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Logan

Community Financial Services Limited

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ABN: 88 101 148 430

Financial Report

For the year ended

30 June 2021

# Logan Community Financial Services Limited

## Directors' Report

The directors present their report together with the financial statements of the company for the financial year ended 30 June 2021.

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### Directors

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The directors of the company who held office during the financial year and to the date of this report 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: 5,250 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: Company Secretary and Member of 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: 3,250 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 & Strategic Planning Committee.

Interest in shares: 2,250 ordinary shares

# Logan Community Financial Services Limited

## Directors' Report

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### Directors (*continued*)

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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: 3,250 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: 2,250 ordinary shares

Elvio John Dizane

Non-executive director

Occupation: Retired/Pensioner

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. He currently works as a casual employee at Bunnings Capalaba.

Special responsibilities: Member of Marketing & Community Projects Committee.

Interest in shares: 2,250 ordinary shares

Leanne Nicole Taylor

Non-executive director (appointed 1 July 2020)

Occupation: Registered Migration Agent/Para-Legal

Qualification, experience and expertise: Lived locally since turning 16. 30 years' experience working within the legal industry in various roles from office junior, legal secretary and through to management level positions. More recently, studied to become a Registered Migration Agent (since 2003) working solely in migration law and most recently (since 2016) also assisting clients with their Total and Permanent Disablement claims after significant injury results in them being unable to work. Long-standing member of the Migration Institute of Australia and Migration Alliance. Active Board Member of the Beenleigh Yatala Chamber of Commerce.

Special responsibilities: Member of Strategic Planning Committee and Member of Marketing & Community Projects Committee.

Interest in shares: 2,750 ordinary shares

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

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

# Logan Community Financial Services Limited

## Directors' Report

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### Company Secretary

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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'.

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### Principal activity

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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.

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### Operating results

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

Year ended 30 June 2021	Year ended 30 June 2020
\$	\$
344,354	306,206

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### Operating and financial review

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#### 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.

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 2021 the level of business on the books was \$496M. This is an increase of \$20M. The product mix comprises lending of \$267M, deposits \$214M and other business \$15M.

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.

# Logan Community Financial Services Limited

## Directors' Report

### Operating and financial review *(continued)*

#### Key metrics

Five year summary of performance	Unit	2021	2020	2019	2018	2017
Operating revenue	\$	3,775,746	3,779,172	3,821,881	3,638,527	3,790,660
Earnings before interest, tax, depreciation, and amortisation	\$	830,087	792,292	399,337	328,747	418,437
Earnings before interest and tax	\$	502,095	473,735	267,590	167,130	222,877
Net profit after tax	\$	344,354	306,206	189,204	119,722	153,493
Total assets	\$	3,867,248	3,744,414	3,147,329	2,633,298	2,468,333
Total liabilities	\$	1,310,030	1,349,748	825,423	357,072	183,829
Total equity	\$	2,557,218	2,394,666	2,321,906	2,276,226	2,284,504
Net cash flow from operating activities	\$	684,505	708,450	470,270	277,384	346,259

#### Shareholder returns

Profit attributable to owners of the company	\$	344,354	306,206	189,204	119,722	153,493
Basic earnings per share	¢	10.76	9.57	5.91	3.74	4.80
Dividends paid	¢	181,802	191,370	143,524	128,000	112,000
Dividends per share	¢	5.70	6.00	4.50	4.00	3.50
Net tangible assets per share	¢	0.76	0.70	0.65	0.62	0.68
Price earnings ratio	¢	10.76	9.57	5.91	5.26	6.72

Returns to shareholders increased through both dividends and capital growth. Dividends for 2021 were fully franked and it is expected that dividends in the future years will continue to be fully franked.

#### Financial position

##### Assets

Total assets have increased to \$3,867,248 during the financial year ended 30 June 2021.

Cash balances have increased by \$301,445 as a result of the following:

Cash flows from operations \$684,505

Net investment property plant and equipment \$12,001

Payment of intangible assets (\$53,765)

Lease payments (\$159,494)

Payment of dividend (\$181,802)

##### Liabilities

Total liabilities decreased by \$39,718 primarily due to repayment of franchise fee instalments.

##### Equity

Equity has increased by \$162,552.

# Logan Community Financial Services Limited

## Directors' Report

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### Operating and financial review *(continued)*

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#### Drivers of business performance

The results for the 2020/21 financial year have been driven mainly by a modest growth in lending, strong growth in deposits and close management of costs. Net interest margin returns under the revenue share arrangement have remained depressed in an environment of continuing low interest rates.

In addition, COVID-19 resulted in mandatory lockdowns at various times during 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.

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### Remuneration report - audited

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Total compensation for all non-executive directors, last voted upon by shareholders at the 2020 AGM, is not to exceed \$60,000 per annum. The base fee for the chairperson is \$9,000 per annum. Other directors received a payment of \$2,750 per annum based on attendance of 11 board meetings @\$250 per meeting.

Non-executive director members are also remunerated for their role as Treasurer (\$5,000 per annum), Company Secretary (\$4,500 per annum) and Committee Chair (\$3,000 per annum.)

Non-executive director members who sit on more than one committee received an additional payment of \$75 per Committee/Meeting attended.

Non-executive directors do not receive performance-related compensation and are not provided with retirement benefits apart from statutory superannuation.

# Logan Community Financial Services Limited

## Directors' Report

### Remuneration report - audited (continued)

	2021	2020
	\$	\$
<u>Non-executive director remuneration</u>		
Jason Paul Luckhardt	10,940	9,360
Brett Blair Raguse	7,495	6,860
Robert Leslie Herriott	6,220	5,020
Kathleen Robyn Wakeling	-	-
David William Ekert	7,895	7,080
Lachlan Stewart	5,625	4,635
Elvio John Dizane	3,375	3,190
Leanne Nicole Taylor	3,100	-
	<u>44,650</u>	<u>36,145</u>

### 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	1,250	5,250
Brett Blair Raguse	13,300	-	13,300
Robert Leslie Herriott	2,000	1,250	3,250
Kathleen Robyn Wakeling	1,000	1,250	2,250
David William Ekert	2,000	1,250	3,250
Lachlan Stewart	1,000	1,250	2,250
Elvio John Dizane	1,000	1,250	2,250
Leanne Nicole Taylor	-	2,750	2,750

### 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	<u>5.70</u>	<u>181,802</u>

### Significant changes in the state of affairs

Since January 2020, COVID-19 has developed and spread globally. In response, the Commonwealth and State Government introduced a range of social isolation measures to limit the spread of the virus. Such measures have been revised, as appropriate, based on case numbers and the level of community transmission. Whilst there has been no significant changes on the company's financial performance so far, 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.

# Logan Community Financial Services Limited

## Directors' Report

### 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:

*E - eligible to attend*

*A - number attended*

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

Board Meetings		Committee Meetings			
		Marketing & Community Projects		Governance, Audit & Human Resources	
<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>	<i>E</i>	<i>A</i>
11	11	-	-	5	1
11	11	-	-	-	-
11	11	11	5	5	4
11	9	-	-	5	4
11	10	-	-	5	5
11	11	11	5	-	-
11	11	11	5	4	4
11	11	6	-	-	-

### 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*.



# Logan Community Financial Services Limited

## Directors' Report

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### Non audit services

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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 29 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.

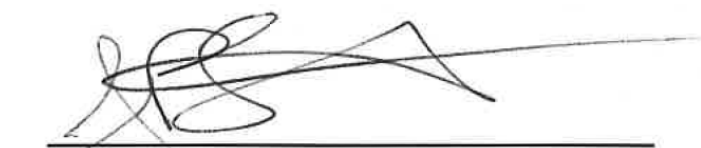
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### Auditor's independence declaration

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A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

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



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Jason Paul Luckhardt, Chair

Dated this 29th day of September 2021

## Independent 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 2021, 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: 29 September 2021



**Joshua Griffin**  
Lead Auditor

Logan Community Financial Services Limited  
Statement of Profit or Loss and Other  
Comprehensive Income  
for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
Revenue from contracts with customers	8	3,658,473	3,655,971
Other revenue	9	113,075	113,655
Finance income	10	4,198	9,546
Employee benefit expenses	11c)	(2,229,379)	(2,255,830)
Charitable donations, sponsorship, advertising and promotion		(142,163)	(146,931)
Occupancy and associated costs		(130,811)	(111,889)
Systems costs		(149,378)	(161,513)
Depreciation and amortisation expense	11a)	(327,992)	(318,557)
Finance costs	11b)	(40,041)	(51,302)
General administration expenses		(293,928)	(310,717)
<b>Profit before income tax expense</b>		<b>462,054</b>	<b>422,433</b>
Income tax expense	12a)	(117,700)	(116,227)
<b>Profit after income tax expense</b>		<b>344,354</b>	<b>306,206</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>344,354</b>	<b>306,206</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
- Basic and diluted earnings per share:	32a)	10.76	9.57

The accompanying notes form part of these financial statements

Logan Community Financial Services Limited  
Statement of Financial Position  
as at 30 June 2021

	Notes	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	13	1,073,963	772,518
Trade and other receivables	15a)	123,064	142,023
Other investments	14a)	7,000	7,000
<b>Total current assets</b>		<b>1,204,027</b>	<b>921,541</b>
<b>Non-current assets</b>			
Property, plant and equipment	16a)	1,715,461	1,807,910
Right-of-use assets	17a)	844,710	858,148
Intangible assets	18a)	103,050	156,815
<b>Total non-current assets</b>		<b>2,663,221</b>	<b>2,822,873</b>
<b>Total assets</b>		<b>3,867,248</b>	<b>3,744,414</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	20a)	218,271	141,278
Current tax liabilities	19a)	13,904	96,544
Loans and borrowings	21a)	1,878	1,815
Lease liabilities	22a)	172,240	156,866
Employee benefits	24a)	21,780	26,542
<b>Total current liabilities</b>		<b>428,073</b>	<b>423,045</b>
<b>Non-current liabilities</b>			
Trade and other payables	20b)	59,141	118,283
Lease liabilities	22b)	716,222	726,204
Employee benefits	24b)	29	3,189
Provisions	23a)	71,346	68,288
Deferred tax liability	19b)	35,219	10,739
<b>Total non-current liabilities</b>		<b>881,957</b>	<b>926,703</b>
<b>Total liabilities</b>		<b>1,310,030</b>	<b>1,349,748</b>
<b>Net assets</b>		<b>2,557,218</b>	<b>2,394,666</b>
<b>EQUITY</b>			
Issued capital	25a)	3,042,211	3,042,211
Accumulated losses	26	(484,993)	(647,545)
<b>Total equity</b>		<b>2,557,218</b>	<b>2,394,666</b>

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 2021

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2019</b>		3,042,211	(762,381)	2,279,830
Total comprehensive income for the year		-	306,206	306,206
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	31a)	-	(191,370)	(191,370)
<b>Balance at 30 June 2020</b>		<b>3,042,211</b>	<b>(647,545)</b>	<b>2,394,666</b>
<b>Balance at 1 July 2020</b>		3,042,211	(647,545)	2,394,666
Total comprehensive income for the year		-	344,354	344,354
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	31a)	-	(181,802)	(181,802)
<b>Balance at 30 June 2021</b>		<b>3,042,211</b>	<b>(484,993)</b>	<b>2,557,218</b>

The accompanying notes form part of these financial statements

Logan Community Financial Services Limited

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		4,154,851	4,082,002
Payments to suppliers and employees		(3,199,610)	(3,264,517)
Interest received		4,198	9,546
Interest paid		(62)	(9,940)
Lease payments (interest component)	11b)	(36,920)	(38,435)
Lease payments not included in the measurement of lease liabilities	11d)	(62,092)	(74,027)
Income taxes refunded/(paid)		(175,860)	3,821
<b>Net cash provided by operating activities</b>	27	<b>684,505</b>	<b>708,450</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(3,454)	(111,631)
Proceeds from sale of property, plant and equipment		15,455	8,000
Payments for intangible assets		(53,765)	(53,765)
<b>Net cash used in investing activities</b>		<b>(41,764)</b>	<b>(157,396)</b>
<b>Cash flows from financing activities</b>			
Repayment of loans and borrowings		-	(479,317)
Lease payments (principal component)		(159,494)	(133,255)
Dividends paid	31a)	(181,802)	(191,370)
<b>Net cash used in financing activities</b>		<b>(341,296)</b>	<b>(803,942)</b>
<b>Net cash increase/(decrease) in cash held</b>		<b>301,445</b>	<b>(252,888)</b>
Cash and cash equivalents at the beginning of the financial year		772,518	1,025,406
<b>Cash and cash equivalents at the end of the financial year</b>	13	<b>1,073,963</b>	<b>772,518</b>

The accompanying notes form part of these financial statements

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 1 Reporting entity

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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 30.

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### Note 2 Basis of preparation and statement of compliance

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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 2021 were authorised for issue in accordance with a resolution of the directors on 14 September 2021.

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### Note 3 Changes in accounting policies, standards and interpretations

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There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2020, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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### Note 4 Summary of significant accounting policies

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The company has consistently applied the following accounting policies to all periods presented in these financial statements.

#### 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.

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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

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

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

All revenue is stated net of the amount of Goods and Services Tax (GST). There was no revenue from contracts with customers recognised over time during the financial year.

#### *Revenue calculation*

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

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

#### *Margin*

Margin is arrived at through the following calculation:

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

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

#### *Commission*

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

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

#### *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.



# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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

##### *Ability to change financial return*

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return 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.

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

#### b) Other revenue

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

<u>Revenue</u>	<u>Revenue recognition policy</u>
Sale of property, plant and equipment	Revenue from the sale of property, plant and equipment is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.
Discretionary financial contributions (also "Market Development Fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).
Other income	All other revenues that did not contain contracts with customers are recognised as goods and services are provided.

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

##### *Discretionary financial contributions*

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

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

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

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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**b) Other revenue (*continued*)***Cash flow boost*

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 sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are 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.

**c) Economic dependency - Bendigo Bank**

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

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

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

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

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

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

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

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

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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**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 where the employee has provided the service but payment has not yet occurred at the reporting date. They are measured at amounts expected to be paid, plus related on-costs. Non-accumulating sick leave is expensed 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. The company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position. The company's obligations for employees' annual leave and long service leave entitlements are recognised in employee benefits in the statement of financial position.

*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.

*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 estimated future cash outflows.

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

**e) Taxes**

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

*Current income tax*

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

*Deferred tax*

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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**e) Taxes (continued)***Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of GST, except when the amount of GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue or expense item.

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

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

**f) Cash and cash equivalents**

For the purposes of the statement of financial position and statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

**g) Property, plant and equipment**

Items of property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line and/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:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
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.

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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#### h) Intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>
Franchise 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 required.

#### 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 and other debtors and creditors, cash and cash equivalents, lease liabilities, borrowings and equity securities (shares).

Trade receivables are initially recognised at the transaction price when they originated. All other financial assets and financial liabilities are initially measured at fair value plus, transaction costs (where applicable) when the company becomes a party to the contractual provisions of the instrument. These assets and liabilities are subsequently measured at amortised cost using the effective interest method, except for the equity securities which remain at fair value through profit or loss (FVTPL).

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the rights are transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and rewards associated with the asset. Financial liabilities are derecognised when its contractual obligations are discharged, cancelled, or expire. Any gain or loss on derecognition is recognised in profit or loss.

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*

Expected credit losses (ECL) 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. At each reporting date, the entity recognises the movement in the ECL (if any) 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 10 business 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 ECL has been made in relation to trade receivables as at 30 June 2021.

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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**j) Impairment (*continued*)***Non-financial assets*

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

**k) Issued capital**

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

**l) Provisions**

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

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

**m) Leases**

At inception of a contract, the company assesses whether a contract contains or is 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 and obtain substantially all the economic benefits from the use of that asset.

*As a lessee*

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 company's incremental borrowing rate.

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

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option or if there is a revised in-substance fixed lease payment.

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.

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

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#### m) Leases (*continued*)

##### *As a lessee (continued)*

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.

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.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

##### *Short-term leases and leases of low-value assets*

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

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

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### Note 5 Significant accounting judgements, estimates, and assumptions

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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:

<u>Note</u>	<u>Judgement</u>
- 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.

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

#### a) Judgements (continued)

Information about assumptions and estimation uncertainties at 30 June 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

<u>Note</u>	<u>Assumptions</u>
- Note 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 through 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 credit, liquidity and market risk arising from financial instruments. 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's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

#### b) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities. 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 \$371,275 commercial loan facility with Bendigo Bank which is secured by the company's assets. The loan is paid down to \$1,878. Interest is payable at a rate of 3.39% (2020: 3.39%):

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The contractual cash flows amounts are gross and undiscounted.

30 June 2021

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	1,878	1,878	-	-
Lease liabilities	888,462	207,846	536,391	275,063
Trade and other payables	277,412	218,271	59,141	-
	<u>1,167,752</u>	<u>427,995</u>	<u>595,532</u>	<u>275,063</u>



# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 6 Financial risk management (*continued*)

#### b) Liquidity risk (*continued*)

30 June 2020

<u>Non-derivative financial liability</u>	<u>Carrying amount</u>	<u>Not later than 12 months</u>	<u>Contractual cash flows</u>	
			<u>Between 12 months and five years</u>	<u>Greater than five years</u>
Bank loans	1,815	1,815	-	-
Lease liabilities	883,070	192,509	567,546	256,130
Trade and other payables	259,561	141,278	118,283	-
	<u>1,144,446</u>	<u>335,602</u>	<u>685,829</u>	<u>256,130</u>

#### c) Market risk

##### *Market risk*

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

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

##### *Price risk*

The 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 \$1,073,963 at 30 June 2021 (2020: \$772,518). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB on Standard & Poor's credit ratings.

### Note 7 Capital management

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

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

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- 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 2021 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.

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 8 Revenue from contracts with customers

	2021 \$	2020 \$
- Margin income	3,095,771	3,075,454
- Fee income	311,366	323,497
- Commission income	251,336	257,020
	<u>3,658,473</u>	<u>3,655,971</u>

### Note 9 Other revenue

	2021 \$	2020 \$
- Market development fund income	90,000	100,833
- Cash flow boost	7,500	10,000
- Sale of property, plant and equipment	15,455	2,822
- Other income	120	-
	<u>113,075</u>	<u>113,655</u>

### Note 10 Finance income

	2021 \$	2020 \$
- Term deposits	<u>4,198</u>	<u>9,546</u>

Finance income is recognised when earned using the effective interest rate method.

### Note 11 Expenses

<b>a) Depreciation and amortisation expense</b>	<b>2021 \$</b>	<b>2020 \$</b>
<i>Depreciation of non-current assets:</i>		
- Buildings	7,886	8,679
- Leasehold improvements	53,493	53,717
- Plant and equipment	23,260	18,716
- Motor vehicles	11,264	18,176
	<u>95,903</u>	<u>99,288</u>
<i>Depreciation of right-of-use assets</i>		
- Leased land and buildings	<u>178,324</u>	<u>165,504</u>
<i>Amortisation of intangible assets:</i>		
- Franchise fee	8,961	8,961
- Franchise renewal process fee	44,804	44,804
	<u>53,765</u>	<u>53,765</u>
Total depreciation and amortisation expense	<u>327,992</u>	<u>318,557</u>

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 11 Expenses (continued)

b) Finance costs	2021 \$	2020 \$
- Bank loan interest paid or accrued	62	9,940
- Lease interest expense	36,920	38,435
- Unwinding of make-good provision	3,059	2,927
	<u>40,041</u>	<u>51,302</u>

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

### c) Employee benefit expenses

Wages and salaries	1,731,026	1,773,465
Non-cash benefits	3,760	2,879
Contributions to defined contribution plans	175,019	167,354
Expenses related to long service leave	14,176	32,638
Other expenses	305,398	279,494
	<u>2,229,379</u>	<u>2,255,830</u>

### d) Recognition exemption

The company pays for the right to use information technology equipment. The underlying assets have been assessed as low value and exempted from recognition under AASB 16 accounting. Expenses relating to low-value exempt leases are included in system costs expenses.

	2021 \$	2020 \$
Expenses relating to low-value leases	<u>62,092</u>	<u>74,027</u>

### Note 12 Income tax expense

a) Amounts recognised in profit or loss	2021 \$	2020 \$
<i>Current tax expense</i>		
- Current tax	93,221	111,861
- Movement in deferred tax	25,888	(10,973)
- Adjustment to deferred tax on AASB 16 retrospective application	-	15,959
- Reduction in company tax rate	(1,409)	(620)
	<u>117,700</u>	<u>116,227</u>

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 12 Income tax expense (continued)

b) <i>Prima facie</i> income tax reconciliation	2021 \$	2020 \$
Operating profit before taxation	462,054	422,433
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	120,134	116,169
Tax effect of:		
- Non-deductible expenses	925	3,429
- Temporary differences	(25,888)	(4,987)
- Other assessable income	(1,950)	(2,750)
- Movement in deferred tax	25,888	(10,973)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	(1,409)	(620)
- Leases initial recognition	-	15,959
	<u>117,700</u>	<u>116,227</u>

### Note 13 Cash and cash equivalents

	2021 \$	2020 \$
- Cash at bank and on hand	880,472	580,986
- Term deposits	193,491	191,532
	<u>1,073,963</u>	<u>772,518</u>

### Note 14 Other investments

a) Current investments	2021 \$	2020 \$
Equity securities - at fair value	<u>7,000</u>	<u>7,000</u>

### Note 15 Trade and other receivables

a) Current assets	2021 \$	2020 \$
Trade receivables	120,274	139,233
Prepayments	2,459	2,459
Other receivables and accruals	331	331
	<u>123,064</u>	<u>142,023</u>

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 16 Property, plant and equipment

a) Carrying amounts	2021 \$	2020 \$
<i>Land</i>		
At cost	724,942	724,942
<i>Buildings</i>		
At cost	262,454	262,454
Less: accumulated depreciation	(85,085)	(77,199)
	177,369	185,255
<i>Leasehold improvements</i>		
At cost	970,602	970,602
Less: accumulated depreciation	(268,808)	(215,315)
	701,794	755,287
<i>Plant and equipment</i>		
At cost	354,096	350,642
Less: accumulated depreciation	(248,644)	(225,384)
	105,452	125,258
<i>Motor vehicles</i>		
At cost	59,682	168,328
Less: accumulated depreciation	(53,778)	(151,160)
	5,904	17,168
Total written down amount	1,715,461	1,807,910
<b>b) Reconciliation of carrying amounts</b>		
<i>Land</i>		
Carrying amount at beginning	724,942	724,942
<i>Buildings</i>		
Carrying amount at beginning	185,255	193,934
Depreciation	(7,886)	(8,679)
	177,369	185,255
<i>Leasehold improvements</i>		
Carrying amount at beginning	755,287	792,345
Additions	-	16,659
Depreciation	(53,493)	(53,717)
	701,794	755,287

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

<b>b) Reconciliation of carrying amounts (<i>continued</i>)</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Plant and equipment</i>		
Carrying amount at beginning	125,258	49,002
Additions	3,454	94,972
Depreciation	(23,260)	(18,716)
	<u>105,452</u>	<u>125,258</u>
<i>Motor vehicles</i>		
Carrying amount at beginning	17,168	40,522
Disposals	-	(5,178)
Depreciation	(11,264)	(18,176)
	<u>5,904</u>	<u>17,168</u>
Total written down amount	<u>1,715,461</u>	<u>1,807,910</u>

### c) Changes in estimates

During the financial year, the company assessed estimates used for property, plant and equipment including useful lives, residual values, and depreciation methods. There were no changes in estimates for the current reporting period.

### Note 17 Right-of-use assets

<b>a) Carrying amounts</b>	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Leased land and buildings</i>		
At cost	1,495,874	1,330,988
Less: accumulated depreciation	(651,164)	(472,840)
Total written down amount	<u>844,710</u>	<u>858,148</u>
<b>b) Reconciliation of carrying amounts</b>		
<i>Leased land and buildings</i>		
Initial recognition on transition	858,148	1,239,875
Accumulated depreciation on adoption	-	(307,336)
Remeasurement adjustments	164,886	91,113
Depreciation	(178,324)	(165,504)
Total written down amount	<u>844,710</u>	<u>858,148</u>

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 18 Intangible assets

a) Carrying amounts	2021 \$	2020 \$
<i>Franchise fee</i>		
At cost	411,600	411,600
Less: accumulated amortisation	(394,425)	(385,464)
	<u>17,175</u>	<u>26,136</u>
<i>Franchise renewal process fee</i>		
At cost	758,013	758,013
Less: accumulated amortisation	(672,138)	(627,334)
	<u>85,875</u>	<u>130,679</u>
Total written down amount	<u>103,050</u>	<u>156,815</u>
<b>b) Reconciliation of carrying amounts</b>		
<i>Franchise fee</i>		
Carrying amount at beginning	26,136	35,097
Amortisation	(8,961)	(8,961)
	<u>17,175</u>	<u>26,136</u>
<i>Franchise renewal process fee</i>		
Carrying amount at beginning	130,679	175,483
Amortisation	(44,804)	(44,804)
	<u>85,875</u>	<u>130,679</u>
Total written down amount	<u>103,050</u>	<u>156,815</u>

### 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	2021 \$	2020 \$
Income tax payable	<u>13,904</u>	<u>96,544</u>

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 19 Tax assets and liabilities (continued)

#### b) Deferred tax

<i>Deferred tax assets</i>	2021 \$	2020 \$
- expense accruals	-	741
- employee provisions	5,609	7,893
- make-good provision	17,837	17,755
- lease liability	222,116	229,598
Total deferred tax assets	245,562	255,987
<i>Deferred tax liabilities</i>		
- income accruals	83	86
- property, plant and equipment	69,520	43,522
- right-of-use assets	211,178	223,118
Total deferred tax liabilities	280,781	266,726
Net deferred tax assets (liabilities)	(35,219)	(10,739)
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	24,480	(4,365)
Movement in deferred tax charged to Statement of Changes in Equity	-	15,958

### 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	2021 \$	2020 \$
Trade creditors	14,422	9,317
Other creditors and accruals	203,849	131,961
	218,271	141,278
b) Non-current liabilities		
Other creditors and accruals	59,141	118,283

### Note 21 Loans and borrowings

a) Current liabilities	2021 \$	2020 \$
Secured bank loans	1,878	1,815
b) Terms and repayment schedule		

	Weighted average rate	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Secured bank loans	3.38%	Floating	1,878	1,878	1,815	1,815



# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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

The company's lease portfolio includes:

- Beenleigh branch      The lease agreement commenced in August 2014. A 5 year renewal option was exercised in August 2019. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is August 2024.
- Brown Plains branch      The lease agreement commenced in June 2019 for 5 years. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is May 2029.
- Springwood branch      The lease agreement commenced in June 2018 for 5 years. The company has no renewal options available in the current lease agreement. As such, the lease term end date used in the calculation of the lease liability is May 2023.

#### a) Current lease liabilities

	2021 \$	2020 \$
Property lease liabilities	207,846	192,509
Unexpired interest	(35,606)	(35,643)
	<u>172,240</u>	<u>156,866</u>

#### b) Non-current lease liabilities

Property lease liabilities	811,454	823,676
Unexpired interest	(95,232)	(97,472)
	<u>716,222</u>	<u>726,204</u>

#### c) Reconciliation of lease liabilities

Balance at the beginning	883,070	-
Initial recognition on AASB 16 transition	-	925,212
Remeasurement adjustments	164,886	91,113
Lease interest expense	36,920	38,435
Lease payments - total cash outflow	(196,414)	(171,690)
	<u>888,462</u>	<u>883,070</u>

The remeasurement adjustments were mainly due to increase in monthly lease payments for the Brown Plains and Springwood branches during the financial year.

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 22 Lease liabilities (*continued*)

d) Maturity analysis	2021 \$	2020 \$
- Not later than 12 months	207,846	192,509
- Between 12 months and 5 years	536,391	567,546
- Greater than 5 years	275,063	256,130
Total undiscounted lease payments	1,019,300	1,016,185
Unexpired interest	(130,838)	(133,115)
Present value of lease liabilities	888,462	883,070

### Note 23 Provisions

a) Non-current liabilities	2021 \$	2020 \$
Make-good on leased premises	71,346	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. The leases are due to expire per below at which time it is expected the face-value costs to restore the premises will fall due.

<u>Lease</u>	<u>Lease term expiry date per AASB 16</u>	<u>Estimated provision</u>
Beenleigh	July 2024	\$25,000
Brown Plains	May 2029	\$33,800
Springwood	May 2023	\$27,860

### Note 24 Employee benefits

a) Current liabilities	2021 \$	2020 \$
Provision for annual leave	4,398	10,996
Provision for long service leave	17,382	15,546
	21,780	26,542
b) Non-current liabilities		
Provision for long service leave	29	3,189

### c) Key judgement and assumptions

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.

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 25 Issued capital

a) Issued capital	2021		2020	
	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)
	<u>3,200,010</u>	<u>3,042,211</u>	<u>3,200,010</u>	<u>3,042,211</u>

### b) Rights attached to issued capital

#### *Ordinary shares*

#### Voting rights

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

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

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

#### Dividends

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

#### Transfer

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

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

#### *Prohibited shareholding interest*

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

In summary, a person has a prohibited 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 1,091 shareholders (2020: 1,097 shareholders).

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

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 25 Issued capital (*continued*)

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

##### *Ordinary shares (continued)*

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	2021 \$	2020 \$
Balance at beginning of reporting period		(647,545)	(720,305)
Adjustment for transition to AASB 16		-	(42,076)
Net profit after tax from ordinary activities		344,354	306,206
Dividends provided for or paid	31a)	(181,802)	(191,370)
Balance at end of reporting period		<u>(484,993)</u>	<u>(647,545)</u>

### Note 27 Reconciliation of cash flows from operating activities

	2021 \$	2020 \$
Net profit after tax from ordinary activities	344,354	306,206
Adjustments for:		
- Depreciation	274,227	264,792
- Amortisation	53,765	53,765
- (Profit)/loss on disposal of non-current assets	(15,455)	(2,822)
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	18,958	(57,562)
- (Increase)/decrease in other assets	-	35,097
- Increase/(decrease) in trade and other payables	71,679	17,443
- Increase/(decrease) in employee benefits	(7,922)	3,652
- Increase/(decrease) in provisions	3,059	2,928
- Increase/(decrease) in tax liabilities	(58,160)	84,951
Net cash flows provided by operating activities	<u>684,505</u>	<u>708,450</u>

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 28 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	2021 \$	2020 \$
<b>Financial assets</b>			
Cash and cash equivalents	13	880,472	580,986
Term deposits	13	193,491	191,532
Trade and other receivables	15	120,605	139,564
		<u>1,194,568</u>	<u>912,082</u>
<b>Financial liabilities</b>			
Trade and other payables	20	277,412	259,561
Secured bank loans	21	1,878	3,630
Lease liabilities	22	888,462	883,070
		<u>1,167,752</u>	<u>263,191</u>

### Note 29 Auditor's remuneration

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

	2021 \$	2020 \$
<i>Audit and review services</i>		
- Audit and review of financial statements	7,100	7,000
<i>Non audit services</i>		
- Taxation advice and tax compliance services	3,350	2,950
- General advisory services	5,926	6,190
- Share registry services	6,425	6,484
Total auditor's remuneration	<u>22,801</u>	<u>22,624</u>

### Note 30 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

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

### Note 30 Related parties (continued)

#### b) Key management personnel compensation

	2021 \$	2020 \$
Key management personnel compensation comprised the following.		
Short-term employee benefits	44,650	36,145

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.

### Note 31 Dividends provided for or paid

#### a) Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the reporting period as presented in the Statement of Changes in Equity and Statement of Cash Flows.

	30 June 2021		30 June 2020	
	Cents	\$	Cents	\$
Fully franked dividend	5.70	181,802	6.00	191,370

The tax rate at which dividends have been franked is 26% (2020: 27.5%).

#### b) Franking account balance

	2021 \$	2020 \$
<i>Franking credits available for subsequent reporting periods</i>		
Franking account balance at the beginning of the financial year	16,390	93,038
Franking transactions during the financial year:		
- Franking credits (debits) arising from income taxes paid (refunded)	91,437	(19,138)
- Franking credits from income tax instalments paid	84,423	15,318
- Franking debits from the payment of franked distributions	(63,876)	(72,828)
Franking account balance at the end of the financial year	128,374	16,390
Franking transactions that will arise subsequent to the financial year end:		
- Franking credits (debits) that will arise from payment (refund) of income tax	13,904	96,543
Franking credits available for future reporting periods	142,278	112,933

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

# Logan Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2021

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### Note 32 Earnings per share

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#### 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.

	2021 \$	2020 \$
Profit attributable to ordinary shareholders	344,354	306,206
	<b>Number</b>	<b>Number</b>
Weighted-average number of ordinary shares	3,200,010	3,200,010
	<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings per share	10.76	9.57

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### Note 33 Commitments

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

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### Note 34 Contingencies

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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 principal components.

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

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### Note 35 Subsequent events

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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

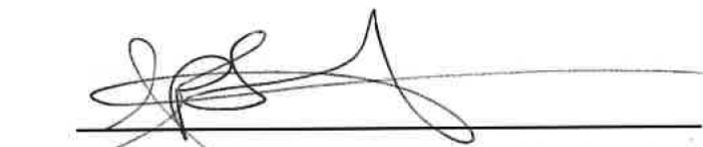
## Directors' Declaration

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 2021 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 29th day of September 2021



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

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Logan Community Financial Services Limited's (the company), which comprises:

- Statement of financial position as at 30 June 2021
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

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 2021 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

### 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.

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.

## 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
<p><b>Revenue Share Model</b></p> <p>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.</p> <p>The company receives the Revenue Share from Bendigo Bank via a monthly profit share statement.</p> <p>Our key audit matter was focused on the following areas of risk:</p> <ul style="list-style-type: none"> <li>Revenue is recognised appropriately and in line with AASB 15 Revenue from Contracts with Customers.</li> <li>Reliance on third party auditor EY to review the revenue share model.</li> </ul>	<p>In responding to the identified key audit matter, we completed the following audit procedures:</p> <ul style="list-style-type: none"> <li>We have obtained the monthly profit share statements from the entire year and analytically assess the existence, accuracy and completeness of revenue.</li> <li>EY complete a Community Bank Revenue Share Arrangements report on factual findings bi-annually, 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.</li> </ul> <p><b>Key observation</b></p> <p>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.</p>

There are no other key audit matters to disclose for the 30 June 2021 audit.

## Other Information

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

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

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

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

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

## Responsibilities of the Directors 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 responsibilities 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Logan Community Financial Services Limited for the year ended 30 June 2021, 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.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, Vic, 3550  
Dated: 29 September 2021



**Joshua Griffin**  
Lead Auditor