Logan

Community Financial Services Limited

ABN: 88 101 148 430

Financial Report

For the year ended

30 June 2020

Logan Community Financial Services Limited
Directors' Report

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

Directors

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

Jason Paul Luckhardt
Non-executive director
Occupation: National Franchise Manager
Qualifications, experience and expertise: Licensed Real Estate Agent. Licensed Auctioneer. Diploma of Business (Marketing). Member REIQ. Member of Australian Institute of Company Directors. REIQ Commercial & Industrial Committee Board Member, Member of Griffith University (Logan Campus) Development Advisory Board.
Special responsibilities: Board Chair, Member of Governance, Audit & Human Resources Committee.
Interest in shares: 4,000 ordinary shares

Brett Blair Raguse
Non-executive director
Occupation: Company Director - Strategem P/L & MiCasa Realty Holdings Pty Ltd
Qualifications, experience and expertise: BA AdvocT (Hons); Cert IV Real Estate Practice; JP Qualified; Former Member of Parliament of Australia; Chair of Federal Parliamentary Standing Committee on Parliamentary Privilege and Members Interests; Former President of two Chambers of Commerce; Past President and Executive Member of multiple community organisations; Former State and Federal Government Ministerial Adviser; Business Adviser, Teacher; Lecturer.
Special responsibilities: Governance, Audit & Human Resources Committee
Interest in shares: 13,300 ordinary shares

Robert Leslie Herriott
Non-executive director
Occupation: Retired
Qualifications, experience and expertise: Retired from 30+ years in the financial services & commercial banking sector. During the last 20 years involved in various management positions within Metway and Suncorp Commercial Banking including past Director of Suncorp Subsidiary "Medical Commercial Finance" MCF. Rotarian for 15 + years Rotary Club of Logan, including 2 years as President also holding various other board positions including Treasurer, International Services and Vocational Services.
Special responsibilities: Chair Governance, Audit & Human Resources and Member of Marketing and Community Projects Committee.
Interest in shares: 2,000 ordinary shares

Kathleen Robyn Wakeling
Non-executive director
Occupation: Senior Manager - Community
Qualifications, experience and expertise: Kate has been in the Financial Services Industry for more than 25 years & holds a Diploma in Financial Planning from Deakin University. Kate is keen to encourage diversity in the workforce and is a member of Financial Executive Women and WoB Australia (Women on Boards).
Special responsibilities: Member of Governance, Audit and Human Resources Committees.
Interest in shares: 1,000 ordinary shares

Directors *(continued)*

David William Ekert
Non-executive director
Occupation: Consultant
Qualifications, experience and expertise: David is an experienced and flexible Senior Executive Consultant and Teacher with many years' experience in general management, IT and business project management, financial management and accounting, strategic planning and business analysis. He has successfully built business and achieved profit targets in commercial organisations. He has also managed very large project teams implementing financial and logistics systems with multi-million-dollar budgets. David has a special interest in innovation, combining system, process and business improvement to achieve better business outcomes and value. David is heavily involved in the Logan community. He has been a member of the Rotary Club of Logan since 2003, having served two terms as President and many other Club Board roles, as well as representing the Club in other community forums. He has also served on the Management Committee of Canefields Clubhouse and is a member of Griffith University's Logan Campus Development Advisory Board.
David holds a Bachelor degree in Accounting, an MBA specialising in Strategic Management and Marketing, is a Certified Practicing Accountant and an Associate Fellow of the Institute of Managers and Leaders.
Special responsibilities: Treasurer, Member of Governance, Audit and Human Resources Committee & Strategic Planning Committee.
Interest in shares: 2,000 ordinary shares

Lachlan Stewart
Non-executive director
Occupation: Teacher, Business Owner & Personal Trainer
Qualifications, experience and expertise: Lachlan holds a Bachelor of Secondary Education (Information Technology and Physical Education) and a Certificate III & IV Fitness.
Special responsibilities: Chair of Marketing Committee and Representative of the State & National Collaborative Marketing Committees.
Interest in shares: 1,000 ordinary shares

Elvio John Dizane
Non-executive director
Occupation: Sales Manager
Qualifications, experience and expertise: Elvio has held several management positions throughout his career along with becoming a multi-site franchises holder of Shell Australia (Service Stations) & Barry's The Home Improvers. He was a past member of a variety of networking groups, sporting, body corporate & business committees and is a volunteer for Rosie's - Friends on the Street supporting homeless since 2004.
Special responsibilities: Member of Marketing & Community Projects Committee.
Interest in shares: 1,000 ordinary shares

Leanne Nicole Taylor
Non-executive director (appointed 1 July 2020)
Occupation: Registered Migration Agent
Qualifications, experience and expertise: Leanne has been working 30+ years in the legal industry assisting a broad range of clients with various legal issues. Studied Migration Law at Deakin University in 2002 to obtain qualification as a Migration Agent in 2003. Member Migration Institute of Australia & Migration Alliance. Member or Beenleigh Yataka Chamber of Commerce.
Special responsibilities: Nil
Interest in shares: nil share interest held

Directors *(continued)*

Bridget Louise French
Non-executive director (resigned 30 June 2020)
Occupation: Senior Officer - Development (Griffith University)
Qualifications, experience and expertise: Twelve years' experience in a variety of roles in business development, fundraising, event management, marketing and community engagement throughout Australia and the UK. Currently completing Masters of Business Administration at Griffith University. Completed Bachelor of Business (Management) and Bachelor of Arts (Psychology) at University of Queensland.
Special responsibilities: Chair Community Projects Committee
Interest in shares: nil share interest held

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

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

Company Secretary

The company secretary is Brett Raguse. Brett was appointed to the position of secretary on 1 January 2017.

Qualifications, experience and expertise: Brett has had many years experience in managing and leading both private and public sector organisations, as Company Secretary and Managing Director of his own businesses over 21 years. Brett also has extensive experience through various executive roles in both business and community organisations like ‘Chambers of Commerce’ and ‘Community Development Organisations’. Brett has also been an adviser to Queensland State Ministers in various economic portfolios and as a Federal Member of Parliament he chaired ‘Standing Committees’ responsible for Fiduciary and Financial reporting of Parliamentary Members and their activities related to ‘Parliamentary Privilege’.

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 $
306,206	189,204

Operating and financial review

Overview of the company

The company continues to operate in line with franchise agreement with Bendigo and Adelaide Bank Limited which governs the management of the Community Bank branches at Loganholme, Browns Plains, Springwood and Beenleigh. The company manages the Community Bank branches on behalf of Bendigo Bank.

Operating and financial review *(continued)*

The franchise agreement provides for three types of revenue earned by the company from Bendigo and Adelaide Bank Limited:

1. A % of monthly gross margin earned on products and services regarded as day to day banking business, known as margin business.
2. Commission on other products and services on specified products including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits.
3. Proportion of “bank fees and charges” charged to customers.

At 30 June 2020 the level of business on the books was $476M. This is an increase of $24M. The product mix comprises lending of $264M, deposits $183M and other business $29M.

The bank's competitiveness on interest rate remains constant.

The company will continue to be dependent on the franchise agreement to derive its income in future years. Therefore growth in market share for community branches of the company are the drivers of improved revenue.

Key metrics

Five year summary of performance	Unit	2020	2019	2018	2017	2016
Operating revenue	$	3,779,172	3,821,881	3,638,527	3,790,660	3,754,403
Earnings before interest, tax, depreciation, and amortisation	$	792,292	399,337	328,747	418,437	320,604
Earnings before interest and tax	$	473,735	267,590	167,130	222,877	119,380
Net profit after tax	$	306,206	189,204	119,722	153,493	81,534
Total assets	$	3,744,414	3,147,329	2,633,298	2,468,333	2,362,497
Total liabilities	$	1,349,748	825,423	357,072	183,829	119,486
Total equity	$	2,394,666	2,321,906	2,276,226	2,284,504	2,243,011
Net cash flow from operating activities	$	708,450	470,270	277,384	346,259	361,822

Shareholder returns

Profit attributable to owners of the company	$	306,206	189,204	119,722	153,493	81,534
Basic earnings per share	¢	9.57	5.91	3.74	4.80	2.55
Dividends paid	¢	191,370	143,524	128,000	112,000	112,000
Dividends per share	¢	6.00	4.50	4.00	3.50	3.50
Net tangible assets per share	¢	0.70	0.65	0.62	0.68	0.64
Price earnings ratio	¢	9.57	5.91	5.26	6.72	2.55

Returns to shareholders increased through both dividends and capital growth. Dividends for 2020 were fully franked and it is expected that dividends in the future years will continue to be fully franked.

Operating and financial review *(continued)*

Financial position

Assets

Total assets have increased to $3,744,414 during the financial year ended 30 June 2020.

Cash balances have decreased by $252,888 as a result of the following:

Cash flows from operations $708,450

Net investment property plant and equipment ($103,631)

Payment of intangible assets ($53,765)

Lease payments ($133,255)

Payment of dividend ($191,370)

Repayment of borrowings ($479,317)

Liabilities

Total liabilities increased by $524,325 primarily due to the change in recognition of leases under AASB 16.

Equity

Equity has increased by $72,760.

Drivers of business performance

The results for the 2019/20 financial year have been driven mainly by steady growth in mortgage lending resulting in revenue to remain consistent. Net interest margin returns under the revenue share arrangement have decreased following four official cash rate cuts by the Reserve Bank of Australia.

In addition, COVID-19 resulted in mandatory quarantine in the second half of the financial year. The immediate impact is not expected to be significant in the current reporting results. Future reporting periods may see an increase in bad debt charges.

Business strategies

The company will continue with its current strategies. The company remains committed to exposing existing customers and the public at large to the extensive product and services range in which the bank is competitive. Growth in financial planning, credit cards, merchant facilities and insurance based products are all being targeted for the coming year.

The targeted growth over the next 1-2 years is still to increase total business to exceed $500M. Striving for a greater market share will deliver a return to the company shareholders and the re-investment in the community.

The company is committed to the investment in the local community and raising the profit of Bendigo and Adelaide Bank Limited and its community partners. Continuing to promote the “Bendigo Story” is one of the company’s key drivers.

Future outlook

The company believes there are opportunities to develop additional revenue through:

1. Acquiring additional customers through greater community based events and a focus on local businesses.
2. Improving the range and number of products and services, such as insurance, for each customer.

The company anticipates that current market conditions will remain challenging during the forthcoming financial year. In this environment the company will focus upon increasing the number of customers and the uptake of products and services, thereby further improving revenue flow and profitability.

Remuneration report - audited

Remuneration including superannuation for the financial year ended 30 June 2020

	2020	2019
	$	$
Non-executive director remuneration		
Jason Paul Luckhardt	9,360	9,195
Brett Blair Raguse	6,860	6,860
Robert Leslie Herriott	5,020	4,800
Kathleen Robyn Wakeling	-	-
David William Ekert	7,080	4,860
Lachlan Stewart	4,635	4,525
Elvio John Dizane	3,190	2,860
Leanne Nicole Taylor	-	-
Bridget Louise French	3,025	3,345
	39,170	36,445

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Jason Paul Luckhardt	4,000	-	4,000
Brett Blair Raguse	10,500	2,800	13,300
Robert Leslie Herriott	2,000	-	2,000
Kathleen Robyn Wakeling	-	1,000	1,000
David William Ekert	2,000	-	2,000
Lachlan Stewart	-	1,000	1,000
Elvio John Dizane	1,000	-	1,000
Leanne Nicole Taylor	-	-	-
Bridget Louise French	-	-	-

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 fully franked dividend	6.00	191,370
Total amount	6.00	191,370

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.

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.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the managers in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or managers 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		Committee Meetings Attended			
			Marketing & Community Projects		Governance, Audit & Human Resources	
	E	A	E	A	E	A
Jason Paul Luckhardt	11	11	-	-	11	7
Brett Blair Raguse	11	10	-	-	11	6
Robert Leslie Herriott	11	9	11	9	11	10
Kathleen Robyn Wakeling	11	8	-	-	11	8
David William Ekert	11	11	-	-	11	11
Lachlan Stewart	11	11	11	11	-	-
Elvio John Dizane	11	11	8	8	5	4
Leanne Nicole Taylor	-	-	-	-	-	-
Bridget Louise French	11	5	11	9	-	-

E - eligible to attend
A - number attended

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in note 28 to the accounts.

The board of directors has considered the non-audit services provided during the year by the auditor and, in accordance with the advice received from the Governance, Audit & Human Resources Committee, 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 Governance, Audit & Human Resources Committee to ensure they do not impact on the impartiality, integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants,* as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 10.

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

Jason Paul Luckhardt, Chair

Dated this 28th day of September 2020

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 Logan Community Financial Services Limited

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 28 September 2020

Graeme Stewart
Lead Auditor

Logan Community Financial Services Limited
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	3,655,971	3,656,030
Other revenue	9	113,655	154,166
Finance income	10	9,546	11,685
Employee benefit expenses	11c)	(2,195,602)	(2,274,709)
Charitable donations, sponsorship, advertising and promotion		(146,931)	(132,732)
Occupancy and associated costs		(111,889)	(424,462)
Systems costs		(161,513)	(149,823)
Depreciation and amortisation expense	11a)	(318,557)	(131,747)
Finance costs	11b)	(51,302)	(1,726)
General administration expenses		(370,945)	(440,818)
Profit before income tax expense		422,433	265,864
Income tax expense	12a)	(116,227)	(76,660)
Profit after income tax expense		306,206	189,204
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		306,206	189,204
Earnings per share		¢	¢
- Basic and diluted earnings per share:	31a)	9.57	5.91

The accompanying notes form part of these financial statements

Logan Community Financial Services Limited
Statement of Financial Position
as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	772,518	1,025,406
Trade and other receivables	15a)	142,023	84,461
Current tax assets	19a)	-	19,137
Other investments	14a)	7,000	7,000
Total current assets		921,541	1,136,004
Non-current assets			
Property, plant and equipment	16a)	1,807,910	1,800,745
Right-of-use assets	17a)	858,148	-
Intangible assets	18a)	156,815	210,580
Total non-current assets		2,822,873	2,011,325
Total assets		3,744,414	3,147,329
LIABILITIES			
Current liabilities			
Trade and other payables	20a)	141,278	118,455
Current tax liabilities	19a)	96,544	-
Loans and borrowings	21a)	1,815	481,133
Lease liabilities	22b)	156,866	-
Employee benefits	24a)	26,542	24,256
Total current liabilities		423,045	623,844
Non-current liabilities			
Trade and other payables	20b)	118,283	177,424
Lease liabilities	22c)	726,204	-
Employee benefits	24b)	3,189	1,823
Provisions	23a)	68,288	-
Deferred tax liability	19b)	10,739	22,332
Total non-current liabilities		926,703	201,579
Total liabilities		1,349,748	825,423
Net assets		2,394,666	2,321,906
EQUITY			
Issued capital	25a)	3,042,211	3,042,211
Accumulated losses	26	(647,545)	(720,305)
Total equity		2,394,666	2,321,906

The accompanying notes form part of these financial statements

Logan Community Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2020

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		3,042,211	(765,985)	2,276,226
Total comprehensive income for the year		-	189,204	189,204
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(143,524)	(143,524)
Balance at 30 June 2019		**3,042,211**	**(720,305)**	**2,321,906**
Balance at 1 July 2019		3,042,211	(720,305)	2,321,906
Effect of AASB 16: Leases	3d)	-	(42,076)	(42,076)
Restated balance at 1 July 2019		3,042,211	(762,381)	2,279,830
Total comprehensive income for the year		-	306,206	306,206
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	30a)	-	(191,370)	(191,370)
Balance at 30 June 2020		**3,042,211**	**(647,545)**	**2,394,666**

The accompanying notes form part of these financial statements

Logan Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		4,082,002	4,221,209
Payments to suppliers and employees		(3,264,517)	(3,744,076)
Interest received		9,546	11,685
Interest paid		(9,940)	-
Lease payments (interest component)	11b)	(38,435)	-
Lease payments not included in the measurement of lease liabilities	11d)	(74,027)	-
Income taxes refunded/(paid)		3,821	(18,548)
Net cash provided by operating activities	27	**708,450**	**470,270**
Cash flows from investing activities			
Payments for property, plant and equipment		(111,631)	(478,557)
Proceeds from sale of property, plant and equipment		8,000	-
Payments for intangible assets		(53,765)	(53,765)
Net cash used in investing activities		**(157,396)**	**(532,322)**
Cash flows from financing activities			
Proceeds from loans and borrowings		-	481,326
Repayment of loans and borrowings		(479,317)	(17,414)
Lease payments (principal component)	22a)	(133,255)	-
Dividends paid	30a)	(191,370)	(143,524)
Net cash provided by/(used in) financing activities		**(803,942)**	**320,388**
Net cash increase/(decrease) in cash held		**(252,888)**	**258,336**
Cash and cash equivalents at the beginning of the financial year		1,025,406	767,070
Cash and cash equivalents at the end of the financial year	13a)	**772,518**	**1,025,406**

The accompanying notes form part of these financial statements

Note 1 Reporting entity

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

Registered Office	Principal Place of Business
Unit 1, 54 Bryants Road Shailer Park QLD 4128	Unit 1, 54 Bryants Road Shailer Park QLD 4128

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 29.

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 period.

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

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

Note 3 Changes in accounting policies, standards and interpretations

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 *(continued)*

b) As a lessee

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

Leases classified as operating leases under AASB 117

Previously, the company classified property, 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 that the company:

- did not recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. 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 *(continued)*

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 decrease	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	17b)	932,539
Deferred tax asset	19b)	15,958
Liability		
Lease liabilities	22a)	(925,212)
Provision for make-good	23a)	(65,361)
Equity		
Accumulated losses		(42,076)

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 4.39%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	1,155,745
Add: additional options now expected to be exercised	827,368
Less: AASB 117 lease commitments reconciliation	(906,736)
Less: present value discounting	(151,165)
Lease liability as at 1 July 2019	925,212

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 *(continued)*

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

Commission

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

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

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

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

b) Other revenue *(continued)*

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.

Cash flow boost

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

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

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

d) Employee benefits

Short-term employee benefits

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

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

Defined superannuation contribution plans

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

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

Other long-term employee benefits

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

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

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

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

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

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

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.

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

f) Cash and cash equivalents

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

g) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

Asset class	Method	Useful life
Building	Straight-line	5 to 40 years
Leasehold improvements	Straight-line	1 to 40 years
Plant and equipment	Straight-line and diminishing value	1 to 15 years
Motor vehicles	Straight-line	4 to 10 years

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

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

h) Intangible assets

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.

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 and 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.

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

i) Financial instruments *(continued)*

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

Derecognition

Financial assets

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

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

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

i) Financial instruments *(continued)*

Financial liabilities

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

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

Offsetting

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

j) Impairment

Non-derivative financial assets

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

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

k) Issued capital

Ordinary shares

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

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

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.

The company is required to restore the leased premises to its/their original condition before the end of the lease term. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements, ATM installed at the branch, and incidental damage caused from the removal of assets.

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.

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

m) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessee *(continued)*

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

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.

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

m) Leases *(continued)*

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.

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 22 - 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.

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

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 19 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 16 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 24 - long service leave provision	key assumptions on attrition rate and pay increases though promotion and inflation;
- Note 23 - 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 a $425,557 commercial loan facility with Bendigo Bank which is secured by the company's assets. The loan is paid down to $1,815. Interest is payable at a rate of 3.39% (2019: 4.90%):

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

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

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

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 loans	1,815	1,815	-	-
Lease liabilities	883,070	192,509	567,546	256,130
Trade payables	9,317	9,317	-	-
	894,202	203,641	567,546	256,130

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 loans	481,133	481,133	-	-
Trade payables	38,855	38,855	-	-
	519,988	519,988	-	-

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 primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

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 $772,518 at 30 June 2020 (2019: $1,025,406). 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; and

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

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

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

Note 8 Revenue from contracts with customers

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

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	3,655,971	3,656,030
	3,655,971	3,656,030
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	3,075,454	3,065,295
- Fee income	323,497	332,715
- Commission income	257,020	258,020
	3,655,971	3,656,030

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 and cash flow boost income received from the Australian Government.

Other revenue	2020 $	2019 $
Revenue:		
- Market development fund income	100,833	104,166
- Cash flow boost	10,000	-
- Sale of property, plant and equipment	2,822	-
- Reimbursement of deposit for costs associated with Brown Plains branch fit out.	-	50,000
	113,655	154,166

Note 10 Finance income

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

Term deposits which can be readily converted to a known amount of cash and subject to an insignificant risk of change may qualify as a cash equivalent.

Finance income	2020 $	2019 $
At amortised cost:		
- Term deposits	9,546	11,685
	9,546	11,685

Note 11 Expenses

a) Depreciation and amortisation expense	2020 $	2019 $
Depreciation of non-current assets:		
- Buildings	8,679	9,048
- Leasehold improvements	53,717	31,682
- Plant and equipment	18,716	15,395
- Motor vehicles	18,176	21,857
	99,288	77,982
Depreciation of right-of-use assets		
- Leased land and buildings	165,504	-
	165,504	-

Note 11 Expenses *(continued)*

a) Depreciation and amortisation expense *(continued)*

	2020 $	2019 $
Amortisation of intangible assets:		
- Franchise fee	8,961	8,961
- Franchise renewal process fee	44,804	44,804
	53,765	53,765
Total depreciation and amortisation expense	318,557	131,747

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:			
- Bank loan interest paid or accrued		9,940	1,726
- Lease interest expense	22a)	38,435	-
- Unwinding of make-good provision		2,927	-
		51,302	1,726

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

c) Employee benefit expenses

	2020 $	2019 $
Wages and salaries	1,773,465	1,764,090
Non-cash benefits	2,879	4,739
Contributions to defined contribution plans	167,354	175,433
Expenses related to long service leave	32,638	38,349
Other expenses	219,266	292,098
	2,195,602	2,274,709

d) 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	74,027	-
	74,027	-

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

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

Note 11 Expenses *(continued)*

e) Other expenses	2020 $	2019 $
- Loss on disposal of property, plant and equipment	-	19,617

Note 12 Income tax expense

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

a) Amounts recognised in profit or loss	2020 $	2019 $
Current tax expense/(credit)		
- Current tax	111,861	19,453
- Movement in deferred tax	(10,973)	57,207
- Adjustment to deferred tax on AASB 16 retrospective application	15,959	-
- Reduction in company tax rate	(620)	-
	116,227	76,660

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 $620 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	422,433	265,864
Prima facie tax on profit from ordinary activities at 27.5% (2019: 27.5%)	116,169	73,114
Tax effect of:		
- Non-deductible expenses	3,429	8,942
- Other deductible expenses	-	(31,131)
- Temporary differences	(4,987)	(31,472)
- Other assessable income	(2,750)	-
- Movement in deferred tax	(10,973)	57,207
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	(620)	-
- Leases initial recognition	15,959	-
	116,227	76,660

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

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

	2020 $	2019 $
- Cash at bank and on hand	580,986	837,954
- Term deposits	191,532	187,452
	772,518	1,025,406

Note 14 Other investments

The primary goal of the company's other investments is to hold the investments for the long term for strategic purposes.

The company classifies investments as a current asset when it expects to realise the asset, or intends to sell or consume it, no more than 12 months after the reporting period. All other investments are classified as non-current.

a) Current investments	2020 $	2019 $
Equity securities - at fair value	7,000	7,000
	7,000	7,000

Note 15 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	139,233	77,618
Prepayments	2,459	6,512
Other receivables and accruals	331	331
	142,023	84,461

Note 16 Property, plant and equipment

a) Carrying amounts	2020 $	2019 $
Land		
At cost	724,942	724,942
Buildings		
At cost	262,454	262,454
Less: accumulated depreciation	(77,199)	(68,520)
	185,255	193,934
Leasehold improvements		
At cost	970,602	953,943
Less: accumulated depreciation	(215,315)	(161,598)
	755,287	792,345

Note 16 Property, plant and equipment *(continued)*

a) Carrying amounts *(continued)*

	2020	2019
Plant and equipment	$	$
At cost	350,642	255,670
Less: accumulated depreciation	(225,384)	(206,668)
	125,258	49,002
Motor vehicles		
At cost	168,328	191,651
Less: accumulated depreciation	(151,160)	(151,129)
	17,168	40,522
Total written down amount	1,807,910	1,800,745

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.

b) Reconciliation of carrying amounts

	2020	2019
	$	$
Land		
Carrying amount at beginning	724,942	724,942
Carrying amount at end	724,942	724,942
Buildings		
Carrying amount at beginning	193,934	202,982
Depreciation	(8,679)	(9,048)
Carrying amount at end	185,255	193,934
Leasehold improvements		
Carrying amount at beginning	792,345	378,240
Additions	16,659	458,612
Disposals	-	(12,825)
Depreciation	(53,717)	(31,682)
Carrying amount at end	755,287	792,345
Plant and equipment		
Carrying amount at beginning	49,002	51,244
Additions	94,972	19,944
Disposals	-	(6,791)
Depreciation	(18,716)	(15,395)
Carrying amount at end	125,258	49,002

Note 16 Property, plant and equipment *(continued)*

b) Reconciliation of carrying amounts *(continued)*

	2020 $	2019 $
Motor vehicles		
Carrying amount at beginning	40,522	62,379
Disposals	(5,178)	-
Depreciation	(18,176)	(21,857)
Carrying amount at end	17,168	40,522
Total written down amount	1,807,910	1,800,745

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 17 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

	Note	2020 $	2019 $
Leased land and buildings			
At cost		1,330,988	-
Less: accumulated depreciation		(472,840)	-
Total written down amount		858,148	-

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
Initial recognition on transition	3d)	1,239,875	-
Accumulated depreciation on adoption	3d)	(307,336)	-
Additional right-of-use assets recognised		91,113	-
Depreciation		(165,504)	-
Total written down amount		858,148	-

Note 18 Intangible assets

a) Carrying amounts

	2020 $	2019 $
Franchise fee		
At cost	411,600	411,600
Less: accumulated amortisation	(385,464)	(376,503)
	26,136	35,097
Franchise renewal process fee		
At cost	758,013	758,013
Less: accumulated amortisation and impairment	(627,334)	(582,530)
	130,679	175,483
Total written down amount	156,815	210,580

b) Reconciliation of carrying amounts

	2020	2019
Franchise fee		
Carrying amount at beginning	35,097	44,058
Amortisation	(8,961)	(8,961)
Carrying amount at end	26,136	35,097
Franchise renewal process fee		
Carrying amount at beginning	175,483	220,287
Amortisation	(44,804)	(44,804)
Carrying amount at end	130,679	175,483
Total written down amount	156,815	210,580

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 19 Tax assets and liabilities

a) Current tax

	2020 $	2019 $
Income tax payable/(refundable)	96,544	(19,137)

Note 19 Tax assets and liabilities *(continued)*

b) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
Deferred tax assets	$	$	$	$
- expense accruals	956	(215)	-	741
- employee provisions	7,172	721	-	7,893
- make-good provision	-	(219)	17,974	17,755
- lease liability	-	(24,834)	254,432	229,598
Total deferred tax assets	8,128	(24,548)	272,407	255,987
Deferred tax liabilities				
- income accruals	91	(5)	-	86
- property, plant and equipment	30,369	13,153	-	43,522
- right-of-use assets	-	(33,330)	256,448	223,118
Total deferred tax liabilities	30,460	(20,182)	256,448	266,726
Net deferred tax assets (liabilities)	(22,332)	(4,365)	15,958	(10,739)

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

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$
- expense accruals	1,299	(343)	-	956
- employee provisions	5,248	1,924	-	7,172
- property, plant and equipment	28,419	(28,419)	-	-
Total deferred tax assets	34,966	(26,838)	-	8,128
Deferred tax liabilities				
- income accruals	91	-	-	91
- property, plant and equipment	-	30,369	-	30,369
Total deferred tax liabilities	91	30,369	-	30,460
Net deferred tax assets (liabilities)	34,875	(57,207)	-	(22,332)

Note 19 Tax assets and liabilities *(continued)*

c) Uncertainty over income tax treatments

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

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

Note 20 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	9,317	38,855
Other creditors and accruals	131,961	79,600
	141,278	118,455

b) Non-current liabilities		
Other creditors and accruals	118,283	177,424
	118,283	177,424

Note 21 Loans and borrowings

a) Current liabilities	2020 $	2019 $
Secured bank loans	1,815	481,133
	1,815	481,133

b) Terms and repayment schedule

	Nominal interest rate	Year of maturity	30 June 2020		30 June 2019	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	3.39%	Floating	1,815	1,815	481,133	481,133

Note 22 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 4.39%.

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.

Note 22 Lease liabilities *(continued)*

Lease portfolio

The company's lease portfolio includes:

- Beenleigh branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in August 2014. An extension option term of five years was exercised in August 2019. There are no additional options available.
- Brown Plains branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in June 2019. The lease has a five year extension option available. The company is reasonably certain to exercise the final five-year lease term.
- Springwood branch — The lease agreement is a non-cancellable lease with an initial term of five years which commenced in June 2018. The lease has no extension options available.

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	925,212	-
Remeasurement adjustments		91,113	-
Lease payments - interest		38,435	-
Lease payments		(171,690)	-
		883,070	-

b) Current lease liabilities

		2020 $	2019 $
Property lease liabilities		192,509	-
Unexpired interest		(35,643)	-
		156,866	-

Note 22 Lease liabilities *(continued)*

c) Non-current lease liabilities	2020 $	2019 $
Property lease liabilities	823,676	-
Unexpired interest	(97,472)	-
	726,204	-

d) Maturity analysis

- Not later than 12 months	192,509	-
- Between 12 months and 5 years	567,546	-
- Greater than 5 years	256,130	-
Total undiscounted lease payments	1,016,185	-
Unexpired interest	(133,115)	-
Present value of lease liabilities	883,070	-

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 $25,503.

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	171,690	(171,690)	-
- Depreciation and amortisation expense	-	165,504	165,504
- Finance costs	-	41,362	41,362
Increase in expenses - before tax	171,690	35,176	206,866
- Income tax expense / (credit) - current	(47,215)	47,215	-
- Income tax expense / (credit) - deferred	-	(56,888)	(56,888)
Increase in expenses - after tax	124,475	25,503	149,978

Note 23 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	68,288	-
	68,288	-

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	86,660	-
Present value discounting	3d	(21,299)	-
Present value unwinding		2,927	-
		68,288	-

b) 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 branch premises leases are due to expire on the below dates at which time the expected face-value costs to restore the premises will fall due:

- Beenleigh branch - 31 July 2024

- Brown Plains - 31 May 2029

- Springwood lease 31 May 2023

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	2,927	3,058	3,195	3,238	8,881
Statement of financial position					
Liability:					
- Make-good provision	68,288	71,346	74,541	77,779	86,660

Note 24 Employee benefits

a) Current liabilities

	2020 $	2019 $
Provision for annual leave	10,996	10,996
Provision for long service leave	15,546	13,260
	26,542	24,256

b) Non-current liabilities

	2020 $	2019 $
Provision for long service leave	3,189	1,823
	3,189	1,823

c) Key judgement and assumptions

Employee attrition rates

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

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

Note 25 Issued capital

a) Issued capital

	2020		2019	
	Number	$	Number	$
Ordinary shares - fully paid	3,200,010	3,092,000	3,200,010	3,092,000
Less: equity raising costs	-	(49,789)	-	(49,789)
	3,200,010	3,042,211	3,200,010	3,042,211

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.

Note 25 Issued capital *(continued)*

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 1,029. As at the date of this report, the company had 1,097 shareholders (2019: 1,088 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 26 Accumulated losses

	Note	2020 $	2019 $
Balance at beginning of reporting period		(720,305)	(765,985)
Adjustment for transition to AASB 16	3d	(42,076)	-
Net profit after tax from ordinary activities		306,206	189,204
Dividends provided for or paid	30a)	(191,370)	(143,524)
Balance at end of reporting period		(647,545)	(720,305)

Note 27 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit after tax from ordinary activities	306,206	189,204
Adjustments for:		
- Depreciation	264,792	77,982
- Amortisation	53,765	53,765
- (Profit)/loss on disposal of non-current assets	(2,822)	19,617
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(57,562)	35,718
- (Increase)/decrease in other assets	35,097	35,779
- Increase/(decrease) in trade and other payables	17,443	28,878
- Increase/(decrease) in employee benefits	3,652	6,994
- Increase/(decrease) in provisions	2,928	-
- Increase/(decrease) in tax liabilities	84,951	22,333
Net cash flows provided by operating activities	708,450	470,270

Note 27 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	15	139,564	77,949
Cash and cash equivalents	13	580,986	837,954
Term deposits	13	191,532	187,452
		912,082	1,103,355
Financial liabilities			
Trade and other payables	20	9,317	38,855
Secured bank loans	21	482,948	962,266
Lease liabilities	22	883,070	-
		1,375,335	1,001,121

Note 28 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	7,000	6,800
	7,000	6,800
Non audit services		
- Taxation advice and tax compliance services	2,950	1,095
- General advisory services	6,190	2,930
- Share registry services	6,484	-
	15,624	4,025
Total auditor's remuneration	22,624	10,825

Note 29 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Jason Paul Luckhardt
Brett Blair Raguse
Robert Leslie Herriott
Kathleen Robyn Wakeling
David William Ekert
Lachlan Stewart
Elvio John Dizane
Leanne Nicole Taylor
Bridget Louise French

b) Key management personnel compensation

Key management personnel compensation comprised the following.	2020 $	2019 $
Short-term employee benefits	39,170	36,445
	39,170	36,445

Compensation of the company's key management personnel includes salaries, non-cash benefits, contributions to a post-employment defined contribution plan.

c) Related party transactions

No director or related entity has entered into a material contract with the company.

Community bank Directors' Privileges Package

The board has adopted the Community bank Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the Community bank. There is no requirement to own Bendigo Bank shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo Bank shareholders. The total benefits received by the directors from the Directors' Privilege Package are $nil for the year ended 30 June 2020 (2019: $nil).

Note 30 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 cash flows.

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Fully franked dividend	6.00	191,370	4.50	143,524
Total dividends paid during the financial year	6.00	191,370	4.50	143,524

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

b) Franking account balance

	2020	2019
	$	$
Franking credits available for subsequent reporting periods		
Franking account balance at the beginning of the financial year	93,038	128,930
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	(19,138)	(20,043)
- Franking credits from income tax instalments paid	15,318	38,591
- Franking debits from the payment of franked distributions	(72,828)	(54,440)
Franking account balance at the end of the financial year	16,390	93,038
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	96,543	(19,138)
Franking credits available for future reporting periods	112,933	73,900

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

Note 31 Earnings per share

a) Basic and diluted earnings per share

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

	2020	2019
	$	$
Profit attributable to ordinary shareholders	306,206	189,204
	Number	Number
Weighted-average number of ordinary shares	3,200,010	3,200,010
	Cents	Cents
Basic and diluted earnings per share	9.57	5.91

Note 32 Commitments

a) Lease commitments

Following adoption of AASB 16 as of 1 July 2019, all lease commitment information and amounts for the financial year ending 30 June 2020 can now be found in 'Lease liabilities' (Note 22).

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	-	248,660
- between 12 months and 5 years	-	907,085
Minimum lease payments payable	-	1,155,745

b) Other commitments

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

Note 33 Contingencies

The company is investigating a potential loan default and is at this stage it is uncertain the amounts each party is liable for interest and prinicipal components.

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

Note 34 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.

Logan Community Financial Services Limited
Directors' Declaration

In accordance with a resolution of the directors of Logan Community Financial Services 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.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001* .

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

Jason Paul Luckhardt, Chair

Dated this 28th day of September 2020

Partners in success
Chartered Accountants

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Independent auditor's report to the members of Logan Community Financial Services Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Logan Community Financial Services 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 on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

What we have audited
Logan Community Financial Services Limited's (the company) financial report comprises the:

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

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

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

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

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

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.
Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

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

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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.

Report on the remuneration report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Logan Community Financial Services Limited - AUDIT for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the matter
Application and recognition of AASB 16: Leases	
The company adopted *AASB 16: Leases* as at 1 July 2019, and first reported this at 31 December 2019 during the half-year review. The company has assessed the impact that AASB 16 will have on its financial statements at 30 June 2020. The expected impact of AASB 16 is disclosed in **Note** 3 and 4 m) to the financial statements. A number of judgements have been applied and estimates made in determining the impact of the standard. Our key audit matter was focused on the following areas of risk: ▪ Leasing arrangements within the scope of AASB 16 are not identified or appropriately included in the calculation of the transitional impact. ▪ Specific assumptions applied to determine the discount rates and lease terms for each lease are inappropriate. ▪ The underlying lease data used to calculate the transitional impact is incomplete and/or inaccurate. ▪ The disclosures in the financial statements are insufficient, preventing investors from obtaining a clear understanding as to the transitional impact of the change in accounting standard.	In responding to the identified key audit matter, we completed the following audit procedures: ▪ assessed the design and implementation of key controls pertaining to the determination of the ▪ AASB 16 transition impact disclosure. ▪ assessed the appropriateness of the discount rates and lease terms applied in determining lease liabilities, including any underlying assumptions. ▪ verified the accuracy of the underlying lease data by agreeing the information directly back to original lease contracts or other supporting information, and checked the integrity and mechanical accuracy of the AASB 16 calculations for each lease through recalculation of the expected AASB 16 adjustment. ▪ considered completeness by testing the reconciliation to the company's operating lease commitments and by investigating key service contracts to assess whether any contained a lease under AASB 16. ▪ assessed whether the disclosures within the financial statements are appropriate in light of the requirements of *AASB 8 Accounting Policies, Changes in Accounting Estimates and Errors.* **Key observation** We are satisfied that the disclosure of the impact of adoption of *AASB 16: Leases* is in accordance with the company's accounting policy and the related disclosure of these items per Note 3 and 4 m) to the financial statements is appropriate.

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Key Audit Matter	How our audit addressed the matter
Revenue Share Model	
The company is a franchise of Bendigo Bank. 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 receives the Revenue Share from Bendigo Bank via a monthly profit share statement. Our Key Audit Matter was focused on the following areas of risk: ▪ Revenue is recognised appropriately and in line with *AASB 15 Revenue from Contracts with Customers*. ▪ Reliance on third party auditor (Ernst & Young) to review the **revenue share** model**.**	In responding to the identified Key Audit Matter, we completed the following audit procedures: ▪ We have obtained the monthly profit share statements from the entire year and analytically assessed the existence, accuracy and completeness of revenue. ▪ Ernst & Young complete a Community Bank Revenue Share Arrangements report on factual findings two-yearly, which we review and determine that the scope and testing procedures were sufficient to enable reliance on the monthly profit share reports specifically relating to revenue. **Key observation** We are satisfied that the revenue share model has been sufficiently reviewed by an external auditor and the reliance can be placed on the monthly profit share reports. The company's accounting policy relating to the revenue share model is detailed at Note 4 a) to the financial statements.

There are no other key audit matters to disclose for the 30 June 2020 audit.

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 28 September 2020

Graeme Stewart
Lead Auditor