Annual Report 2020

North Burnett Community Enterprises Limited

ABN 33 120 578 565

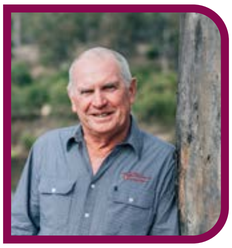
Bendigo Bank

Community Bank Mundubbera

INDEX

Cover photo by Lynette Vicary
Socially distanced but walking forward together

CHAIR'S REPORT



Let me commence my report by saying that the past financial year has been one containing many challenges, the likes of which we have not seen previously. From the commencement of the year with the Board and Staff having a continuous focus on growth and repayment of our indebtedness, to the challenges of maintaining the business operations in the face of Covid-19, it has been the outstanding effort of our Manager Rob and staff, and the input of all Directors to achieve the results I propose to share.

The past year has seen the closure of the Gayndah Agency, owing principally to the ongoing costs of operation and the continued lack of support for our model in the Gayndah community. Operations at the Mundubbera Branch and the Taroom Agency have continued to flourish. The impact of Covid-19 saw a need for many impositions, including the need to control entry of persons to the branch, social distancing, and general alteration of the manner of conducting business as we know it.

Notwithstanding all of this, it is extremely pleasing to report that the footings now sit well in excess of $100 million, our yearly profit before tax rose to $120,162, up from last years result of $67,160, and at the same time we were able to reduce borrowing to a pleasing sum of $134,034, down from the previous year's figure of $270,000. The Company still maintains an overdraft facility of some $75,000, the same as the previous year.

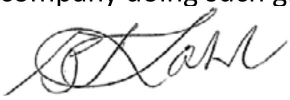
This year's result has enabled the Board to continue to pay a dividend, and for this year a dividend of 1c per share.

Support both financially and by our staff and directors has continued in the usual manner, and special thanks go to all for their efforts in supporting our Company. Our Branch to date has re-invested some $570,000 back into our communities, a not insignificant sum.

On behalf of the Board I would especially thank our Manager Rob and all staff for their ongoing efforts during the past year. We greatly appreciate all you do, especially your diligence in "keeping the doors open" in these difficult months. I am sure all of our clients also are deeply appreciative of the service you have provided.

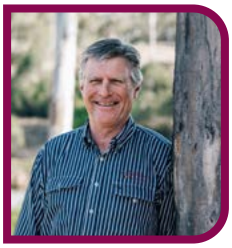
Personally, I commend all my fellow Directors – you give your time freely, and your input and efforts are what makes my job very easy, and is not a small part of what makes our banking operations a success. Thank you.

To all of our shareholders, and our clients, again a sincere thank you for your continued support. It is only your support that enables our Company to offer banking services in the Burnett and Taroom areas, and elsewhere, and to continue to employ staff, and support our community. We would hope that you continue to offer your support, in whatever way possible. Thank you all very much – it is very humbling to be part of such a great company doing such great things.



John Zahl
Chairman

MANAGER'S REPORT



Our only constant appears to be change and the unexpected. We didn't see Covid-19 in our budget planning. Add to that historically low interest rates, and we had some surprises.

Unfortunately, I am repeating last year's commentary of "It has been an exceptionally dry year". Our resilient and diverse community helped by strong commodity pricing has seen us weathering the adverse areas and continuing to grow.

Historically low interest rates assist borrowers, and challenge investors and our banking business, with the ever-increasing margin squeeze making it harder to maintain a profit gap.

With all the challenging factors I am very happy to report we have again performed above budget expectations, with expenditure below, and income above forecasts.

Our business growth and performance is led by our staff. They are the backbone of our customer service business and our point of difference. We continue to offer local personal face-to-face service. We are now the only bank open all day every weekday in the North Burnett and Dawson areas.

Given the possible ramifications from Covid-19, we prudently spent time modelling worst case and possible case scenarios for our business future and assessing actions that may need investigation if the projections came to fruition. We are not seeing any downturn at all in any products, and we continue to grow and prosper, with an eye on world developments.

After 9 years and multiple locations, we ceased operations at our Gayndah Agency, which was a measured and considered decision and resulted solely from the lack of support. In contrast, our Taroom agency continues to develop and grow, with some exciting major developments coming in 2021.

Overall, we continue to grow and provide funding for our Board to be able to assist our community, whilst investing significant funds locally in operating our business and employing staff.

Our team, which is a harmonious group including our wonderful board of directors, continue to strive to provide exceptional local customer service, and support our community.

Rob Watt
Branch Manager

GRANTS 2019/20

Although our Grants program was curtailed by Covid this year, many groups were funded and their activities supported.

$20,825 has been shared amongst many organisations and contributes to the resilience of our communities.

Groups, such as the Show Societies throughout the Burnett and Dawson districts, have been funded but they are holding their grants in readiness for their next Show. Gayndah, Mundubbera, Eidsvold, Monto, Taroom and Wandoan Societies all benefit.

Interest has only recently started again in borrowing our marquees and new signage will be seen promoting our Branch.

Some of the groups to benefit this year have included:

The Mundubbera Patient Transport Scheme	$1000 - Support for volunteer drivers
Mundubbera Enterprise Association	$500 - New edition of local phone book
Mundubbera Tennis and Sports	$517.18 - Athletics equipment
Mundubbera Bowls Club	$500 - Carnival
Binjour Bowls Club	$1000 - Carnival
Golden Stirrup Campdraft	$1000 - Painted steer competition
Eidsvold Cattle Drive	$2000 - Annual Drive
Gayndah Rotary	$700 - Stop & Shop Local Christmas promotion
Gayndah Junior Bowls	$800 - Sets of bowls and bags to encourage juniors
Taroom Swim Club	$846.45 - New swim caps for whole Club
BIEDO	$1000 - Support for online events and WAg's Day
Mundubbera State School	$700 - Hook & Hoof competition
Life Care Mundubbera	$500 - Christmas in the Park

Dream and Do Projects
Each year we fund a grant of up to $500 to any school throughout the Dawson and Burnett districts.
This year Abercorn and Boynewood State Schools both benefited.
We are promoting these grants to the schools to encourage more use of them.

We also fund **annual awards** at the Mundubbera State School and Burnett State College.

DIRECTOR'S REPORT

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

Directors

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

Barry "John" Zahl

Chairman

Occupation: Councillor - NBRC

Qualifications, experience and expertise: John was born and educated in Gaydndah. He was employed in Queensland Justice Department, qualified as a Solicitor in Queensland in 1982 and interned at a private practice, on retirement from law he was Director/Manager of Gayndah Fruit growers Co-operative. He has served as Councillor with North Burnett Regional Council, honorary auditor to several not-for-profit organisations. Board Member of Life Flight Wide Bay. John is married to Lynda and father of four sons.

Special responsibilities: Board Chairman, Human Resources Committee, Finance Committee

Interest in shares: Nil share interest held

Alexandra Winter O'Neill

Secretary

Occupation: Grazier

Qualifications, experience and expertise: Alex grew up in Brisbane and qualified as a Solicitor in 1976. She came to Mundubbera in 1979 and ran a legal practice for 6 years. Alex has held many roles in Community organisations and has always valued the community spirit that exists in the Mundubbera district. A former Councillor in AgForce Queensland, she retains an interest in landcare, tourism and community development She and her husband James run a beef cattle business in the Hawkwood district. Alex was appointed to the Board on 28th March 2011 and became Secretary of Mundubbera Financial Services Limited in July 2011.

Special responsibilities: Board Secretary, Finance Committee

Interest in shares: 50,000 ordinary shares

Louise Katherine Newman

Non-executive Director

Occupation: Technical Officer

Qualifications, experience and expertise: A Mundubbera girl, Louise studied Environmental Management at University of Queensland graduating with Honours in 2006. During her university days she worked orchards around Mundubbera and moved back to town to work in the agriculture and environment industry with the Burnett Catchment Care Association. She currently resides in Toowoomba working in agriculture research with the Queensland government. She is a volunteer with the local SES and has been involved with many community events including the Mundubbera Centenary in 2012, the Mundubbera Show, and the Mundubbera Country Markets. She joined the Board on 21st January 2013.

Special responsibilities: Public Relations Committee

Interest in shares: 1,000 ordinary shares

DIRECTOR'S REPORT cont...

Anton Darryl Thornton

Non-executive Director

Occupation: Owner/operator compost production business

Qualifications, experience and expertise: Born in Brisbane, after school Anton moved to the Darling Downs for various roles in farming enterprises. He has been employed in sales and in business enterprises. Anton is self-employed, running a commercial compost production business with truck and skidder hire. He and his wife run cattle on their small block near Gurgeena. Married with three children, one of whom was the first Mundubbera Community Bank Scholarship recipient. Anton has always enjoyed being involved with community groups.

Special responsibilities: Public Relations Committee

Interest in shares: Nil share interest held

Letetia Maree Berthelson

Non-executive Director

Occupation: Senior Technical Officer

Qualifications, experience and expertise: Letetia has resided in Mundubbera since 1991. She is married to Mark and has three sons. Letetia is employed by North Burnett Regional Council in the Asset Department. Letetia and her husband have owned and operated a commercial and stud cattle grazing enterprise since 1991. Letetia holds a Certificate III in Children Services, Business & Administration, along with Financial Services. She was employed by the community bank branch for 9.5 years and is involved in a number of community organisations.

Special responsibilities: Finance Committee

Interest in shares: Nil share interest held

Brianna Kate Hockey

Non-executive Director

Occupation: Solicitor

Qualifications, experience and expertise: Brianna is an Associate Solicitor, who works with clients across the Childers, Mundubbera and wider North Burnett region. Brianna is experienced in a wide variety of legal matters with a particular interest and skillset in agribusiness. As an active community member, she is particularly passionate about agricultural shows and building the resilience of rural communities.

Special responsibilities: Public Relations Committee

Interest in shares: Nil share interest held

DIRECTOR'S REPORT cont...

Jane Louise Carroll
Non-executive Director
Occupation: Guidance Officer
Qualifications, experience and expertise: Jane has completed a Bachelor of Arts (Behavioural Science) and postgraduate qualifications in education and she holds a Masters of Education from the University of Queensland. She has worked in education for more than 30 years and her current role is as a Guidance Officer for the Department of Education in the North Burnett Region. In partnership with her husband, Richard she runs a commercial beef production enterprise at Eidsvold and is involved in the Eidsvold community through voluntary work for community based groups and the Eidsvold Show Society.
Special responsibilities: Human Resources Committee,
Dream & Do Funding Co-ordinator
Interest in shares: Nil share interest held

C

Chloe Ann Marie Barbour
Treasurer *(Resigned 25 June 2020)*
Occupation: Grazier
Qualifications, experience and expertise: Chloe is a qualified electrician who has worked in the mining industry for over 12 years, moving from maintenance roles to project management. Chloe has several qualifications which include, Diploma in Electrical Engineering, Cert IV in Training and a Cert IV in Project Management. Chloe is currently working on her family beef cattle property whilst she completes her Bachelor in Accounting. Chloe is a member of Mundubbera Camp Draft Association, Eidsvold Camp Draft Association, Mundubbera Touch Football and Mundubbera Show Society.
Special responsibilities: Board Treasurer, Finance Committee
Interest in shares: Nil share interest held

A

Amanda Lee Wenck
Non-executive Director *(Resigned 27 August 2019)*
Occupation: Small Business Owner
Qualifications, experience and expertise: A born and bred Gayndah girl, Amanda has owned and operated her own graphic design business for over four years. With a background in journalism and community development, she brings a knowledge and passion of media, marketing and rural communities. Amanda is involved with a number of not-for-profit organisations and groups within the region, including being the media officer for Heartland Festival North Burnett and as secretary and board member of Riverlands Church, Gayndah.
Special responsibilities: Marketing Committee
Interest in shares: Nil share interest held

Directors were in office for this entire year unless otherwise stated

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

DIRECTOR'S REPORT cont...

Company Secretary

The company secretary is Alex O'Neill. Alex was appointed to the role of secretary in July 2011.

Alex has extensive legal knowledge accumulated during her years as a practicing solicitor and as a member of many community groups.

Principal activity

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

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

Operating results

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

Year ended 30 June 2020 $	Year ended 30 June 2019 $
77,977	48,691

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Barry "John" Zahl	-	-	-
Alexandra Winter O'Neill	50,000	-	50,000
Louise Katherine Newman	1,000	-	1,000
Anton Darryl Thorburn	-	-	-
Letetia Maree Berthelsen	-	-	-
Brianna Kate Hockey	-	-	-
Jane Louise Carroll	-	-	-
Chloe Ann Marie Barbour	-	-	-
Amanda Wenck	-	-	-

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

DIRECTOR'S REPORT cont...

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	Cents per share	Total amount
Final unfranked dividend	1	6,034
Total amount	1	6,034

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

During the financial year the Board made the decision to close the Gaydah Agency. The agency closed on 30 April 2020.

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

Events since the end of the financial year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

DIRECTOR'S REPORT cont...

Directors' benefits

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

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	E	A
Barry "John" Zahl	11	11
Alexandra Winter O'Neill	11	11
Louise Katherine Newman	11	11
Anton Darryl Thorburn	11	10
Letetia Maree Berthelsen	11	9
Brianna Kate Hockey	11	11
Jane Louise Carroll	11	9
Chloe Ann Marie Barbour	11	7
Amanda Wenck	2	2

E - eligible to attend
A - number attended

Three Board sub-Committees continue to operate:
- Finance (includes finance, governance, risk & asset management & business development)
- Human Resources (includes human resources, director recruitment)
- Public Relations (includes public relations, marketing & grants management)

These sub committees meet on an ad hoc basis and report to Board meetings as required.

DIRECTOR'S REPORT cont...

Proceedings on behalf of the company

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

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

Non audit services

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

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

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page of this Annual Report.

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

Barry John Zahl
Chairman

Dated the 11th day of August 2020

AUDITOR'S INDEPENDENCE DECLARATION

Partners in success
Chartered Accountants

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

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

As lead auditor for the audit of North Burnett Community Enterprises Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 11 August 2020

Joshua Griffin
Lead Auditor

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

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	699,721	689,932
Other revenue	9	25,000	35,000
Employee benefit expenses	10e)	(337,989)	(327,113)
Charitable donations, sponsorship, advertising and promotion	10d)	(20,825)	(42,944)
Occupancy and associated costs		(12,848)	(37,364)
Systems costs		(18,652)	(20,643)
Depreciation and amortisation expense	10a)	(43,983)	(24,046)
Finance costs	10b)	(12,644)	(11,774)
General administration expenses		(157,618)	(193,888)
Profit before income tax expense		**120,162**	**67,160**
Income tax expense	11a)	(42,185)	(18,469)
Profit after income tax expense		**77,977**	**48,691**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**77,977**	**48,691**
Earnings per share		**¢**	**¢**
- Basic and diluted earnings per share:	29a)	12.92	8.07

The accompanying notes form part of these financial statements

Statement of Financial Provision
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	12a)	-	14,841
Trade and other receivables	13a)	29,146	21,485
Total current assets		**29,146**	**36,326**
Non-current assets			
Property, plant and equipment	14a)	107,165	113,506
Right-of-use assets	15a)	125,699	-
Intangible assets	16a)	23,505	36,934
Deferred tax asset	17a)	156,861	195,355
Total non-current assets		**413,230**	**345,795**
Total assets		**442,376**	**382,121**
LIABILITIES			
Current liabilities			
Trade and other payables	18a)	30,315	24,212
Loans and borrowings	19a)	1,077	-
Lease liabilities	20b)	17,824	-
Total current liabilities		**49,216**	**24,212**
Non-current liabilities			
Trade and other payables	18b)	-	15,621
Loans and borrowings	19b)	134,034	270,000
Lease liabilities	20c)	112,857	-
Provisions	21a)	11,773	-
Total non-current liabilities		**258,664**	**285,621**
Total liabilities		**307,880**	**309,833**
Net assets		**134,496**	**72,288**
EQUITY			
Issued capital	22a)	572,563	572,563
Accumulated losses	23	(438,067)	(500,275)
Total equity		**134,496**	**72,288**

The accompanying notes form part of these financial statements

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

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		572,563	(548,966)	23,597
Total comprehensive income for the year		-	48,691	48,691
Balance at 30 June 2019		**572,563**	**(500,275)**	**72,288**
Balance at 1 July 2019		572,563	(500,275)	72,288
Effect of AASB 16: Leases	3d)	-	(9,735)	(9,735)
Restated balance at 1 July 2019		572,563	(510,010)	62,553
Total comprehensive income for the year		-	77,977	77,977
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	28a)	-	(6,034)	(6,034)
Balance at 30 June 2020		**572,563**	**(438,067)**	**134,496**

The accompanying notes form part of these financial statements

Statement of Cash Flows
or the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		790,923	806,408
Payments to suppliers and employees		(611,323)	(709,258)
Interest paid		(5,394)	(11,774)
Lease payments (interest component)	10b)	(6,701)	-
Lease payments not included in the measurement of lease liabilities	10f)	(5,787)	-
Net cash provided by operating activities	24	**161,718**	**85,376**
Cash flows from investing activities			
Payments for property, plant and equipment		(4,625)	(1,072)
Payments for intangible assets		(14,201)	(14,200)
Net cash used in investing activities		**(18,826)**	**(15,272)**
Cash flows from financing activities			
Repayment of loans and borrowings		(135,966)	(55,000)
Lease payments (principal component)	20a)	(16,810)	-
Dividends paid	28a)	(6,034)	-
Net cash used in financing activities		**(158,810)**	**(55,000)**
Net cash increase/(decrease) in cash held		**(15,918)**	**15,104**
Cash and cash equivalents at the beginning of the financial year		14,841	(263)
Cash and cash equivalents at the end of the financial year	12b)	**(1,077)**	**14,841**

The accompanying notes form part of these financial statements

Notes to the Financial Statements
for the year ended 30 June 2020

Note 1 Reporting entity

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

Registered Office	Principal Place of Business
54 Lyons Street Mundubbera QLD 4626	54 Lyons Street Mundubbera QLD 4626

Further information on the nature of the operations and principal activity of the company is provided in the directors' report. Information on the company's related party relationships is provided in Note 27.

Note 2 Basis of preparation and statement of compliance

Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 11 August 2020.

Note 3 Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

On transition to AASB 16, the company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The company applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

Note 3 Changes in accounting policies, standards and interpretations cont...

b) As a lessee

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

The company recognises lease and non-lease components such as outgoings separately.

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

c) As a lessor

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

Note 3 Changes in accounting policies, standards and interpretations cont...

d) Impact on financial statements

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

Impact on equity presented as increase (decrease)	**Note**	**1 July 2019 $**
Asset		
Right-of-use assets - land and buildings	15b)	145,288
Deferred tax asset	17a)	3,692
Liability		
Lease liabilities	20a)	(147,491)
Provision for make-good	21b)	(11,224)
Equity		
Accumulated losses		(9,735)

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.79%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	59,241
Add: additional options now expected to be exercised	118,480
Less: AASB 117 lease commitments reconciliation	(2,160)
Less: present value discounting	(28,070)
Lease liability as at 1 July 2019	147,491

Note 4 Summary of significant accounting policies

The company has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see also Note 3).

a) Revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement. Under AASB 15 *Revenue from Contracts with Customers* (AASB 15), revenue recognition for the company's revenue stream is as follows:

Revenue	Includes	Performance obligation	Timing of recognition
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

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

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- plus any deposit returns i.e. interest return applied by Bendigo Bank for a deposit,
- *minus* any costs of funds i.e. interest applied by to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Note 4 Summary of significant accounting policies cont...

Commission

Commission revenue is in the form of commission generated for products and services sold. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation.

The company receives trailing commission for products and services sold. Ongoing trailing commission payments are recognised on receipt as there is insufficient detail readily available to estimate the most likely amount of income without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission income is outside the control of the company, and is a significant judgement area.

Fee income

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

Core banking products

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

Ability to change financial return

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

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

b) Other revenue

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

Revenue	Revenue recognition policy
Discretionary financial contributions (also "Market Development Fund" or "MDF"	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

Note 4 Summary of significant accounting policies cont...

Discretionary financial contributions

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

Note 4 Summary of significant accounting policies cont...

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

e) Taxes

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

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

Current income tax

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

Deferred tax

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

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

Deferred tax is not recognised for:

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Note 4 Summary of significant accounting policies cont...

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

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

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.
- when receivables and payables are stated with the amount of GST included.

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

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost or fair value as applicable, which includes capitalised borrowings costs, less accumulated depreciation and any accumulated impairment losses.

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

Subsequent expenditure

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

Note 4 Summary of significant accounting policies cont...

Depreciation

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

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line	4 to 40 years
Plant and equipment	Straight-line and diminishing value	1 to 40 years

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

h) Intangible assets

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

Recognition and measurement

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

Subsequent expenditure

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

Amortisation

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

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

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

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

Note 4 Summary of significant accounting policies cont...

i) Financial instruments

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

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

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

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

Financial assets are not reclassified subsequent to their initial recognition unless the company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

Note 4 Summary of significant accounting policies cont...

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

Financial liabilities

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

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

j) Impairment

Non-derivative financial assets

The company recognises a loss allowance for ECL on:

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

Loss allowance is not recognised for:

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

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

Note 4 Summary of significant accounting policies cont...

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

This approach is applicable to:

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

At each reporting date, the company reviews the carrying amount of its non-financial assets (other than investment property, contracts assets, and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The company has assessed for impairment indicators and noted no material impacts on the carrying amount of non-financial assets.

k) Issued capital

Ordinary shares

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

l) Provisions

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

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

The estimated provisions for the current and comparative periods are to restore the premises under a 'make-good' clause.

Note 4 Summary of significant accounting policies cont...

m) Leases

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

Policy applicable from 1 July 2019

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

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

<u>As a lessee</u>

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

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

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

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

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

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

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

Note 4 Summary of significant accounting policies cont...

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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

Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed the right to use an asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

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

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

As a lessor

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

Note 4 Summary of significant accounting policies cont...

n) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates and assumptions

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

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

a) Judgements

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

Note	Judgement
- Note 8 - revenue recognition	whether revenue is recognised over time or at a point in time;
- Note 20 - leases:	
a) control	a) whether a contract is or contains a lease at inception by assessing whether the company has the right to direct the use of the identified asset and obtain substantially all the economic benefits from the use of that asset;
b) lease term	b) whether the company is reasonably certain to exercise extension options, termination periods, and purchase options;
c) discount rates	c) judgement is required to determine the discount rate, where the discount rate is the company's incremental borrowing rate if the rate implicit in the lease cannot be readily determined. The incremental borrowing rate is determined with reference to factors specific to the company and underlying asset including: - the amount; - the lease term; - economic environment; and - other relevant factors.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 30 June 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

Note	Assumptions
- Note 8 - revenue recognition	estimate of expected returns;
- Note 17 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 14 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 21 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including currency, price, cash flow and fair value interest rate).

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. The company does not use derivative instruments.

Risk management is carried out directly by the board of directors.

a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers.

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank.

b) Liquidity risk

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

The company maintains the following lines of credit with Bendigo Bank:

- $75,000 overdraft facility that is unsecured with available facility of $73,923. Interest is payable at a rate of 2.67% (2019: 3.205%)
- $134,034 commercial loan facility secured by the company's assets. Interest is payable at a rate of 2.67% (2019: 3.205%)

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

Note 6 Financial risk management cont...

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

30 June 2020

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank overdraft	1,077	1,077	-	-
Bank loans	134,034	-	134,034	-
Lease liabilities	130,681	23,696	94,784	33,570
Trade payables	7,681	7,681	-	-
	273,473	32,454	228,818	33,570

30 June 2019

		Contractual cash flows		
Non-derivative financial liability	Carrying amount	Not later than 12 months	Between 12 months and five years	Greater than five years
Bank overdraft	-	-	-	-
Bank loans	270,000	135,966	134,034	-
Lease liabilities	-	-	-	-
Trade payables	5,691	5,691	-	-
	275,691	141,657	134,034	-

The bank overdraft is repayable on demand and used for cash management purposes. It is reviewed annually by the lender, Bendigo Bank. As at balance date, the lender does not intend to reduce or end the overdraft facility within the next 12 months.

c) Market risk

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

Price risk

The company is not exposed to equity securities price risk as it does not hold for sale or at fair value. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $0 at 30 June 2020 (2019: $14,841). The cash and cash equivalents are held with BEN, which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

The distribution limit is the greater of:

(a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period;

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2020 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8 Revenue from contracts with customers

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

Revenue from contracts with customers	**2020** **$**	**2019** **$**
Revenue:		
- Revenue from contracts with customers	699,721	689,932
	699,721	689,932

Disaggregation of revenue from contracts with customers

At a point in time:		
- Margin income	506,902	508,353
- Fee income	57,347	62,937
- Commission income	135,472	118,642
	699,721	689,932

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

Note 9 Other revenue

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

Other revenue	2020 $	2019 $
Revenue:		
- Market development fund income	25,000	35,000
	25,000	35,000

Note 10 Expenses

a) Depreciation and amortisation expense

	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	5,953	5,953
- Plant and equipment	5,012	4,662
	10,965	10,615
Depreciation of right-of-use assets		
- Leased land and buildings	19,589	-
	19,589	-
Amortisation of intangible assets:		
- Franchise fee	2,237	2,238
- Franchise renewal process fee	11,192	11,193
	13,429	13,431
Total depreciation and amortisation expense	43,983	24,046

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

b) Finance costs

	Note	2020 $	2019 $
Finance costs:			
- Lease interest expense	20a)	6,701	-
- Unwinding of make-good provision		549	-
- Interest paid		5,394	11,774
		12,644	11,774

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

Note 10 Expenses cont...

c) Impairment loss on trade receivables and contract assets

The franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. Due to the reliance on Bendigo Bank the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo Bank receivable as at 30 June 2020.

d) Charitable donations, sponsorship, advertising and promotion

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

	2020 $	2019 $
- Direct sponsorship, advertising, and promotion payments	20,825	42,944
	20,825	42,944

e) Employee benefit expenses

Wages and salaries	262,452	270,075
Non-cash benefits	189	-
Contributions to defined contribution plans	25,512	25,879
Expenses related to long service leave	3,664	(945)
Other expenses	46,172	32,104
	337,989	327,113

f) Recognition exemption

The company has elected to exempt leases from recognition where the underlying asset is assessed as low-value or the lease term is 12 months or less.

	2020 $	2019 $
Expenses relating to low-value leases	5,787	-
	5,787	-

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

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

Note 11 Income tax expense

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

a) Amounts recognised in profit or loss

	2020 $	2019 $
Current tax expense/(credit)		
- Recoupment of prior year tax losses	35,241	18,703
- Movement in deferred tax	(5,798)	(234)
- Adjustment to deferred tax on AASB 16 retrospective application	3,692	-
- Reduction in company tax rate	9,050	-
	42,185	18,469

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a gain of $9,050 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation

	2020 $	2019 $
Operating profit before taxation	120,162	67,160
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	33,045	18,469
Tax effect of:		
- Non-deductible expenses	91	893
- Temporary differences	2,105	(659)
- Movement in deferred tax	(5,798)	(234)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	9,050	-
- Leases initial recognition	3,692	-
	42,185	18,469

Note 12 Cash and cash equivalents

a) Cash and cash equivalents

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

	2020 $	2019 $
- Cash at bank and on hand	-	14,841
	-	14,841

Note 12 Cash and cash equivalents cont...

b) Reconciliation to statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand, cash held with financial and banking institutions, and investments in short-term money financial instruments, net of outstanding bank overdrafts. Bank overdrafts are presented with loans and borrowings.

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	Note	2020 $	2019 $
- Cash at bank and on hand		-	14,841
- Bank overdraft	19a)	(1,077)	-
		(1,077)	14,841

Note 13 Trade and other receivables

a) Current assets	$	$
Trade receivables	25,198	17,884
Prepayments	3,948	3,601
	29,146	21,485

Note 14 Property, plant and equipment

a) Carrying amounts	2020 $	2019 $
Leasehold improvements		
At cost	170,971	170,971
Less: accumulated depreciation and impairment	(87,442)	(81,489)
	83,529	89,482
Plant and equipment		
At cost	70,389	65,765
Less: accumulated depreciation and impairment	(46,753)	(41,741)
	23,636	24,024
Total written down amount	107,165	113,506

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

Note 14 Property, plant and equipment cont...

b) Reconciliation of carrying amounts

	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	89,482	95,435
Additions	-	-
Disposals	-	-
Depreciation	(5,953)	(5,953)
Carrying amount at end	83,529	89,482
Plant and equipment		
Carrying amount at beginning	24,024	31,923
Additions	4,624	1,072
Disposals	-	(4,309)
Depreciation	(5,012)	(4,662)
Carrying amount at end	23,636	24,024
Total written down amount	107,165	113,506

c) Changes in estimates

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

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

Note 15 Right-of-use assets

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

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

a) Carrying amounts

	2020 $	2019 $
Leased land and buildings		
At cost	195,894	-
Less: accumulated depreciation and impairment	(70,195)	-
	125,699	-
Total written down amount	125,699	-

Note 15 Right-of-use assets

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
Initial recognition on transition	3d)	195,894	-
Accumulated depreciation on adoption	3d)	(50,606)	-
Depreciation		(19,589)	-
Carrying amount at end		125,699	-
Total written down amount		125,699	-

Note 16 Intangible assets

a) Carrying amounts

	2020 $	2019 $
Franchise fee		
At cost	32,746	32,746
Less: accumulated amortisation and impairment	(28,828)	(26,591)
	3,918	6,155
Franchise renewal process fee		
At cost	113,729	113,729
Less: accumulated amortisation and impairment	(94,142)	(82,950)
	19,587	30,779
Total written down amount	23,505	36,934

b) Reconciliation of carrying amounts

	2020 $	2019 $
Franchise fee		
Carrying amount at beginning	6,155	8,393
Amortisation	(2,237)	(2,238)
Carrying amount at end	3,918	6,155
Franchise renewal process fee		
Carrying amount at beginning	30,779	41,972
Amortisation	(11,192)	(11,193)
Carrying amount at end	19,587	30,779
Total written down amount	23,505	36,934

c) Changes in estimates

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

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

Note 17 Tax assets and liabilities

a) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	30 June 2020
Deferred tax assets	$	$	$	$	$
- expense accruals	798	(18)	-	-	780
- make-good provision	-	(26)	-	3,087	3,061
- lease liability	-	(6,583)	-	40,560	33,977
- carried-forward tax losses	209,945	(44,771)	-	-	165,174
Total deferred tax assets	210,743	(51,398)	-	43,647	202,992
Deferred tax liabilities					
- property, plant and equipment	15,388	(1,939)	-	-	13,449
- right-of-use assets	-	(7,272)	-	39,954	32,682
Total deferred tax liabilities	15,388	(9,211)	-	39,954	46,131
Net deferred tax assets (liabilities)	195,355	(42,186)	-	3,692	156,861

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

	30 June 2018	Recognised in profit or loss	Recognised in other comprehensive income	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$	$
- expense accruals	770	28	-	-	798
- employee provisions	3,024	(3,024)	-	-	-
- carried-forward tax losses	228,647	(18,702)	-	-	209,945
Total deferred tax assets	232,441	(21,698)	-	-	210,743
Deferred tax liabilities					
- property, plant and equipment	18,618	(3,230)	-	-	15,388
Total deferred tax liabilities	18,618	(3,230)	-	-	15,388
Net deferred tax assets (liabilities)	213,823	(18,468)	-	-	195,355

b) Uncertainty over income tax treatments

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

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

Note 18 Trade creditors and other payables

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

a) Current liabilities

	2020 $	2019 $
Trade creditors	7,681	5,691
Other creditors and accruals	22,634	18,521
	30,315	24,212

b) Non-current liabilities

Other creditors and accruals	-	15,621
	-	15,621

Note 19 Loans and borrowings

a) Current liabilities

	$	$
Bank overdraft	1,077	-
	1,077	-

Bank overdraft

The company has an approved overdraft limit of $75,000 which was drawn down to $1,077. The company has $73,923 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

Interest is recognised using the effective interest method, currently 2.67% (2019: Nil).

b) Non-current liabilities

	2020 $	2019 $
Secured bank loans	134,034	270,000
	134,034	270,000

c) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020 Face value	30 June 2020 Carrying value	30 June 2019 Face value	30 June 2019 Carrying value
Bank overdraft	2.7%	Floating	1,077	1,077	-	-
Secured bank loans	2.7%	Floating	134,034	134,034	270,000	270,000

Note 20 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 4.79%.

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

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

Lease portfolio

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

The company's lease portfolio includes:

- Mundubbera branch lease — The lease agreement is a non-cancellable lease with an initial term of five years which commenced 1 December 2016. The lease has one further five year extension option available. The company is reasonably certain to exercise the final five-year lease term.

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

a) Lease liability measurement

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

Lease liabilities on transition	Note	2020 $	2019 $
Initial recognition on AASB 16 transition	3d)	147,491	-
Lease payments - interest		6,701	-
Lease payments		(23,511)	-
		130,681	-

Note 20 Lease liabilities cont...

	2020 $	2019 $
b) Current lease liabilities		
Property lease liabilities	23,696	-
Unexpired interest	(5,872)	-
	17,824	-
c) Non-current lease liabilities		
Property lease liabilities	128,354	-
Unexpired interest	(15,497)	-
	112,857	-
d) Maturity analysis		
- Not later than 12 months	23,696	-
- Between 12 months and 5 years	94,784	-
- Greater than 5 years	33,570	-
Total undiscounted lease payments	152,050	-
Unexpired interest	(21,369)	-
Present value of lease liabilities	130,681	-

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of $1,068.

Profit or loss - increase (decrease) in expenses	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
- Occupancy and associated costs	23,511	(23,511)	-
- Depreciation and amortisation expense	-	19,589	19,589
- Finance costs	-	5,394	5,394
Increase in expenses - before tax	23,511	1,472	24,983
- Income tax expense / (credit) - current	(6,466)	6,466	-
- Income tax expense / (credit) - deferred	-	(6,870)	(6,870)
Increase in expenses - after tax	17,045	1,068	18,113

Note 21 Provisions

As at the reporting date, the make-good of the leased premises is not expected to be wholly settled within 12 months. The balance is classified as non-current.

a) Non-current liabilities

	2020 $	2019 $
Make-good on leased premises	11,773	-
	11,773	-

b) Make-good provision

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term.

The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process.

Provision	Note	2020 $	2019 $
Face-value of make-good costs recognised	3d)	16,000	-
Present value discounting	3d)	(4,776)	-
Present value unwinding		549	-
		11,773	-

c) Changes in estimates

During the financial year, the company re-assessed the lease agreement with respect to the make-good and restoration clauses. The estimated costs were revised with respect to an analysis of restoration costs of bank branches completed by Bendigo Bank's property team. The provision was previously assessed as nil or immaterial with no provision recognised in the accounts.

The lease is due to expire on 30 November 2026 at which time it is expected the face-value costs to restore the premises will fall due.

The financial effect of the reassessment, assuming no changes in the above judgements and estimates, on actual and expected finance costs and provisions was as follows:

Profit or loss	2020	2021	2022	2023	2024+
Expense:					
- Finance costs	549	577	605	634	2,411
Statement of financial position					
Liability:					
- Make-good provision	11,773	12,350	12,954	13,589	16,000

Note 22 Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	603,409	603,409	603,409	603,409
Less: equity raising costs	-	(30,846)	-	(30,846)
	603,409	572,563	603,409	572,563

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Dividends

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

Transfer

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

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

Note 22 Issued capital cont...

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 195. As at the date of this report, the company had 220 shareholders (2019: 217 shareholders).

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

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

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

Note 23 Accumulated losses

	Note	2020 $	2019 $
Balance at beginning of reporting period		(500,275)	(548,966)
Adjustment for transition to AASB 16	3d)	(9,735)	-
Net profit after tax from ordinary activities		77,977	48,691
Dividends provided for or paid		(6,034)	-
Balance at end of reporting period		(438,067)	(500,275)

Note 24 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	77,977	48,691
Adjustments for:		
- Depreciation	30,554	10,615
- Amortisation	13,429	13,431
- (Profit)/loss on disposal of non-current assets	-	4,308
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(7,661)	10,092
- (Increase)/decrease in other assets	42,187	18,468
- Increase/(decrease) in trade and other payables	4,683	(9,234)
- Increase/(decrease) in provisions	549	(10,995)
Net cash flows provided by operating activities	161,718	85,376

Note 25 Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	13	25,198	17,884
Cash and cash equivalents	12	-	14,841
		25,198	32,725
Financial liabilities			
Trade and other payables	18	7,681	5,691
Bank overdrafts	19	1,077	-
Secured bank loans	19	134,034	270,000
Lease liabilities	20	130,681	-
		142,792	275,691

Note 26 Auditor’s remuneration

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

	2020 $	2019 $
Audit and review services		
- Audit and review of financial statements	4,800	4,600
	4,800	4,600
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	1,780	1,615
- Share registry services	3,800	3,135
	6,180	5,350
Total auditor's remuneration	10,980	9,950

Note 27 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Barry "John" Zahl
Alexandra Winter O'Neill
Louise Katherine Newman
Anton Darryl Thorburn
Letetia Maree Berthelsen
Brianna Kate Hockey
Chloe Ann Marie Barbour
Jane Louise Carroll

b) Key management personnel compensation

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

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

c) Related party transactions

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

	2020 $	2019 $
Transactions with related parties		
- Anton Thorburn's wife/business partner carried out some contract work with regard to a community forum held in May 2019.	-	3,333
- Amanda Wenck carried out some work including the preparation and printing of 2019 Annual Reports and Admin services for the PR committee.	-	2,414
Total transactions with related parties	-	5,747

Note 28 Dividends provided for or paid

a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the statement of changes in equity and statement of cash flows.

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Unfranked dividend	1	6,034	-	-

Note 29 Earnings per share

a) Based and diluted earnings per share

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

	2020	2019
	$	$
Profit attributable to ordinary shareholders	77,977	48,691
	Number	Number
Weighted-average number of ordinary shares	603,409	603,409
	Cents	Cents
Basic and diluted earnings per share	12.92	8.07

Note 30 Commitments

a) Lease commitments

Following the adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can be found in 'Lease liabilities' (Note 20).

Operating lease commitments - lessee	2020	2019
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable - minimum lease payments:		
- not later than 12 months	-	23,697
- between 12 months and 5 years	-	35,544
- greater than 5 years	-	-
Minimum lease payments payable	-	59,241

b) Other commitments

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

NOTES TO FINANCIAL STATEMENTS cont...

Note 31 Contingencies

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

Note 32 Subsequent events

There have been no significant events occurring after the reporting period which may affect either the company's operations or the results of those operations or the company's state of affairs.

North Burnett Community Enterprises Limited
Directors' Declaration

In accordance with a resolution of the directors of North Burnett Community Enterprises Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001* , including:

(i) giving a true and fair view of the company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Barry "John" Zahl, Chair

Dated this 11th day of August 2020

INDEPENDENT AUDITOR'S REPORT

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of North Burnett Community Enterprises Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2020 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited
North Burnett Community Enterprises Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Statement of financial position
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the company.

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

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APE*S 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information
The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

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The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/home.aspx. This description forms part of our auditor's report.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 11 August 2020

Joshua Griffin
Lead Auditor

Mundubbera Community Bank Branch

54 Lyons Street, Mundubbera QLD 4626

Phone: (07) 4165 3798 **Fax:** (07) 4165 3829

Franchisee: North Burnett Community Enterprises Limited

54 Lyons Street, Mundubbera QLD 4626

Phone: (07) 4165 3798 **Fax:** (07) 4165 3829

ABN: 33 120 578 565

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