Annual Report 2020

Mission Beach Community Enterprises Limited

Community Bank Mission Beach

ABN 15 129 575 560

Contents

Chair's report

For year ending 30 June 2020

This past 2019/20 financial year has seen unprecedented times due to the COVID-19 pandemic. We are fortunate our business model has still managed to generate a profit during these uncertain economic times.

Our Branch Manager, Rosie Harris has remained dedicated and focused during the past year. Rosie has been working hard to further grow our business in the local area while also working on her own professional development within the business.

Our branch has managed to post some positive financial results for the financial year ended 30 June 2020, despite the challenges faced. The 2019/20 year saw after tax profit of $9,673. This is a decrease of 80% on our previous year after tax profit of $47,571. This result has been predominantly due to a decrease in our revenue, a lot of which can be attributed to loan pay downs as a result of the various settlements throughout the year of properties in the area to the Mayfair 101 group. This has also affected our growth for the year. It has remained stagnant as not enough new business has been written throughout the year to counteract the multitude of lending pay downs.

Our positive financial result has allowed us to declare a dividend once again to be paid to our shareholders of .01 cent per share. Although a modest return, the Board feels that to be able to still pay a dividend given the current economic climate is testament to the resilience of our business model. The Board will again be striving to increase returns to our shareholders in the coming financial year.

I would like to highlight how far our Community Bank has come in the last ten years. You can see in Table 1 that our revenue has continued an upward trend along with our Result after income tax (with the only exception being the past financial year). Expenses have remained quite constant over the past 10 years.

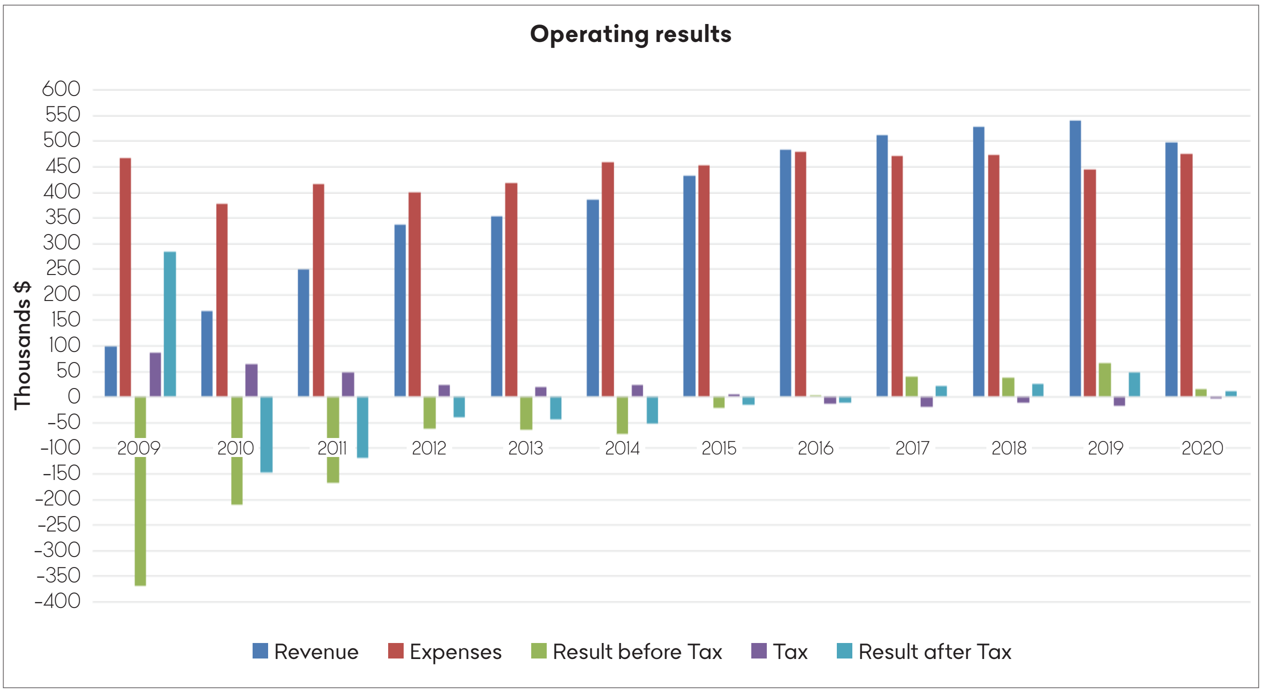

Table 1

We again send a special thank you to our branch team for their wonderful customer service. The Board has this year had many instances where we have received really positive feedback regarding our team going the extra mile to assist our customers.

To our fantastic volunteer Board members throughout the year of Leah Mangano, Cate Heys, Neil Gabiola, Gurbindar Singh, Kate Hatten and Richard Giullany. I sincerely thank you for your invaluable contribution to our Board and for giving up your time for the benefit of our local community.

We must also thank our franchise partner Bendigo and Adelaide Bank Limited. The Community Bank concept is one which is unique and provides us with a real point of difference from the other major banks. The model allows us to reward not only our shareholders but also our community with our success. I once again call to all shareholders and the wider community that if you don't already bank with us then please consider doing so and your banking will have a direct impact on the benefits that our beautiful community can receive from us.

Looking forward to another positive year for both our bank and our local community.

Kelly Cavallaro
Chair
Mission Beach Community Bank Branch

Manager’s report

For year ending 30 June 2020

To say the past 12 months have been an interesting time would be an understatement. Between staff changes, a global pandemic and the twists and turns life throws at you, we have still been able to rise above and overcome many of the obstacles thrown our way.

With all the restrictions put in place due to COVID-19, we have been very successful in assisting our customer’s through the pandemic by offering loan and credit card repayment grace periods as well as educating our customers on our internet banking platforms and the benefits of debit cards while ensuring their safety and security as our utmost priority.

We have had to implement social distancing measures in the branch so our customers can continue to come in to do banking and our staff can remain healthy and be able to help our customers. These restrictions have not stopped us from identifying business opportunities and the multiple government incentives have seen an increase in our lending applications.

We are doing our best to grow with the times and not allowing COVID-19 to stop us from giving our customer’s the standard of excellent customer service they have become accustomed to.

My staff and I are trying our best to grow our business and help this business and our community prosper, however, we do require your (the shareholders) help. As you may be aware our share registry system was taken over by AFS as of December 2019 who require your updated information. There is a new form to be completed which you should have recently received via email. This form can be completed either on the share registry online platform by registering for Registry Direct, or in branch. Please contact our staff if you require any assistance, as we would love to see you rewarded for your loyalty and patience.

As stated previously, this year has seen some ups and downs. Some of the ups I would like to highlight are the school reading program implemented with Mission Beach State School prep classes. For one hour a week a staff member would attend the school and practice reading one-on-one with a member of the class. We have had to postpone due to COVID-19 but are very eager to get back out in the community.

We are also pleased to introduce our new Customer Relationship Officer, Stefanie Raiti and our new Customer Service Officer, Emily Kelly.

Stefanie is well-known in the local community due to owning the local florist before joining the Bendigo Bank team. Before coming to Mission Beach, Stef was employed at the Community Bank Cardwell & District and understands the importance of contributing locally. Prior to opening her own business, Stef had five years banking experience and has brought a wealth of knowledge to her role and to the team.

Emily has lived in the area for four years and has been able to bring a fresh prospective to the branch. Emily has really taken on the role in full force and is always happy to assist our customer in whatever way she is able.

On top of new faces in the branch, Bendigo Bank itself has had a brand refresh. This has been an exciting change to the company and been able to give a new life to our team and products that we are very excited to offer to our customers and community.

Manager's report (continued)

We are pleased to have been able to welcome several new customers that have come to us from local advocates within our community, for whom we are very grateful.

With Bendigo Bank being the Better Big Bank, we look forward to what the next financial year has in store and are excited to continue supporting this community and having the support reciprocated.

Thank you to the Board of Directors who all volunteer their time and expertise in keeping the business running well and ensuring we are able to return profits back to our local community.

Rosie Harris
Branch Manager
Mission Beach Community Bank Branch

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 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 report of the company for the financial year ended 30 June 2020.

Directors

The following persons were Directors of Mission Beach Community Enterprises Limited during or since the end of the financial year up to the date of this report:

Kelly Cavallaro

Accountant and Director of KLP Taxation Pty Ltd. Kelly is a member of the Institute of Public Accountants with over 15 years' experience in both public practice and corporate accounting roles. Originally growing up in Stawell in country Victoria, Kelly relocated to the Sunshine coast where she began her career in an accounting practice. She studied her Bachelor's Degree externally through the University of Southern Queensland. During her career Kelly spent some time in Mount Isa where she met her husband, and then relocated to Mission Beach to start a family and her own practice KLP Taxation. Kelly has successfully ran her own practice for the past 11 years and is well known in the Mission Beach area. She is actively involved in many community groups including the Mission Beach Junior Australian Football Club. Kelly brings a wealth of knowledge to the Board in the field of Accounting and Finance and is looking forward to the challenges and rewards her term on the board will bring.

Neil Gabiola

As the son of a local cane farming family Neil grew up and went to school in the Tully and Mission Beach area. He completed a boiler making apprenticeship at Tully sugar mill before working in the mining and boatbuilding industries . Neil returned to the area to take a position at the Kareeya Hydro power station in the Tully Gorge. Neil and his family live at Mission Beach.

Leah Mangano

Solicitor and Principal Director of Ross Mangano Solicitors Pty Ltd. Leah grew up in Mission Beach and attended local schools before attending University where she obtained her Bachelor of Laws and later, her Master of Laws. Leah, together with her father Ross Mangano, enjoy a busy local law firm servicing the Cassowary Coast and beyond. Leah is involved in several local not for profit organisations, including her role as an ongoing member of the Tigers Leagues Club Board Committee. Leah's professional skills, together with her keen interest to see our local area to thrive and be enjoyed by those who both live in and visit the region, make her an asset to the Board. Leah and her husband Stephen live on their cane farm in Tully.

Directors (continued)

Gurbindar Singh

Gurbindar is a results-focused executive who has extensive experience in managing finances and brings experience from customer interactions, exposure to information technology and management expertise to aid decision-making processes. He is a Certified Practicing Accountant with qualifications including a Bachelor of Arts degree (Accounting and Financial Management, Information Services) and a Master of Business Administration. After commencing his accounting career in a financial institution in Fiji, Gurbindar and his family emigrated to Australia. He has subsequently held various roles within the Queensland Local Government sector and is currently Chief Financial Officer at Cassowary Coast Regional Council. He is a member of Local Government Managers Australia (Queensland) and is Secretary of the Cassowary Coast River Improvement Trust. Gurbindar and his family live at Mission Beach and are active in the local school and sporting communities.

Cate Heys

Cate has a wide range of management and leadership experience in both the UK and Australia. An MBA graduate and a graduate of the AICD she semi-retired to MB in 2016 and has become involved in the community in a number of roles including President of Mission Arts. Before retiring Cate held senior federal government roles in the NT including State Manager for various departments and was a Board Member for the RSPCA.

Richard Giullany

(Appointed 30 January 2020)

Richard has been retired for the last six plus years. He is a member of the Institute of Internal Auditors and the Australian Institute of Company Directors. Richard's formal qualifications include an Undergraduate Diploma in Accounting and a Post Graduate Masters of Business Administration degree. Richard started his professional life in Sydney in Management Accounting over 50 years ago. He moved to Far North Qld in 1972 and worked as Chief Accountant for and Agricultural Co-operative (NQTGA) and as Chief Accountant for NQEA in Cairns. In 1978, Richard became self employed running two service stations and a mechanical workshop for eleven years. Richard then retired momentarily before returning to work professionally in 1992 for a firm of Chartered Accountants for 5 years. He was then employed as an Accountant for the then Johnson Shire Council for another five years before moving on as Business Manager for the Parish of Innisfail for the next four years. Richard finished his professional Career as Corporate Services Team Leader and Company Secretary for Terrain (and environment NGO) for an 18 month contract. While working professionally, Richard was also the Owner/Licensee for two very successful Childcare Centres in Cairns and Mission Beach. Richard has since retired from full time work. Richard has a long history with MBCEL, he was chair of the first meeting of interest locals for starting a Community Bank in Mission Beach back in July of 2005. From there he became a member of the original Steering Group Committee in 2007/08 and was one of the inaugural Directors of MBCEL. Richard has been actively involved in a variety of community groups in the Mission Beach area for many years.

Kate Hatten

(Appointed 28 May 2020)

Kate Hatten is a passionate marketing, communication, business and regional development professional with a demonstrated history of working with global brands, business and local government. Kate is skilled in community engagement, business, industry and regional development, strategic development and communications. Kate holds a Bachelor of Arts (B.A.) focused on Communication and Related Programs from Griffith University, Diploma of Business focused on Tourism and currently studying an MBA focused on innovation and entrepreneurship. Kate was fortunate to have grown up in Mission Beach and has returned to the region she loves. In her spare time, Kate enjoys spending time either out on the water or exploring the surrounding national parks with her partner and two young children.

Directors (continued)

Judith Giddings

(Resigned 25 July 2020)

Judith relocated to Mission Beach in January 2012 from the Gold Coast with her husband who is a local tradesman. Born and raised in Sydney where she completed her high school education and University Master's degree in Law. After leaving the legal field she started her banking career in Southern NSW town of Vincentia in 1998, where she lived for many years with her two daughters before taking a transfer to the Gold Coast, has been involved with many Community Groups over the years, from local cricket club to P & C with daughters' school. Judith started working in Bendigo Bank Innisfail and then in Tully before Mission Beach. Judith has 20 years of banking experience from being a teller to manager over the years. Just recently becoming involved with few local community groups and looking forward to doing more in the community, with her husband. Judith and her husband have settled in Mission Beach and purchased property and looking forward to their retirement in years to come in the beautiful place we call home.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings	
	A	B
Kelly Cavallaro	11	10
Neil Gabiola	11	8
Leah Mangano	11	10
Gurbindar Singh	11	8
Cate Heys	11	8
Richard Giullany (Appointed 30 January 2020)	5	5
Kate Hatten (Appointed 28 May 2020)	1	1

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Company Secretary

Neil Gabiola has been the Company Secretary of Mission Beach Community Enterprises Limited since 2019. Neil is assisted in his role by Renee Richards, a paid secretary.

Principal activities

The principal activities of the company during the course of the financial year were in providing Community Bank branch services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit of the company for the financial year after provision for income tax was $9,673 (2019 profit: $47,571), which is a 79.7% decrease as compared with the previous year.

This decrease in profits is generally due to a reduced revenue amount for the period.

New Accounting Standards Implemented

The Company has implemented a new accounting standard that is applicable for the current reporting period.

AASB 16: Leases has been applied retrospectively using the modified cumulative approach, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

COVID-19 Impact on Operations

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary interventions to stabilise economic conditions.

The Company has determined that these events have not required any specific adjustments within the financial report. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as any impact on the financial position and results of the Company for future periods.

Dividends

A fully franked final dividend of 3 cents per share was declared and paid during the year for the year ended 30 June 2019. No dividend has been declared or paid for the year ended 30 June 2020 as yet.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Mission Beach on 24 September 2020.

Kelly Cavallaro
Director

Auditor's independence declaration

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Bendigo, Victoria
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Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Mission Beach Community Enterprises Limited

In accordance with Section 307C of the *Corporations Act 2001,* I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

(i) The auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSD Audit

P. P. Delahunty
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 29 September 2020

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 85 619 186 908
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue	2	496,297	539,248
Expenses			
Employee benefits expense	3	(267,452)	(257,994)
Depreciation and amortisation	3	(75,304)	(27,304)
Finance costs	3	(8,686)	(2,347)
Bad and doubtful debts expense	3	(4,192)	(678)
Administration and general costs		(69,684)	(71,093)
Occupancy expenses		(21,351)	(57,175)
IT expenses		(16,281)	(17,281)
Other expenses		(10,916)	(10,549)
		(473,866)	**(444,421)**
Operating profit before charitable donations and sponsorship		**22,431**	**94,827**
Charitable donations and sponsorship		(8,427)	(29,212)
Profit before income tax		**14,004**	**65,615**
Income tax expense	4	(4,331)	(18,044)
Profit for the year after income tax		**9,673**	**47,571**
Other comprehensive income		-	-
Total comprehensive income for the year		**9,673**	**47,571**
Profit attributable to members of the company		9,673	47,571
Total comprehensive income attributable to members of the company		**9,673**	**47,571**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	18	1.11	5.44

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	5	154	9,748
Trade and other receivables	6	13,951	9,411
Financial assets	7	8,438	-
Other assets	8	6,054	5,956
Total current assets		**28,597**	**25,115**
Non-current assets			
Property, plant and equipment	9	191,198	109,795
Intangible assets	10	39,665	52,888
Deferred tax assets	4	199,163	203,495
Total non-current assets		**430,026**	**366,178**
Total assets		**458,623**	**391,293**
Liabilities			
Current liabilities			
Trade and other payables	12	23,504	29,009
Borrowings	13	100,046	101,075
Leases	14	34,020	-
Total current liabilities		**157,570**	**130,084**
Non-current liabilities			
Trade and other payables	12	30,863	47,353
Borrowings	13	9,417	13,280
Leases	14	76,774	-
Total non-current liabilities		**117,054**	**60,633**
Total liabilities		**274,624**	**190,717**
Net assets		**183,999**	**200,576**
Equity			
Issued capital	15	856,704	856,704
Accumulated losses	16	(672,705)	(656,128)
Total equity		**183,999**	**200,576**

The accompanying notes form part of these financial statements.

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

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2019		856,704	(656,128)	200,576
Comprehensive income for the year				
Profit for the year		-	9,673	9,673
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(26,250)	(26,250)
Balance at 30 June 2020		**856,704**	**(672,705)**	**183,999**
Balance at 1 July 2018		856,704	(686,199)	170,505
Comprehensive income for the year				
Profit for the year		-	47,571	47,571
Transactions with owners in their capacity as owners				
Dividends paid or provided	17	-	(17,500)	(17,500)
Balance at 30 June 2019		**856,704**	**(656,128)**	**200,576**

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		491,591	552,739
Payments to suppliers and employees		(403,555)	(469,107)
Interest paid		(8,686)	-
Interest received		166	153
Net cash flows provided by operating activities	**19b**	**79,516**	**83,785**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,350)	(2,974)
Purchase of investments		(8,438)	-
Purchase of intangible assets		(16,841)	-
Net cash flows used in investing activities		**(26,629)**	**(2,974)**
Cash flows from financing activities			
Repayment of borrowings		(3,668)	(5,567)
Repayment of lease liabilities		(31,339)	-
Dividends paid		(26,250)	(17,500)
Net cash flows used in financing activities		**(61,257)**	**(23,067)**
Net increase/(decrease) in cash held		**(8,370)**	**57,744**
Cash and cash equivalents at beginning of financial year		(87,684)	(145,428)
Cash and cash equivalents at end of financial year	**19a**	**(96,054)**	**(87,684)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2020

These financial statements and notes represent those of Mission Beach Community Enterprises Limited (the Company) as an individual entity.

Mission Beach Community Enterprises Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 24 September 2020.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Economic dependency

The Company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank branch at Mission Beach.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The Company manages the Community Bank branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the Community Bank branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, 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 and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank branch 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 in relation to:

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branch;
- Training for the Branch Managers 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; and
- Sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's recoverable amount exceeds its carrying amount.

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(d) Comparative figures

When required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(e) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Fair value assessment of non-current physical assets</u>

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

<u>Employee benefits provision</u>

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

<u>Income tax</u>

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

<u>Impairment</u>

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Note 1. Summary of significant accounting policies (continued)

(f) New and revised standards that are effective for these financial statements

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2019. Note that the changes in accounting policies specified below ONLY apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2019 are the relevant policies for the purposes of comparatives.

AASB 16 Leases became mandatorily effective on 1 January 2019. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 16 Leases

AASB 16 Leases replaces AASB 117 Leases and three associated Interpretations. The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated, as permitted under the specific transition provisions in the standard.

For contracts in place at the date of initial application, as permitted under the specific transition provisions in the standard, the Company has elected to apply the definition of a lease from AASB 117 and relevant associated interpretations, and has not applied AASB 16 to arrangements that were previously not identified as a lease under AASB 117 and associated interpretations. This means that any contracts that were deemed to not contain a lease under AASB 117 have not been reassessed under AASB 16.

The Company has also elected to not include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. Furthermore, at this date, the Company has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value-assets (less than $10,000) the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 4.79%.

The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019.

	$
Total operating lease commitments disclosed at 30 June 2019	159,340
Operating lease liabilities before discounting	**159,340**
Lease liability discounted using incremental borrowing rate at date of initial application (1 July 19)	146,393
Lease liability as at 1 July 2019	146,393
Represented by:	
Current lease liabilities	32,337
Non-current lease liabilities	114,056
	146,393

Note 1. Summary of significant accounting policies (continued)

(f) New and revised standards that are effective for these financial statements (continued)

AASB 16 Leases (continued)

Adjustments recognised in the balance sheet on 1 July 2019

The recognised right-of-use assets relate to the following types of assets:

	30 June 2020 $	1 July 2019 $
Properties	107,325	146,393
Total right-of-use assets	**107,325**	**146,393**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

Balance sheet item	Effect	Amount $
Property, plant and equipment	Increase	146,393
Lease liabilities	Increase	146,393

(g) Change in accounting policies

Accounting policy applicable from 1 July 2019

The Company as a lessee

For any new contracts entered into on or after 1 July 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net any incentives received).

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or to the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Note 1. Summary of significant accounting policies (continued)

(g) Change in accounting policies (continued)

Accounting policy applicable from 1 July 2019 (continued)

Measurement and recognition of leases as a lessee (continued)

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in borrowings.

Accounting policy applicable before 1 July 2019

The Company as a lessee

- Finance leases

  Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

  For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

  See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

- Operating leases

  All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Impact of standards issued but not yet applied by the entity

AASB 17 Insurance Contracts

AASB 17 was issued in July 2017 as replacement for AASB 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under AASB 9.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. As the company does not issue any insurance contracts or investment contracts with discretionary participation features, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

AASB 1059 Service Concession Arrangements: Grantors

The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector entity for a specified period of time and managing at least some of those services.

As the company is not a grantor in a service concession arrangement, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

Note 2. Revenue

	2020 $	2019 $
Revenue		
- service commissions	496,131	536,595
	496,131	**536,595**
Other revenue		
- interest received	166	153
- other revenue	-	2,500
	166	**2,653**
Total revenue	**496,297**	**539,248**

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Interest and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

Other revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days notice is given. The core banking products, as at the end of the financial year included:

Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Commission

Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income

Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank Limited, including fees for loan applications and account transactions.

Note 2. Revenue (continued)

Fee Income (continued)

Discretionary Financial Contributions

Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes; economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes, may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adelaide Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so.

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;

b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and

c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

Note 3. Expenses

	2020 $	2019 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	201,664	187,841
- superannuation costs	20,048	19,827
- other costs	45,740	50,326
	267,452	**257,994**

Note 3. Expenses (continued)

	2020 $	2019 $
Profit before income tax includes the following specific expenses: (continued)		
Depreciation and amortisation		
Depreciation		
- Right of Use Asset	34,808	-
- leasehold improvements	17,004	2,944
- plant and equipment	1,854	2,723
- motor vehicles	8,415	8,414
	62,081	**14,081**
Amortisation		
- franchise fees	2,204	2,204
- establishment costs	11,019	11,019
Total depreciation and amortisation	**75,304**	**27,304**
Finance costs		
- Interest paid	2,557	2,347
Bad and doubtful debts expenses	4,192	678
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,400	4,130
	5,400	**4,130**

Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Depreciation

The depreciable amount of all fixed assets, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Right of Use Asset	24%	Straight Line
Leasehold improvements	3%	Straight Line
Plant and equipment	4%-25%	Straight Line
Motor vehicles	33%	Straight Line
Franchise Fees	20%	Straight Line

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Note 3. Expenses (continued)

Gains/losses upon disposal of non-current assets

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 4. Income tax

	2020 $	2019 $
a. The components of tax expense comprise:		
Current tax expense	4,778	15,280
Deferred tax expense	4,331	18,044
Recoupment of prior year tax losses	(4,778)	(15,280)
	4,331	**18,044**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2019: 27.5%)	3,851	18,044
Income tax attributable to the entity	**3,851**	**18,044**
The applicable weighted average effective tax rate is:	30.93%	27.50%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Current tax	4,778	15,280
Recoupment of PY tax losses	(4,778)	(15,280)
	-	**-**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Property, plant & equipment	954	-
Accruals	-	480
Unused tax losses	199,874	204,653
	200,828	**205,133**
Deferred tax liabilities comprise:		
Prepayments	1,665	1,638
	1,665	**1,638**
Net deferred tax asset	**199,163**	**203,495**
Total carried forward tax losses not recognised as deferred tax assets:	-	-
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	4,305	17,460
(Decrease) / increase in deferred tax liabilities	(27)	584

Note 4. Income tax (continued)

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities/assets are measured at the amounts expected to be paid to/recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; and
- the initial recognition of an asset or liability in a transaction which:
    - is not a business combination; and
    - at the time of the transaction, affects nether accounting profit nor taxable profit (tax loss).

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Current tax assets and liabilities are offset where a legally enforceable right of off-set exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

Note 5. Cash and cash equivalents

	2020 $	2019 $
Cash at bank and on hand	154	9,748
	154	**9,748**

Cash and cash equivalents include cash on hand. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

Note 6. Trade and other receivables

	2020 $	2019 $
Current		
Trade receivables	13,951	9,411
	13,951	**9,411**

Trade and other receivables are initially measured at the transaction price. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

The Company's main debtor relates to the Bendigo and Adelaide Bank Limited monthly profit share distribution, which is deposited 14 days post month end, there is no items that require the application of the lifetime expected credit loss model.

Note 6. Trade and other receivables (continued)

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current and forecast directions of conditions at the reporting date.

There has been change in the estimation techniques or significant assumptions made during the current reporting period.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2020						
Trade receivables	13,951	13,951	-	-	-	-
Total	**13,951**	**13,951**	**-**	**-**	**-**	**-**
2019						
Trade receivables	9,411	9,411	-	-	-	-
Total	**9,411**	**9,411**	**-**	**-**	**-**	**-**

Note 7. Financial assets

	2020 $	2019 $
Amortised cost		
Term deposits	8,438	-
	8,438	**-**

The effective interest rate on the bank deposit was 1% (2019: Nil). This deposit has a term of 12 months, maturing on 23 June 2021.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:

- amortised cost

(b) Measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

Note 7. Financial assets (continued)

(b) Measurement of financial assets (continued)

Financial assets at amortised cost (continued)

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

Note 8. Other assets

	2020 $	2019 $
Prepayments	6,054	5,956
	6,054	**5,956**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

Note 9. Property, plant and equipment

	2020 $			2019 $		
	At cost / valuation	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Right of Use Asset	142,133	(34,808)	107,325	-	-	-
Leasehold improvements - at cost	117,757	(48,093)	69,664	117,757	(71,066)	46,691
Plant and equipment - at cost	83,601	(72,919)	10,682	82,251	(31,090)	51,161
Motor vehicles - at cost	25,244	(21,717)	3,527	25,244	(13,301)	11,943
Total property, plant and equipment	**368,735**	**(177,537)**	**191,198**	**225,252**	**(115,457)**	**109,795**

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Note 9. Property, plant and equipment (continued)

Leased assets

As described in Note 1(h), the Company has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 17.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2020 (2019: None)

(b) Movements in carrying amounts of PP&E

2020	Right of Use Assets $	Leasehold Improvements $	Plant & Equipment $	Motor Vehicles $	Total $
Opening carrying value	-	46,691	51,161	11,943	109,795
Adjustment for adoption of AASB 16	142,133	-	-	-	-
Restated opening net book amount	**142,133**	**46,691**	**51,161**	**11,943**	**251,928**
Additions	-	-	1,350	-	1,350
Depreciation	(34,808)	(17,004)	(1,854)	(8,415)	(62,081)
Closing carrying value	**107,325**	**29,687**	**50,657**	**3,528**	**191,197**

2019	Right of Use Assets $	Leasehold Improvements $	Plant & Equipment $	Motor Vehicles $	Total $
Opening carrying value	-	89,611	13,908	20,357	123,876
Depreciation	-	(2,943)	(2,723)	(8,414)	(14,080)
Closing carrying value	**-**	**86,668**	**11,185**	**11,943**	**109,796**

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	2020 $
Leased Assets	142,133
Accumulated Depreciation	(34,808)
Total right-of-use assets	**107,325**

(c) Right of use assets

The Company's lease portfolio includes buildings, plant and equipment.

Options to extend or terminate

The option to extend or terminate are contained in the property lease of the Company. All extension or termination options are only exercisable by the Company. The extension options or termination options which were probable to be exercised have been included in the calculation of the Right of use asset.

Note 9. Property, plant and equipment (continued)

(c) Right of use assets (continued)

Options to extend or terminate (continued)

(i) AASB 16 related amounts recognised in the statement of financial position

	Leased Building $	Total Right of use asset $
Leased Asset	142,133	142,133
Accumulated depreciation	(34,808)	(34,808)
	107,325	**107,325**

Movements in carrying amounts:

	Leased Building $	Total Right of use asset $
Recognised on initial application of AASB 16		
- previously classified as operating leases	142,133	142,133
Depreciation expense	(34,808)	(34,808)
Net carrying amount	**107,325**	**107,325**

(ii) AASB 16 related amounts recognised in the statement of profit or loss

	2020 $
Depreciation charge related to right-of-use assets	34,808
Interest expense on lease liabilities	6,129
Total cash outflows for leases	**40,937**

Note 10. Intangible assets

	2020 $			2019 $		
	At cost / valuation	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	11,018	(4,408)	6,610	11,018	(2,204)	8,814
Establishment costs	55,093	(22,038)	33,055	55,093	(11,019)	44,074
Total intangible assets	**66,111**	**(26,446)**	**39,665**	**66,111**	**(13,223)**	**52,888**

Franchise fees and establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

Note 10. Intangible assets (continued)

Movements in carrying amounts

2020	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	8,814	-	(2,204)	6,610
Establishment costs	44,074	-	(11,019)	33,055
Total intangible assets	**52,888**	**-**	**(13,223)**	**39,665**

2019	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	-	11,018	(2,204)	8,814
Establishment costs	-	55,093	(11,019)	44,074
Total intangible assets	**-**	**66,111**	**(13,223)**	**52,888**

Note 11. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

Note 12. Trade and other payables

	2020 $	2019 $
Current		
Unsecured liabilities:		
Trade creditors	1,873	4,338
Franchise Fee Payable	15,433	15,784
Other creditors and accruals	6,198	8,887
	23,504	**29,009**
Non Current		
Unsecured liabilities:		
Franchise Fee Payable	30,863	47,353
	30,863	**47,353**

Note 12. Trade and other payables (continued)

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

The average credit period on trade and other payables is one month.

Note 13. Borrowings

	2020 $	2019 $
Current		
Unsecured liabilities		
Bank overdraft	96,208	97,432
Secured liabilities		
Bank loan	3,838	3,643
	100,046	**101,075**
Non-current		
Secured liabilities		
Bank loan	9,417	13,280
	9,417	**13,280**
Total borrowings	**109,463**	**114,355**

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Finance Leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guarenteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

(a) Bank overdraft and bank loans

The company has an overdraft facility of $200,000 which is subject to normal commercial terms and conditions.

Note 14. Leases

	2020 $	2019 $
Current		
Property Leases	34,020	-
	34,020	**-**
Non-current		
Property Leases	76,774	-
	76,774	**-**
Total leases	**110,794**	**-**

The Company has leases for property. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as a lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 9)

Note 14. Leases (continued)

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant & equipment and incur maintenance fees on such items in accordance with the lease contracts.

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2020 were as follows:

	Minimum lease payments due				
	Within 1 year $	1-2 Years $	3-5 years $	After 5 years $	Total $
30 June 2020					
Lease payments	38,592	39,750	40,952	-	119,294
Finance charges	(4,572)	(2,881)	(1,049)	-	(8,502)
Net present values	**34,020**	**36,869**	**39,903**	**-**	**110,792**
30 June 2019					
Lease payments	-	-	-	-	-
Finance charges	-	-	-	-	-
Net present values	**-**	**-**	**-**	**-**	**-**

Note 15. Share capital

	2020 $	2019 $
875,000 Ordinary shares fully paid	875,000	875,000
Less: Equity raising costs	(18,296)	(18,296)
	856,704	**856,704**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(a) Movements in share capital

Fully paid ordinary shares:

At the beginning of the reporting period	875,000	875,000
At the end of the reporting period	**875,000**	**875,000**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

Note 15. Share capital (continued)

(b) 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 dividends 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.

(i) 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 Franchisee over that 12 month period; and

(ii) 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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

Note 16. Accumulated losses

	2020 $	2019 $
Balance at the beginning of the reporting period	(656,128)	(686,199)
Profit for the year after income tax	9,673	47,571
Dividends paid	(26,250)	(17,500)
Balance at the end of the reporting period	**(672,705)**	**(656,128)**

Note 17. Dividends paid or provided for on ordinary shares

	2020 $	2019 $
Dividends paid or provided for during the year		
Fully franked ordinary dividend of 3 cents per share (2019: 2 cents) franked at the tax rate of 27.5% (2019: 27.5%).	26,250	17,500

A provision is made for the amount of any dividends declared, authorised and no longer payable at the discretion of the entity on or before the end of the financial year, but not distributed at balance date.

Note 18. Earnings per share

	2020 $	2019 $
Basic earnings per share (cents)	1.11	5.44
Earnings used in calculating basic earnings per share	9,673	47,571
Weighted average number of ordinary shares used in calculating basic earnings per share	875,000	875,000

Note 18. Earnings per share (continued)

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

Note 19. Statement of cash flows

	2020 $	2019 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	154	9,748
Less bank overdraft (Note 13)	(96,208)	(97,432)
As per the Statement of Cash Flow	**(96,054)**	**(87,684)**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	9,673	47,571
Non-cash flows in profit		
- Depreciation and amortisation	75,304	27,304
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	(4,540)	13,644
- (increase) / decrease in prepayments and other assets	(98)	(2,125)
- (Increase) / decrease in deferred tax asset	4,331	18,044
- Increase / (decrease) in trade and other payables	(5,154)	(18,713)
- Increase / (decrease) in provisions	-	(1,940)
Net cash flows from operating activities	**79,516**	**83,785**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to $200,000 (2019: $350,000). This may be terminated at any time at the option of the bank. At 30 June 2020, $96,208 of this facility was used (2019: $97,432). Variable interest rates apply to these overdraft and bill facilities.

(d) Changes in Liabilities arising from Financing Activities.

	1-Jul-19 $	Cash Flows $	Initial application of AASB 16 $	30-Jun-20 $
Borrowings	97,432	(1,224)	-	96,208
Lease liabilities	-	-	110,794	110,794
Total	**97,432**	**(1,224)**	**110,794**	**207,002**

Note 20. Key management personnel and related party disclosures

(a) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(b) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

During the year, there was no transactions with related parties to the Directors.

Mission Beach Community Enterprises Limited have not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch.

(c) Key management personnel shareholdings

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(d) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

Note 21. Events after the reporting period

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 22. Contingent liabilities and contingent assets

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

Note 23. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one area being Mission Beach, Queensland. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2019: 100%).

Note 24. Commitments

(a) Operating lease commitments

	2020 $	2019 $
Payable:		
- no later than 12 months	-	37,559
- between 12 months and five years	-	121,781
Minimum lease payments	**-**	**159,340**

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

Note 25. Company details

The registered office and principal place of business is:
Shop 5, 34-40 Dickinson Street, Wongaling Beach QLD 4852.

Note 26. Financial instrument risk

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 9 Financial Instruments as detailed in the accounting policies are as follows:

	Note	2020 $	2019 $
Financial assets			
Financial assets at amortised cost:			
- Cash and cash equivalents	5	154	9,748
- Trade and other receivables	6	13,951	9,411
		14,105	**19,159**
Investments designated as fair value through other comprehensive income:			
- Unlisted investments	7	8,438	-
		8,438	**-**
Total financial assets		**22,543**	**19,159**
Financial liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	12	23,504	29,009
- Borrowings	13	13,255	16,923
- Lease Liabilities	14	110,794	-
- Bank overdraft	13	96,208	97,432
Total financial liabilities		**243,761**	**143,364**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above..

Note 26. Financial instrument risk (continued)

(a) Credit risk (continued)

Credit risk exposures (continued)

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 6.

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited and therefore credit risk is considered minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition the company has established an overdraft facility of $200,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is $103,792 (2019: $252,658).

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice. Therefore the balance of the overdraft facility outstanding at year end could become repayable within 12 months.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2020	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
- Cash and cash equivalents	0%	154	154	-	-
- Trade and other receivables		13,951	13,951	-	-
- Unlisted investments	1%	8,438	-	-	-
Total anticipated inflows		**22,543**	**14,105**	**-**	**-**
Financial liabilities					
- Trade and other payables		23,504	23,504	-	-
- Borrowings	1.33%	13,255	3,838	9,417	-
- Lease Liabilities		110,794	34,020	76,774	
- Bank overdraft	6%	96,208	96,208	-	-
Total expected outflows		**243,761**	**157,570**	**86,191**	**-**
Net inflow / (outflow) on financial instruments		**(221,218)**	**(143,465)**	**(86,191)**	**-**

Note 26. Financial instrument risk (continued)

(b) Liquidity risk (continued)

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
- Cash and cash equivalents	2.50%	9,748	9,748	-	-
- Trade and other receivables		9,411	9,411	-	-
Total anticipated inflows		**19,159**	**19,159**	**-**	**-**
Financial liabilities					
- Trade and other payables		29,009	29,009	-	-
- Borrowings	4.66%	114,355	101,075	13,280	-
- Bank overdraft	6.00%	97,432	97,432	-	-
Total expected outflows		**240,796**	**227,516**	**13,280**	**-**
Net inflow / (outflow) on financial instruments		**(221,637)**	**(208,357)**	**(13,280)**	**-**

* The Bank overdraft has no set repayment period and as such all has been included as current.

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are borrowings, fixed interest securities, and cash and cash equivalents.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of +/- 1% in market interest rates from year-end rates.

These movements will not have a material impact on the valuation of the company's financial assets and liabilities, nor will they have a material impact on the results of the company's operations.

Directors’ declaration

In accordance with a resolution of the Directors of Mission Beach Community Enterprises Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 13 to 39 are in accordance with the *Corporations Act 2001* and:

    (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

    (ii) give a true and fair view of the company’s financial position as at 30 June 2020 and of the performance for the year ended on that date;

2. In the Directors’ opinion 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 resolution is made in accordance with a resolution of the Board of Directors.

Kelly Cavallaro
Director

Signed at Mission Beach on 24 September 2020.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MISSION BEACH COMMUNITY ENTERPRISES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Mission Beach Community Enterprises Limited (the Company), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of Mission Beach 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 performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information, 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, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 29 September 2020

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/MissionBeachCommunityBankBranch

Bendigo Bank