Annual Report 2020

Logan Country Financial Services Limited

Community Bank
Logan Village and Jimboomba

ABN 38 120 853 545

Contents

Chairman’s report

For year ending 30 June 2020

I am pleased to present to you the 2019/20 Annual Report.

If anyone was able to predict what would happen to the world in 2020, I would love to speak with them. From the devastating fires across our nation to the debilitating pandemic, it has been a turbulent year for all of us but the resilience of our community has shone through. I am especially very proud of the team including the Board and branch staff for their continued dedication and support to our shareholders, customers and community.

Amidst the uncertainty, the Board showed immense support and professionalism to the decisions that had to be considered, whilst managing the impact of the pandemic to their own business, employment and families. We, as a Board have adapted to the changes like many other businesses by conducting virtual meetings and more regular meetings to ensure the safety of our staff and customers. The branch staff not only provided advice and guidance to our customers regarding their financial position but they often lent a sympathetic ear of support during these stressful times. I am especially proud of our Directors and staff.

There have been some changes to the Board during the year including my appointment as Chair due to the resignation of Jocelynne Berry-Sheppard after five years of dedicated service as a Director and Chair of the company. Jocelynne decided to step down from her role to focus more on her business and young family and we thank Jocelynne for her guidance and professionalism to the Board over the years and commitment to our local community.

We also farewelled Director and Acting Treasurer Glenda Elgood who advised earlier in the year of her resignation, effective 30 June 2020. Glenda has been a long serving Director for six years and has provided sound financial advice and managed the company accounts with professionalism. We also thank Glenda for her dedication and her passion for our community.

We wish both Jocelynne and Glenda well with their future endeavours and as they say, as one door closes another opens, and we are pleased to welcome Jae Martin and Luke Douglas as Directors.

Jae Martin was appointed as a Director earlier in the year and has also joined the Business & Community Engagement committee. Jae is a local resident and brings a wealth of experience as a small business owner of Mondaze in Flagstone.

Luke Douglas also joins us as a Director and a member of the Governance & Finance committee. Luke is currently studying a Graduate Certificate in Analytics and is currently managing director and general manager of Yarrabilba Basketball.

On reflection of the results for 2019/20 it was pleasing to see that Income remained on budget for the financial year, given the impact of the continual margin squeeze and the pandemic. However, expenses although on budget for the first half of the financial year, the appointment of a new position resulted in a loss for the company of $20,971.

The Board considered the staffing structure during the year as it was becoming increasingly apparent that the traditional way we do banking is changing thanks to the digital world we live in and the recent forced changes imposed on us due to the pandemic. These actions have made us rethink how we all do business. The appointment of a Business Development Manager in late 2019 has assisted with managing the change in our customer’s needs. The Board is confident that the new position will assist the branches in achieving the growth that is required to return the company to a profitable position.

Chairman's report (continued)

I would like to warmly welcome Kirsty Foxlee as Business Development Manager to the team. I know Kirsty has been extremely busy in getting to know our customers and community as well as developing business connections for the benefit of the company. Kirsty's role is mobile which allows her to meet customers at a time and place that suits them. This convenient service has been very beneficial to our customers and we hope you avail yourself to meeting Kirsty should the need arise as well as an added resource to assist with business growth.

We have continued to keep our shareholders current with regular communications regarding the company's performance and other important news through an online and hard copy newsletter and we will continue to keep you informed in the future.

Looking forward to 2020/21, our focus remains on providing the best possible service to our customers and continually connecting with our community.

We have challenges ahead as we look to the renewal of our branch locations and our franchise agreement but with the expertise and commitment of our dedicated volunteer Directors, we are confident of a beneficial outcome to our shareholders, customers and community.

I would like to thank our Executive Assistant, Maris Dirkx, for her dedication to the Board. The wealth of knowledge and resources she brings to our Board is truly appreciated.

I also thank our branch team for their continued efforts and our Branch Manager Kerry Menck for her dedication to the business, especially during the recent difficult times due to the pandemic. Kerry always had the staff's welfare and the business as her highest priority which has allowed us to hold steady with a promising 2021 ahead.

Our volunteer Directors spend many personal hours attending Board and committee meetings, workshops and events. I am personally grateful for their commitment and support for the betterment of the company and the community.

I encourage you to consider your local Community Banks for your banking needs. Bendigo Bank has a full suite of products and services and we have two conveniently located branches with experienced and friendly staff who are ready to help with your enquiries. Put simply, our customers banking business contributes to the financial result of the company, so the more customers we have, the more we can return to the community in shareholder dividends and community contributions.

In closing, I would like to thank the shareholders, customers and community partners for your continued support and I look forward to a positive year ahead. Together we can achieve so much for the benefit of all.

Sonia Hasted
Chair

Manager's report

For year ending 30 June 2020

The last financial year has proven to be a challenging and interesting time for our team. The steady decrease to the home loan interest rates has attracted new business to our branches resulting in increased lending approvals. We did have a number of loan payouts and discharges mainly due to downsizing, debt reduction, family matters and minimal refinances to other institutions. Unfortunately, low interest rates means lower term deposit rates being offered. We were fortunate to retain the majority of our existing investment business due to customer satisfaction and the exceptional customer service of my team.

We have focussed on the upskilling and training of our team so that we would be in a good positon to support our new Business Development Manager, Kirsty Foxlee who started with us in late November 2019. Kirsty's role is similar to a Mobile Lending Manager/Mobile Relationship Manager enabling her to assist both new and existing customers. Her role is a new one to our team and will assist with both the lending and business growth of our branches.

We now have an extensive range of staff experience in lending with five staff across our two sites now able to process lending applications including home loans, business loans, personal loans and credit cards. This will enable a prompt response to our customers enquiries.

The staff are continuing to have quality conversations with both new and existing customers regarding the insurance products we are able to offer, to ensure their protection needs are met. Our sales results were very similar to the previous year for both branches.

It was decided in late 2019 after surveying our Logan Village customers for several weeks that we would open Community Bank Jimboomba on Saturday instead of Community Bank Logan Village, as the majority of customers attending on Saturdays were from Jimboomba and surrounding areas. We did see an increase to customer transactions in the beginning and gained new customers due to being in a busier location, however due to COVID-19 we are currently closed on Saturday mornings.

The business did see a significant decrease to customers attending both our branches from mid-March through to June due to the pandemic. During this time the staff did their best to assist customers over the phone with their transactional enquiries and assisting our home loan customers with the deferral or the restructuring of their repayments to assist with their financial situation. We also utilised these quieter times to brain storm and seek the teams input in how we could continue to grow the business with decreased customers attending a branch. We also ensured that all staff had the opportunity to complete all of their compulsory training.

I would like to take this opportunity to thank our shareholders, Directors and the team for their support during the last financial year. Please remember to recommend and refer us to your family and friends as we would like the opportunity to assist them with their financial needs. Remember the more people bank with our branches, enables us to continue to support our community to enable local community groups and clubs to thrive.

The branch team are always ready, willing and able to assist you with your banking and financial needs.
The teams can be contacted at Logan Village 5546 3840 and Jimboomba 5548 7220.

Kerry Menck
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

Mark Cunneen

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

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

Directors

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

Sonia Jane Hasted
Non-executive director
Occupation: SAHM - Volunteer
Qualifications, experience and expertise: Flagstone Netball Club Secretary 2018 - Volunteer Position. Emmaus College P & F 2nd Hand Uniform Shop Co-Ordinator - Volunteer Position. Previous experience 10 years Manager Simply Signs Australia, Project Management. Qualifications - Certificate IV in Business and Diploma of Business. Qualifications - Diploma Of Management & Diploma of Marketing. AB Paterson College Netball Team 2019 - Volunteer position.
Special responsibilities: Business Development & Marketing Committee and Cluster Representative - LCFS
Interest in shares: 500 ordinary shares

Vasi Danbury
Non-executive director
Occupation: Experienced Senior Teacher, Education QLD
Qualifications, experience and expertise: Vasi is an extremely competent teacher and leader having worked at Tennant Creek High School as an Executive Teacher 2/ Head Teacher of the Social Studies section. Vasi took advantage of every opportunity that came her way to learn about her chosen career and improve her teaching skills. In the role, she mentored teachers and supported students and her team knew they could rely on her. Vasi has an enthusiasm and true commitment to each of her students, which she brings to the Board. Vasi has worked in various QLD schools, including Ayr State High School and Windaroo Valley State High School. She is currently working with disadvantaged and marginalised students as part of the hardworking team of teachers at the South East Region Learning College, Helensvale campus. Vasi believes the youth in the community have valuable skills to offer and is keen to develop positive relationships with local schools. Developing the Junior Board position is something that Vasi is interested in to highlight the talented young people in the community. Vasi is an active member of her community. A frequent volunteer and participant at Yarrabilba parkrun, she also volunteers for the Cancer Council. Vasi looks forward to meeting many more members in her community as a Board member and building positive relationships with community groups.
Special responsibilities: Community Engagement Committee
Interest in shares: nil share interest held

Shane Lindsay Drew
Non-executive director (appointed 5 September 2019)
Occupation: Sign manufacturer & installer
Qualifications, experience and expertise: Shane is Secretary of the Beenleigh Yatala Chamber of Commerce. He was self employed for the majority of his working life. He is a Managing Director of Drew Sign It Pty Ltd and a Former Board member on Club Beenleigh Board.
Special responsibilities: Nil
Interest in shares: nil share interest held

Jae William Martin
Non-executive director (appointed 13 February 2020)
Occupation: Company Director (Hospitality/Media)
Qualifications, experience and expertise: Building brands from the ground up through social media and strong culture. Background in film, TV and radio as well as consulting. Most recently built the brand Mondaze into a multisite Restaurant, with DIY Boxes & a Media Company that looks after other business/brands from all different industries.
Special responsibilities: Nil
Interest in shares: nil share interest held

Directors *(continued)*

Luke Andrew Douglas
Non-executive director (appointed 6 August 2020)
Occupation: Managing Director and General Manager of Yarrabilba Basketball
Qualifications, experience and expertise: Previous occupations include Personal Training Supervisor, Manager Area Manager. Gym Manager. Business Owner. Currently working as Director and General Manager of Yarrabilba Basketball Inc. Luke has 11 years of management and team development experience, two years experience in governance. Education includes Bachelor of Exercise and Sports Science, Masters in Business Administration and currently studying a Masters in Analytics at UNSW.
Special responsibilities: Community Engagement Committee
Interest in shares: nil share interest held

Jocelynne Naomi Berry-Sheppard
Non-executive director (resigned 30 June 2020)
Occupation: Solicitor
Qualifications, experience and expertise: Jocelynne is a Principal Director of ACS Legal Solutions and holds a Bachelor of Law from QLD University of Technology. She was appointed to the role of Solicitor Supreme Court QLD on 19 March 2007 and the High Court on 27 September 2007. She has been a Cancer Council Jimboomba Volunteer since 2015 and was previously the Vice President and Fundraising co-ordinator for the Woodhill State School Parents & Citizens Association and a board member of Yarrabilba Community Association.
Special responsibilities: Finance and Governance Committee
Interest in shares: 500 ordinary shares

Glenda Kaye Elgood
Non-executive director (resigned 30 June 2020)
Occupation: Accountant (CPA)
Qualifications, experience and expertise: Glenda's experience includes Director/Accountant - Public Practice Accounting Firm - CPA, Financial Controller - Commercial Business, Accountant - Public Practice Accounting Firm - CA. Glenda holds a Bachelor of Commerce and is a CPA Member. She is the previous Treasurer of the Logan Lady Lion's Business Club and past Manager of a Junior Rugby League Team. Glenda has obtained her RG146 Diploma of Financial Planning (DFP) inclusive of SMSF.
Special responsibilities: Former Deputy Chair, Acting Treasurer, Finance and Governance Committee
Interest in shares: 500 ordinary shares

Belinda Ruth Brown
Non-executive director (resigned 6 August 2019)
Occupation: Personal Assistant ED QLD
Qualifications, experience and expertise: Corporate background in administration, banking, finance and specialised risk brokerage. Working in Education Qld with students with disabilities & Industry Liaison/Career Advisor, personal assistant. Trainer & Assessor, Training Co-ordinator and Compliance Co-ordinator. Classical Ballet Teacher, Certificate III in Education Support, Certificate IV in Training and Assessment, Career Development and Employability Skills, Diploma in Management.
Special responsibilities: Finance and Governance Committee
Interest in shares: nil share interest held

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

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

Company Secretary

There have been two company secretaries holding the position during the financial year:

- Vasi Danbury was appointed company secretary on 26 March 2020.
- Sonia Hasted was appointed company secretary on 6 August 2019 and resigned 26 March 2020.
- Belinda Brown was appointed company secretary on 4 December 2018 and ceased on 6 August 2019.

Principal activity

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

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

Operating results

The profit/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2020 $	Year ended 30 June 2019 $
(20,971)	35,893

Directors' interests

	Fully paid ordinary shares		
	Balance at start of the year	Changes during the year	Balance at end of the year
Sonia Jane Hasted	-	500	500
Vasi Danbury	-	-	-
Shane Lindsay Drew	-	-	-
Jae William Martin	-	-	-
Luke Andrew Douglas	-	-	-
Jocelynne Naomi Berry-Sheppard	-	500	500
Glenda Kaye Elgood	500	-	500
Belinda Ruth Brown	-	-	-

Dividends

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

	Cents per share	Total amount $
Final unfranked dividend	4.00	25,045
Total amount	4.00	25,045

New Accounting Standards implemented

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

Significant changes in the state of affairs

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

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 28 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended	
	Eligible	*Attended*
Sonia Jane Hasted	16	16
Vasi Danbury	16	15
Shane Lindsay Drew	14	11
Jae William Martin	10	8
Luke Andrew Douglas	-	-
Jocelynne Naomi Berry-Sheppard	16	9
Glenda Kaye Elgood	16	13
Belinda Ruth Brown	-	-

Proceedings on behalf of the company

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

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

Non audit services

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

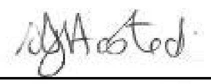
The board of directors has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

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



Sonia Jane Hasted, Director

Dated this 25th day of September 2020

Auditor's independence declaration

Partners in success

Chartered Accountants

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

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Logan Country Financial Services Ltd

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 25 September 2020

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services

Financial statements

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 $	2019 $
Revenue from contracts with customers	8	898,254	886,087
Other revenue	9	48,176	36,094
Finance income	10	1,274	2,131
Employee benefit expenses	11e)	(613,749)	(559,336)
Charitable donations, sponsorship, advertising and promotion	11c)	(42,423)	(29,954)
Occupancy and associated costs		(32,653)	(100,761)
Systems costs		(48,916)	(50,752)
Depreciation and amortisation expense	11a)	(90,714)	(25,557)
Finance costs	11b)	(26,269)	(720)
General administration expenses		(116,120)	(107,422)
Profit/(loss) before income tax		(23,140)	49,810
Income tax (expense)/credit	12a)	2,169	(13,917)
Profit/(loss) after income tax		(20,971)	35,893
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(20,971)	35,893
Earnings per share		¢	¢
- Basic and diluted earnings/(loss) per share:	30a)	(3.35)	5.73

The accompanying notes form part of these financial statements

Statement of Financial Position

as at 30 June 2020

	Notes	2020 $	2019 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	167,292	191,126
Trade and other receivables	14a)	30,353	14,228
Total current assets		197,645	205,354
Non-current assets			
Property, plant and equipment	15a)	133,546	151,077
Right-of-use assets	16a)	328,245	-
Intangible assets	17a)	27,527	46,957
Deferred tax asset	18a)	69,563	33,500
Total non-current assets		558,881	231,534
Total assets		756,526	436,888
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	49,435	29,863
Loans and borrowings	20a)	8,877	3,776
Lease liabilities	21b)	53,563	-
Total current liabilities		111,875	33,639
Non-current liabilities			
Trade and other payables	19b)	-	15,268
Loans and borrowings	20b)	-	9,095
Lease liabilities	21c)	386,915	-
Provisions	22a)	14,227	-
Total non-current liabilities		401,142	24,363
Total liabilities		513,017	58,002
Net assets		243,509	378,886
EQUITY			
Issued capital	23a)	626,108	626,108
Accumulated losses	24	(382,599)	(247,222)
Total equity		243,509	378,886

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2018		626,108	(283,115)	342,993
Total comprehensive income for the year		-	35,893	35,893
Balance at 30 June 2019		**626,108**	**(247,222)**	**378,886**
Balance at 1 July 2019		626,108	(247,222)	378,886
Effect of AASB 16: Leases	3d)	-	(89,362)	(89,362)
Restated balance at 1 July 2019		626,108	(336,584)	289,524
Total comprehensive income for the year		-	(20,971)	(20,971)
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	29a)	-	(25,044)	(25,044)
Balance at 30 June 2020		**626,108**	**(382,599)**	**243,509**

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		1,028,711	1,027,232
Payments to suppliers and employees		(916,257)	(956,993)
Interest received		2,251	1,620
Interest paid		(330)	(720)
Lease payments (interest component)	11b)	(25,194)	-
Lease payments not included in the measurement of lease liabilities	11f)	(19,249)	-
Net cash provided by operating activities	25	**69,932**	**71,139**
Cash flows from investing activities			
Payments for property, plant and equipment		(2,290)	(2,645)
Payments for intangible assets		(13,431)	(13,431)
Net cash used in investing activities		**(15,721)**	**(16,076)**
Cash flows from financing activities			
Repayment of loans and borrowings		(3,995)	(3,599)
Lease payments (principal component)	21a)	(49,006)	-
Dividends paid	29a)	(25,044)	-
Net cash used in financing activities		**(78,045)**	**(3,599)**
Net cash increase/(decrease) in cash held		**(23,834)**	**51,464**
Cash and cash equivalents at the beginning of the financial year		191,126	139,662
Cash and cash equivalents at the end of the financial year	13a)	**167,292**	**191,126**

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2020

Note 1 Reporting entity

This is the financial report for Logan Country Financial Services Ltd (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
Shop 2 125 Wharf Street Logan Village QLD 4207	Shop 2 125 Wharf Street Logan Village QLD 4207

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 28.

Note 2 Basis of preparation and statement of compliance

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

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

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

These financial statements for the year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 25 September 2020.

Note 3 Changes in accounting policies, standards and interpretations

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

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

a) Definition of a lease

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

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

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

b) As a lessee

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

Leases classified as operating leases under AASB 117

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

Right-of-use assets are measured at either:

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

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

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

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

Leases classified as finance leases under AASB 117

The company leases a motor vehicle. This lease was classified as a finance lease under AASB 117. For this finance lease, the carrying amount of the right-of-use asset and the lease liability as at 1 July 2019 were determined at the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

c) As a lessor

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

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

d) Impact on financial statements

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

Impact on equity presented as increase (decrease)	Note	1 July 2019 $
Asset		
Right-of-use assets - land and buildings	16b)	379,708
Deferred tax asset	18a)	33,896
Liability		
Lease liabilities	21a)	(489,484)
Provision for make-good	22b)	(13,482)
Equity		
Accumulated losses		(89,362)

When measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 5.39%.

Lease liabilities reconciliation on transition

Operating lease disclosure as at June 2019	175,361
Add: additional options now expected to be exercised	364,675
Add: variable market review / index based increase	58,412
Less: present value discounting	(108,964)
Lease liability as at 1 July 2019	489,484

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

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.

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

b) Other revenue

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

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

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

Discretionary financial contributions

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

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

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

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

c) Economic dependency - Bendigo Bank

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

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

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

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

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

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

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

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

d) Taxes

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

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

Current income tax

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

Deferred tax 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.

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

d) Taxes *(continued)*

Current income tax (continued)

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.

Goods and Services Tax

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

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

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

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

e) Cash and cash equivalents

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

f) Property, plant and equipment

Recognition and measurement

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

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

Subsequent expenditure

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

Depreciation

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

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

f) Property, plant and equipment *(continued)*

Depreciation (continued)

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

Asset class	Method	Useful life
Leasehold improvements	Straight-line and diminishing value	5 to 9 years
Plant and equipment	Straight-line and diminishing value	2 to 7 years
Motor vehicles	Diminishing value	8 years

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

g) Intangible assets

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

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost.

Subsequent expenditure

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

Amortisation

Intangible assets 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:

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

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

h) Financial instruments

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

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

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

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

h) Financial instruments *(continued)*

Recognition and initial measurement

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

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

Classification and subsequent measurement

Financial assets

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

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

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

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

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

Financial assets - business model assessment

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

Financial assets - subsequent measurement and gains and losses

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

Financial liabilities - classification, subsequent measurement and gains and losses

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

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

h) Financial instruments *(continued)*

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

i) Impairment

Non-derivative financial assets

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

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

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

Recognition of expected credit losses in financial statements

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

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

Non-financial assets

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

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

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

j) Issued capital

Ordinary shares

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

k) 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

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

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

l) Leases

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

Policy applicable from 1 July 2019

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

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

<u>As a lessee</u>

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

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

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

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

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

l) Leases *(continued)*

Policy applicable from 1 July 2019 (continued)

As a lessee *(continued)*

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

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

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

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

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

Short-term leases and leases of low-value assets

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

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

As a lessor

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

Policy applicable before 1 July 2019

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

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

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

l) Leases *(continued)*

Policy applicable before 1 July 2019 (continued)

As a lessee

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

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

As a lessor

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

m) Standards issued but not yet effective

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

Note 5 Significant accounting judgements, estimates, and assumptions

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

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

a) Judgements

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

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

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

b) Assumptions and estimation uncertainties

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

Note	Assumptions
- Note 18 - recognition of deferred tax assets	availability of future taxable profit against which deductible temporary differences and carried-forward tax losses can be utilised;
- Note 15 - estimation of useful lives of assets	key assumptions on historical experience and the condition of the asset;
- Note 22 - make-good provision	key assumptions on future cost estimates in restoring the leased premises in accordance with the lease agreement;

Note 6 Financial risk management

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

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

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

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

a) Credit risk

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

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

b) Liquidity risk

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

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

Note 6 Financial risk management *(continued)*

b) Liquidity risk *(continued)*

30 June 2020

Non-derivative financial liability	Carrying amount	Contractual cash flows: Not later than 12 months	Between 12 months and five years	Greater than five years
Chattel Mortgage	8,877	8,877	-	-
Lease liabilities	440,478	76,008	326,836	121,404
Trade payables	9,593	9,593	-	-
	458,948	94,478	326,836	121,404

30 June 2019

Non-derivative financial liability	Carrying amount	Contractual cash flows: Not later than 12 months	Between 12 months and five years	Greater than five years
Chattel Mortgage	12,871	3,776	8,877	-
Trade payables	8,587	8,587	-	-
	21,458	16,139	8,877	-

c) Market risk

Market risk

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

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

Price risk

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

Cash flow and fair value interest rate risk

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

The company held cash and cash equivalents of $167,292 at 30 June 2020 (2019: $191,126). The cash and cash equivalents are held with Bendigo Bank , which are rated BBB on Standard & Poor's credit ratings.

Note 7 Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 8 Revenue from contracts with customers

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

Revenue from contracts with customers	2020 $	2019 $
Revenue:		
- Revenue from contracts with customers	898,254	886,087
	898,254	886,087
Disaggregation of revenue from contracts with customers		
At a point in time:		
- Margin income	754,418	741,592
- Fee income	78,760	80,701
- Commission income	65,076	63,794
	898,254	886,087

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

Note 9 Other revenue

The company generates other sources of revenue from discretionary contributions received from the franchisor and Queensland cluster fund income.

Other revenue	2020 $	2019 $
Revenue:		
- Market development fund income	36,458	35,208
- Cluster funding income	10,000	-
- Other income	1,718	886
	48,176	36,094

Note 10 Finance income

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

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

Finance income	2020 $	2019 $
At amortised cost:		
Term deposits	1,274	2,131
	1,274	2,131

Note 11 Expenses

a) Depreciation and amortisation expense	2020 $	2019 $
Depreciation of non-current assets:		
- Leasehold improvements	14,762	16,381
- Plant and equipment	2,290	2,077
- Motor vehicles	2,769	2,769
	19,821	21,227
Depreciation of right-of-use assets		
- Leased land and buildings	51,463	-
	51,463	-

Note 11 Expenses *(continued)*

a) Depreciation and amortisation expense *(continued)*

	2020	2019
	$	$
Amortisation of intangible assets:		
- Franchise fee	6,000	(8,667)
- Franchise renewal process fee	13,430	12,997
	19,430	4,330
Total depreciation and amortisation expense	90,714	25,557

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

b) Finance costs

	Note	2020	2019
		$	$
Finance costs:			
- Bank loan interest paid or accrued		330	720
- Lease interest expense	21a)	25,194	-
- Unwinding of make-good provision		745	-
		26,269	720

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

c) Charitable donations, sponsorship, advertising and promotion

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

	Note	2020	2019
		$	$
- Direct sponsorship, advertising, and promotion payments		42,423	29,954
		42,423	29,954

The funds contributed are held by the Community Enterprise Foundation (CEF) and are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

Note 11 Expenses *(continued)*

d) Community Enterprise Foundation™ contributions

During the financial year the company contributed funds to the CEF, the philanthropic arm of the Bendigo Bank. These contributions paid in form part of charitable donations and sponsorship expenditure included in profit or loss.

Disaggregation of CEF funds	2020 $	2019 $
Opening balance	9,677	9,500
Interest received	122	177
Balance available for distribution	9,799	9,677

e) Employee benefit expenses

	2020	2019
Wages and salaries	505,386	455,380
Non-cash benefits	4,648	4,592
Contributions to defined contribution plans	47,859	41,634
Expenses related to long service leave	4,618	11,049
Other expenses	51,238	46,681
	613,749	559,336

f) Recognition exemption

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

	2020 $	2019 $
Expenses relating to low-value leases	19,249	-
	19,249	-

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

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

Note 12 Income tax expense

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

a) Amounts recognised in profit or loss	2020 $	2019 $
Current tax expense/(credit)		
- Recoupment of prior year tax losses	-	12,066
- Future income tax benefit attributable to losses	(2,182)	-
- Movement in deferred tax	(37,896)	1,851
- Adjustment to deferred tax on AASB 16 retrospective application	33,896	-
- Reduction in company tax rate	4,013	-
	(2,169)	13,917

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2020, the company tax rate will be reduced from 27.5% to 26%. This change resulted in a loss of $4,013 related to the remeasurement of deferred tax assets and liabilities of the company.

b) *Prima facie* income tax reconciliation	2020 $	2019 $
Operating profit/(loss) before taxation	(23,140)	49,810
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2019: 27.5%)	(6,364)	13,698
Tax effect of:		
- Non-deductible expenses	183	219
- Temporary differences	3,999	(1,851)
- Movement in deferred tax	(37,896)	1,851
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	4,013	-
- Leases initial recognition	33,896	-
	(2,169)	13,917

Note 13 Cash and cash equivalents

a) Cash and cash equivalents

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

	2020 $	2019 $
- Cash at bank and on hand	40,109	66,091
- Term deposits	127,183	125,035
	167,292	191,126

Note 14 Trade and other receivables

a) Current assets	2020 $	2019 $
Trade receivables	20,497	8,136
Prepayments	9,856	5,219
Other receivables and accruals	-	873
	30,353	14,228

Note 15 Property, plant and equipment

a) Carrying amounts	2020 $	2019 $
Leasehold improvements		
At cost	296,559	296,559
Less: accumulated depreciation	(182,483)	(167,721)
	114,076	128,838
Plant and equipment		
At cost	73,659	71,369
Less: accumulated depreciation	(63,614)	(61,324)
	10,045	10,045
Motor vehicles		
At cost	22,155	22,155
Less: accumulated depreciation	(12,730)	(9,961)
	9,425	12,194
Total written down amount	133,546	151,077

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

b) Reconciliation of carrying amounts	2020 $	2019 $
Leasehold improvements		
Carrying amount at beginning	128,838	142,574
Additions	-	2,645
Depreciation	(14,762)	(16,381)
Carrying amount at end	114,076	128,838
Plant and equipment		
Carrying amount at beginning	10,045	12,122
Additions	2,290	-
Depreciation	(2,290)	(2,077)
Carrying amount at end	10,045	10,045

Note 15 Property, plant and equipment *(continued)*

b) Reconciliation of carrying amounts *(continued)*

Motor vehicles	2020 $	2019 $
Carrying amount at beginning	12,194	14,963
Depreciation	(2,769)	(2,769)
Carrying amount at end	9,425	12,194
Total written down amount	133,546	151,077

c) Changes in estimates

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

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

Note 16 Right-of-use assets

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

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

a) Carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
At cost		712,302	-
Less: accumulated depreciation		(384,057)	-
		328,245	-

b) Reconciliation of carrying amounts

	Note	2020 $	2019 $
Leased land and buildings			
Initial recognition on transition	3d)	712,302	-
Accumulated depreciation on adoption	3d)	(332,594)	-
Depreciation		(51,463)	-
Carrying amount at end		328,245	-

Note 17 Intangible assets

a) Carrying amounts

	2020	2019
Franchise fee	$	$
At cost	165,602	165,602
Less: accumulated amortisation	(157,102)	(151,102)
	8,500	14,500
Franchise renewal process fee		
At cost	146,475	146,475
Less: accumulated amortisation	(127,448)	(114,018)
	19,027	32,457
Total written down amount	27,527	46,957

b) Reconciliation of carrying amounts

Franchise fee		
Carrying amount at beginning	14,500	5,833
Amortisation	(6,000)	8,667
Carrying amount at end	8,500	14,500
Franchise renewal process fee		
Carrying amount at beginning	32,457	45,454
Amortisation	(13,430)	(12,997)
Carrying amount at end	19,027	32,457
Total written down amount	27,527	46,957

c) Changes in estimates

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

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

Note 18 Tax assets and liabilities

a) Deferred tax

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

	30 June 2019	Recognised in profit or loss	Recognised in equity	30 June 2020
Deferred tax assets	$	$	$	$
- expense accruals	798	(18)	-	780
- make-good provision	-	(9)	3,708	3,699
- lease liability	-	(20,084)	134,608	114,524
- property, plant and equipment	749	3,404	-	3,404
- carried-forward tax losses	32,193	(32,193)	-	32,500
Total deferred tax assets	33,740	(48,900)	138,316	154,907
Deferred tax liabilities				
- income accruals	240	(240)	-	-
- right-of-use assets	-	(19,076)	104,420	85,344
Total deferred tax liabilities	240	(19,316)	104,420	85,344
Net deferred tax assets (liabilities)	33,500	(29,584)	33,896	69,563

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

	30 June 2018	Recognised in profit or loss	Recognised in equity	30 June 2019
Deferred tax assets	$	$	$	$
- expense accruals	771	27	-	798
- property, plant and equipment	2,487	(1,738)	-	749
- carried-forward tax losses	44,259	(12,066)	-	32,193
Total deferred tax assets	47,517	(13,777)	-	33,740
Deferred tax liabilities				
- income accruals	100	140	-	240
Total deferred tax liabilities	100	140	-	240
Net deferred tax assets (liabilities)	47,417	(13,917)	-	33,500

b) Uncertainty over income tax treatments

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

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

Note 19 Trade creditors and other payables

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

a) Current liabilities

	2020 $	2019 $
Trade creditors	9,593	8,587
Other creditors and accruals	39,842	21,276
	49,435	29,863

b) Non-current liabilities

Other creditors and accruals	-	15,268
	-	15,268

Note 20 Loans and borrowings

a) Current liabilities

	2020 $	2019 $
Chattel mortgage	8,877	3,776
	8,877	3,776

b) Non-current liabilities

Chattel mortgage	-	9,095
	-	9,095

c) Terms and repayment schedule

	Weighted average	Year of maturity	30 June 2020 Face value	30 June 2020 Carrying value	30 June 2019 Face value	30 June 2019 Carrying value
Chattel mortgage	3.08%	Floating	8,877	8,877	12,871	12,871

Note 21 Lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate on the adoption date. The discount rate used on recognition was 5.39%.

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

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

Note 21 Lease liabilities *(continued)*

Lease portfolio

The company's lease portfolio includes:

- Logan Branch	The lease agreement is a non-cancellable lease with an initial term of ten years which commenced in October 2006. An extension option term of five years was exercised in October 2016. The lease has one further five year extension option available. The company is reasonably certain to exercise the final five-year lease term.
- Jimboomba Branch	The lease agreement is a non-cancellable lease with an initial term of two years which commenced in December 2014. An extension option term of five years was exercised in December 2016. The lease has one further five year extension option available. The company is reasonably certain to exercise the final five-year lease term.

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

a) Lease liability measurement

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

Lease liabilities on transition	Note	2020 $	2019 $
Initial recognition on AASB 16 transition	3d)	489,484	-
Lease payments - interest		25,194	-
Lease payments		(74,200)	-
		440,478	-

b) Current lease liabilities

Property lease liabilities		76,008	-
Unexpired interest		(22,445)	-
		53,563	-

c) Non-current lease liabilities

Property lease liabilities		448,240	-
Unexpired interest		(61,325)	-
		386,915	-

Note 21 Lease liabilities *(continued)*

d) Maturity analysis	2020 $	2019 $
- Not later than 12 months	76,008	-
- Between 12 months and 5 years	326,836	-
- Greater than 5 years	121,404	-
Total undiscounted lease payments	524,248	-
Unexpired interest	(83,770)	-
Present value of lease liabilities	440,478	-

e) Impact on the current reporting period

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

Comparison under current AASB 16 and former AASB 117

The net impact for the current reporting period is a decrease in profit after tax of $2,321.

Profit or loss - increase (decrease) in expenses	AASB 117 expense not recognised	Impact on current reporting period	AASB 16 expense now recognised
- Occupancy and associated costs	74,200	(74,200)	-
- Depreciation and amortisation expense	-	51,463	51,463
- Finance costs	-	25,939	25,939
Increase in expenses - before tax	74,200	3,202	77,402
- Income tax expense / (credit) - current	(20,405)	20,405	-
- Income tax expense / (credit) - deferred	-	(21,286)	(21,286)
Increase in expenses - after tax	53,795	2,321	56,116

Note 22 Provisions

a) Non-current liabilities	2020 $	2019 $
Make-good on leased premises	14,227	-
	14,227	-

Note 22 Provisions *(continued)*

b) Make-good provision

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

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

Provision	Note	2020 $	2019 $
Face-value of make-good costs recognised	3d)	20,000	-
Present value discounting	3d)	(6,518)	-
Present value unwinding		745	-
		14,227	-

c) Changes in estimates

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

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

- Jimboomba branch - 30 November 2026
- Logan Village branch - 30 September 2026

Note 23 Issued capital

a) Issued capital	2020 Number	 $	2019 Number	 $
Ordinary shares - fully paid	626,108	626,108	626,108	626,108
	626,108	626,108	626,108	626,108

b) Rights attached to issued capital

Ordinary shares

Voting rights

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

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

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

Note 23 Issued capital *(continued)*

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

Ordinary shares (continued)

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 160. As at the date of this report, the company had 168 shareholders (2019: 164 shareholders).

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

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

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

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

Note 24 Accumulated losses

	Note	2020 $	2019 $
Balance at beginning of reporting period		(247,222)	(283,115)
Adjustment for transition to AASB 16	3d)	(89,362)	-
Net profit (loss) after tax from ordinary activities		(20,971)	35,893
Dividends provided for or paid	29a)	(25,044)	-
Balance at end of reporting period		(382,599)	(247,222)

Note 25 Reconciliation of cash flows from operating activities

	2020 $	2019 $
Net profit (loss) after tax from ordinary activities	(20,971)	35,893
Adjustments for:		
- Depreciation	71,284	21,227
- Amortisation	19,430	4,330
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	(16,125)	13,061
- (Increase)/decrease in other assets	(2,168)	-
- Increase/(decrease) in trade and other payables	17,737	(17,289)
- Increase/(decrease) in provisions	745	-
- Increase/(decrease) in tax liabilities	-	13,917
Net cash flows provided by operating activities	69,932	71,139

Note 26 Financial instruments

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

	Note	2020 $	2019 $
Financial assets			
Trade and other receivables	14	20,497	9,009
Cash and cash equivalents	13	40,109	66,091
Term deposits	13	127,183	125,035
		187,789	200,135
Financial liabilities			
Trade and other payables	19	9,593	8,587
Chattel Mortgage	20	8,877	12,871
Lease liabilities	21	440,478	-
		458,948	21,458

Note 27 Auditor's remuneration

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

	2020	2019
Audit and review services	$	$
- Audit and review of financial statements	4,800	4,600
	4,800	4,600
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	3,220	1,400
- Share registry services	4,339	1,885
	8,159	3,885
Total auditor's remuneration	12,959	8,485

Note 28 Related parties

a) Details of key management personnel

The directors of the company during the financial year were:

Sonia Jane Hasted
Vasi Danbury
Shane Lindsay Drew
Jae William Martin
Luke Andrew Douglas
Jocelynne Naomi Berry-Sheppard
Glenda Kaye Elgood
Belinda Ruth Brown

b) Key management personnel compensation

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

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

c) Related party transactions

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

	2020	2019
Transactions with related parties	$	$
- Glenda Elgood is a director of Vinculum Accounting Pty Ltd which provided professional corporate secretarial services. The total benefit received was:	4,709	199
Total transactions with related parties	4,709	199

Note 29 Dividends provided for and paid

a) Dividends provided for and paid during the period

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

	30 June 2020		30 June 2019	
	Cents	$	Cents	$
Unfranked dividend	4.00	25,044	-	-
Total dividends provided for and paid during the financial year	4.00	25,044	-	-

Note 30 Earnings per share

a) Basic and diluted earnings per share

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

	2020	2019
	$	$
Profit/(loss) attributable to ordinary shareholders	(20,971)	35,893
	Number	Number
Weighted-average number of ordinary shares	626,108	626,108
	Cents	Cents
Basic and diluted earnings/(loss) per share	(3.35)	5.73

Note 31 Commitments

a) Lease commitments

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

Operating lease commitments - lessee	2020	2019
Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
Payable - minimum lease payments:		
- not later than 12 months	-	73,284
- between 12 months and 5 years	-	102,077
Minimum lease payments payable	-	175,361
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	9,125	4,319
- between 12 months and 5 years	-	9,296
Minimum lease payments	9,125	13,615
Less future finance charges	(248)	(744)
Present value of minimum lease payments	8,877	12,871

The finance lease for the motor vehicle, which commenced in December 2015, is a five year lease. Interest is recognised at an average rate of 3.08% over the term of lease. The lease is secured over the asset.

Note 31 Commitments *(continued)*

b) Other commitments

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

Note 32 Contingencies

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

Note 33 Subsequent events

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

Directors' declaration

In accordance with a resolution of the directors of Logan Country Financial Services Ltd, we state that:

In the opinion of the directors:

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

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

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

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

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

SJHasted

Sonia Jane Hasted, Director

Dated this 25th day of September 2020

Independent audit report

Partners in success
Chartered Accountants

61 Bull Street, Bendigo 3550
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Independent auditor's report to the members of Logan Country Financial Services Ltd

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Logan Country Financial Services Ltd, is in accordance with the *Corporations Act 2001*, including:

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

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

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

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

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

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

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

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 25 September 2020

Joshua Griffin
Lead Auditor

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/LoganVillageBranch

Bendigo Bank