)	(12,260)
- Carrying amount at end	**43,945**	**54,932**
Total written down amount	**52,735**	**65,919**

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.

Note 18. Tax assets and liabilities

a) Deferred tax

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

	30 June 2019 $	Recognised in profit or loss $	Recognised in equity $	30 June 2020 $
Deferred tax assets				
- employee provisions	24,258	12,337	-	36,595
- lease liability	-	75,359	94,877	75,359
- carried-forward tax losses	151,064	(86,632)	-	64,432
Total deferred tax assets	**175,322**	**1,064**	**94,877**	**176,386**
Deferred tax liabilities				
- right-of-use assets	-	(15,982)	65,844	49,862
Total deferred tax liabilities	-	**(15,982)**	**65,844**	**49,862**
Net deferred tax assets (liabilities)	**175,322**	**17,046**	**29,033**	**126,524**

Note 18. Tax assets and liabilities (continued)

a) Deferred tax (continued)

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

	30 June 2018 $	Recognised in profit or loss $	Recognised in equity $	30 June 2019 $
Deferred tax assets				
- expense accruals	770	(770)	-	-
- employee provisions	28,502	(4,244)	-	24,258
- carried-forward tax losses	181,059	(29,995)	-	151,064
Total deferred tax assets	**210,331**	**(35,009)**	-	**175,322**
Net deferred tax assets (liabilities)	**210,331**	**(35,009)**	-	**175,322**

b) Uncertainty over income tax treatments

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

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

Note 19. Trade creditors and other payables

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

	2020 $	2019 $
a) Current liabilities		
Trade creditors	1,097	61,504
Other creditors and accruals	59,685	50,994
	60,782	**112,498**
b) Non-current liabilities		
Trade creditors	43,507	58,009
	43,507	**58,009**

Note 20. Loans and borrowings

	2020 $	2019 $
a) Current liabilities		
Chattel mortgage	-	13,753
	-	**13,753**
b) Non-current liabilities		
Chattel mortgage	-	19,379
	-	**19,379**

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

Note 20. Loans and borrowings (continued)

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020 Face Value	30 June 2020 Carrying Value	30 June 2019 Face Value	30 June 2019 Carrying Value
Chattel mortgage	4.95%	2021	-	-	33,132	33,132

Note 21. Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.00%.

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

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

Lease portfolio

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

The company's lease portfolio includes:

- Geraldton Branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in June 2009. Two extension option terms of five years have been exercised in June 2014 and June 2019.
- Motor vehicle — The lease agreement is a non-cancellable term of three years which commenced in November 2018. Upon the last lease payment the registered security over the motor vehicles is removed.

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

a) Lease liability measurement

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

	Note	2020 $	2019 $
Lease liabilities on transition			
Balance at the beginning (finance lease liabilities)		33,132	-
Initial recognition on AASB 16 transition	3d)	345,009	-
Remeasurement adjustments		1,088	-
Lease payments - interest		14,151	-
Lease payments		(84,137)	-
		309,243	-

Note 21. Lease liabilities (continued)

b) Current lease liabilities

	Note	2020 $	2019 $
Property lease liabilities		80,073	-
Unexpired interest		(10,324)	-
		69,749	-
Motor Vehicle lease liabilities		15,065	-
Unexpired interest		(636)	-
		14,429	-
		84,178	-

c) Non-current lease liabilities

	Note	2020 $	2019 $
Property lease liabilities		233,546	-
Unexpired interest		(13,451)	-
		220,095	-
Motor Vehicle lease liabilities		5,021	-
Unexpired interest		(51)	-
		4,970	-
		225,065	-

d) Maturity analysis

	Note	2020 $	2019 $
- Not later than 12 months		95,138	-
- Between 12 months and 5 years		238,567	-
Total undiscounted lease payments		**333,705**	-
Unexpired interest		(24,462)	-
Unexpired interest		**309,243**	-

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.

Note 21. Lease liabilities (continued)

e) Impact on the current reporting period

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a increase in profit after tax of $24,034.

	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	69,073	(69,073)	-
- Depreciation and amortisation expense	-	48,742	48,742
- Finance costs	12,820	(12,820)	-
Decrease in expenses - before tax	**81,893**	**(33,151)**	**48,742**
- Income tax expense / (credit) - current	(22,521)	22,521	-
- Income tax expense / (credit) - deferred	-	(13,404)	(13,404)
Decrease in expenses - after tax	**59,372**	**(24,034)**	**35,338**

Note 22. Employee benefits

a) Current liabilities

	2020 $	2019 $
Provision for annual leave	64,660	24,157
Provision for long service leave	62,203	56,252
	126,863	**80,409**

b) Non-current liabilities

	2020 $	2019 $
Provision for long service leave	13,888	7,802
	13,888	**7,802**

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.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Note 23. Issued Capital

a) Issued capital

	2020 Number	2020 $	2019 Number	2019 $
Ordinary shares - fully paid	1,400,009	1,400,009	1,400,009	1,400,009
Less: return of capital	-	(490,000)	-	(350,000)
Less: equity raising costs	-	(41,607)	-	(41,607)
	1,400,009	868,402	1,400,009	1,008,402

$140,000 (2019: $140,000) Capital reduction paid back to shareholders in November 2019.

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 217. As at the date of this report, the company had 243 shareholders (2019: 247 shareholders).

Note 23. Issued Capital (continued)

b) Rights attached to issued capital (continued)

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 24. Accumulated losses

	Note	2020 $	2019 $
Balance at beginning of reporting period		(441,022)	(563,292)
Adjustment for transition to AASB 16	3d)	(76,543)	-
Net profit after tax from ordinary activities		238,029	122,270
Balance at end of reporting period		**(279,536)**	**(441,022)**

Note 25. Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	238,029	122,270
Adjustments for:		
- Depreciation	66,537	17,134
- Amortisation	13,184	14,550
- (Profit)/loss on disposal of non-current assets	-	(7,727)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(22,917)	(20,779)
- (Increase)/decrease in other assets	77,832	35,009
- Increase/(decrease) in trade and other payables	(53,033)	(1,062)
- Increase/(decrease) in employee benefits	52,540	(15,430)
Net cash flows provided by operating activities	**272,172**	**143,965**

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	141,561	110,593
Cash and cash equivalents	13	443,576	296,199
		585,137	**406,792**
Financial liabilities			
Trade and other payables	19	44,604	119,513
Chattel Mortgage	20	-	33,132
Lease liabilities	21	309,243	-
		353,847	**152,645**

Note 27. Auditor's remuneration

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

	2020 $	2019 $
Audit and review services		
Audit and review of financial statements	4,800	4,600
	4,800	**4,600**
Non audit services		
Taxation advice and tax compliance services	-	500
General advisory services	3,540	2,230
Share registry services	3,256	3,431
	6,796	**6,161**
Total auditor's remuneration	**11,596**	**10.761**

Note 28. Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Robert Francis Houwen	Wayne John Clarkson
Paul James Adam	Harold Mc Cashney
Gary Bruce Clark	Renaye Ellen Stokes
Emma McNerney	Kimberly James Stokes

Note 28. Related parties (continued)

b) Key management personnel compensation

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

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

c) Related party transactions

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

	2020 $	2019 $
Transactions with related parties		
- Paul James Adam has provided the company with secretarial and bookkeeping services. The total benefit received was:	3,592	10,546
- R.L. Mitoke Pty Ltd, of which Robert Francis Houwen is a director, is the landlord of the branch premises at 79 Forrest Street. The total benefit received was:	69,073	66,873
- Wayne John Clarkson a qualified Insurance broker supplied employers liability insurance policy and also key person insurance policy for the Branch Manager. The total benefit received was:	1,597	1,903
- Renaye Ellen Stokes received payment for her time and expenses providing services as the Company Secretary. The total benefit received was:	-	1,803
- Event and project company It's All Sorted, of which Emma McNerney is an Owner/Manager provided services in the period. The total benefit received was:	-	5,150
Total transactions with related parties	**74,263**	**86,275**

Note 29. Earnings per share

a) Basic and diluted earnings per share

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

	2020 $	2019 $
Profit attributable to ordinary shareholders	239,029	122,270

	Number	Number
Weighted-average number of ordinary shares	1,400,009	1,400,009

	Cents	Cents
Basic and diluted earnings per share	17.00	8.73

Note 30. Commitments

a) Lease commitments

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

	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	-	66,873
- between 12 months and 5 years	-	267,491
Minimum lease payments payable	-	**334,364**
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	-	15,064
- between 12 months and 5 years	-	20,086
Minimum lease payments	-	**35,150**
Less future finance charges	-	(2,018)
Present value of minimum lease payments	-	**33,132**

b) Other commitments

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

Note 31. Contingencies

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

Note 32. 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.

Directors' declaration

In accordance with a resolution of the directors of Midwest 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.

Robert Francis Houwen,

Chairman

Dates this 28th day of August 2020

Independent audit report

Partners in success
Chartered Accountants

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

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Midwest 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.

What we have audited

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

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ 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* (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.

Independent audit report (continued)

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 August 2020

Joshua Griffin
Lead Auditor

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Bendigo Bank

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