2021 Annual Report

Logan Country Financial Services Limited

ABN 38 120 853 545

Community Bank · Logan Village and Jimboomba

Contents

Chair's report

For year ending 30 June 2021

There's no doubt that 2021 has been a challenging year for us all, with not only trying to keep the business afloat but also trying to manage demands placed upon us from issues and events beyond our control. One of the most significant impacts on the company is the impact of staffing. It has been a challenging year trying to manage staff, with many impacted by COVID-19 themselves. Handling these situations has proven to be very difficult, and we have sought guidance and support from Bendigo Bank, who have provided little advice and limited direction.

As always, we support our fantastic staff and are ready to pivot when circumstances arise. Please rest assured we are doing our best to find the staff committed to our Community Bank Logan Village and Jimboomba and to growing our business. Our staff are a true asset to our company, and we acknowledge that they have gone above and beyond what is expected of them. All have stepped up to ensure our customers remain our number one focus.

I want to congratulate Kirsty on obtaining her DLA, and Julie will receive her DLA in the next month. Two more staff with this qualification will allow more people to process loans and take the pressure off Kerry. It will enable her to get back out in the community and give us a greater reach working alongside Kirsty within the community.

I would also like to acknowledge the effort the Board has given to Community Bank Logan Village and Jimboomba. Thank you for your time, expertise and guidance. When you have all had significant impacts on your businesses and workplaces, to still find time to give back to your community is indeed greatly appreciated.

We are regularly asked, "what can we do?" The simplest things are to support us, to let your friends and family know about the Community Bank and its impact so that we can support you and our community.

Where to from here? We are negotiating new leases on both premises at Logan Village and Jimboomba. Strengthening our relationship with our community groups, continuing to spread the word of the Community Bank to the ever-growing communities of Logan Village, Yarrabilba, Jimboomba, Flagstone and surrounds.

We continue to hear, "we didn't know we had a bank so close". We will keep providing support to our staff, allowing them to grow and develop, enabling us to have a more significant impact on our customers, which will enable us to move back into profit and give returns to our shareholders.

I firmly believe if it hadn't been for our staffing issues, we would have been able to return a dividend to our shareholders. With the cost-saving measures we are putting in place, we will endeavour to provide our shareholders with a return soon. As a Board, we are always searching for like-minded, community-focused people to join our committee to strengthen our group.

We have a strong focus on adaptability. It is due to previous decisions to have a Business Development Manager who can freely move within our community and be flexible to our customers' needs. It has put our company in a solid position to compete with business in our area. We are often getting asked to attend home loan appointments to work with our customers rather than coming to us, and this will continue to strengthen our position in our area in the future.

Sonia Hasted
Chair

Manager’s report

For year ending 30 June 2021

Wow, where did that year go? The last 12 months have gone by very quickly with many challenges and changes occurring during the year due to COVID-19 and staff changes.

During the financial year, we saw a few changes to the members in our team. Lynne Kamp our Customer Relationship Officer at Jimboomba branch left us in August 2020 for a four-month secondment to another department and has not returned to work in our branches due to injury and personal circumstances, and she has since relocated to the Hervey Bay area permanently.

Due to this change we have seen a couple of internal promotions within our team – Julie Hayes is now a Customer Relationship Manager and Sharon Norman is now a Customer Relationship Officer. Tahnee one of our part-time staff members has been absent since mid-March on annual and maternity leave; she has a beautiful new addition to her family – a little girl named Harlow and we are counting down the day until her return.

We welcomed new part-time Customer Service Officers – Michelle in January 2021, Nerida in March 2021 and Susan in April 2021. Our focus since the beginning of 2021 has been on staff training and upskilling of the rest of the team to ensure we are in a good position to assist our customers and keep growing the business.

Low home loan interest rates have attracted new customers to our branches during the year. We did have the usual loan payouts and discharges throughout the year mainly due to debt reduction due to COVID-19, downsizing of property, minimal refinances to other institutions due to lending criteria or serviceability and not due to complaints or customer service.

Term deposit rates are remaining low, and we have received feedback about this from the customers that rely on the interest as their incomes. Fortunately, we have been able to retain a lot of our investment customers due to customer satisfaction and the exceptional customer service of our team.

The way we do business has changed, we have seen improvements to our technology and operating systems, we are now able to do a lot more over the phone and via digital forms, this has proven very beneficial for lending applications where applicants can’t get into a branch to do a loan interview or live a fair distance from the branches. Applicants can upload supporting documentation for their applications to our new lending portal and helpful for the environment as we do not need to print out a lot of paperwork anymore.

Thank you to my team for their hard work and perseverance during tough times since August 2020, with covering Lynne’s extended absence and annual leave absences for the rest of the team. Everyone has done a great job of ensuring we have still been able to look after our customers. Thank you to our shareholders and Directors for your support and assistance during the year.

The Community Bank Logan Village and Jimboomba team are always ready, willing, and able to assist you with your banking and financial needs. Contact details: Logan Village 5546 3840 and Jimboomba 5548 7220.

We appreciate all referrals for opportunities to grow the business. Remembering the more people we have banking with us, the more we can give back and support the local community.

Kerry Menck
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each another and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.

Collin Brady
Head of Community Development

Directors' report

For the financial year ended 30 June 2021

The directors present the financial statements of the company for the financial year ended 30 June 2021.

Directors

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

Sonia Jane Hasted
Chair
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. Coach AB Paterson College Netball Team 2019 and 2021 - Volunteer position.
Special responsibilities: Business Development & Marketing Committee and Cluster Representative - LCFS, Acting Treasurer
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
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
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

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

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

Company Secretary

The company secretary is Vasi Danbury. Vasi was appointed to the position of secretary on 26 March 2020.

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

Year ended 30 June 2021 $	Year ended 30 June 2020 $
(89,157)	(20,971)

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	-	-	-

Dividends

No dividends were declared or paid for the previous financial year and the directors recommend that no dividend be paid in the current financial year.

Significant changes in the state of affairs

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

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

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.

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	
	Eligible	*Attended*
Sonia Jane Hasted	11	11
Vasi Danbury	11	10
Shane Lindsay Drew	11	5
Jae William Martin	11	8
Luke Andrew Douglas	10	7

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 9.

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

SJ Hasted

Sonia Jane Hasted, Chair

Dated this 22nd day of September 2021

Auditor's independence declaration

61 Bull Street
Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

Independent 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 2021, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 22 September 2021

Adrian Downing
Lead Auditor

afsbendigo.com.au

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337

Financial statements

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue from contracts with customers	8	897,666	898,254
Other revenue	9	35,000	48,176
Finance income	10	1,247	1,274
Employee benefit expenses	11c)	(718,074)	(613,749)
Charitable donations, sponsorship, advertising and promotion		(25,997)	(42,423)
Occupancy and associated costs		(39,108)	(32,653)
Systems costs		(48,344)	(48,916)
Depreciation and amortisation expense	11a)	(81,766)	(90,714)
Finance costs	11b)	(21,133)	(26,269)
General administration expenses		(114,349)	(116,120)
Loss before income tax credit		(114,858)	(23,140)
Income tax credit	12a)	25,701	2,169
Loss after income tax credit		(89,157)	(20,971)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(89,157)	(20,971)
Earnings per share		¢	¢
- Basic and diluted loss per share:	30a)	(14.24)	(3.35)

The accompanying notes form part of these financial statements

Statement of Financial Position
as at 30 June 2021

	Notes	2021 $	2020 $
ASSETS			
Current assets			
Cash and cash equivalents	13a)	74,825	167,292
Trade and other receivables	14a)	16,524	30,353
Total current assets		91,349	197,645
Non-current assets			
Property, plant and equipment	15a)	108,847	133,546
Right-of-use assets	16a)	253,022	328,245
Intangible assets	17a)	8,096	27,527
Deferred tax asset	18a)	95,265	69,563
Total non-current assets		465,230	558,881
Total assets		556,579	756,526
LIABILITIES			
Current liabilities			
Trade and other payables	19a)	5,374	49,435
Loans and borrowings	20a)	21,373	8,877
Lease liabilities	21a)	60,369	53,563
Total current liabilities		87,116	111,875
Non-current liabilities			
Lease liabilities	21b)	300,098	386,915
Provisions	22a)	15,013	14,227
Total non-current liabilities		315,111	401,142
Total liabilities		402,227	513,017
Net assets		154,352	243,509
EQUITY			
Issued capital	23a)	626,108	626,108
Accumulated losses	24	(471,756)	(382,599)
Total equity		154,352	243,509

The accompanying notes form part of these financial statements

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	Issued capital $	Accumulated losses $	Total equity $
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
Balance at 1 July 2020		626,108	(382,599)	243,509
Total comprehensive income for the year		-	(89,157)	(89,157)
Balance at 30 June 2021		626,108	(471,756)	154,352

The accompanying notes form part of these financial statements

Statement of Cash Flows

for the year ended 30 June 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		1,039,422	1,028,711
Payments to suppliers and employees		(1,049,257)	(916,257)
Interest received		1,247	2,251
Interest paid		(171)	(330)
Lease payments (interest component)	11b)	(20,176)	(25,194)
Lease payments not included in the measurement of lease liabilities	11d)	(19,724)	(19,249)
Net cash provided by/(used in) operating activities	25	(48,659)	69,932
Cash flows from investing activities			
Payments for property, plant and equipment		-	(2,290)
Payments for right-of-use assets		(16,968)	-
Payments for intangible assets		(13,880)	(13,431)
Net cash used in investing activities		(30,848)	(15,721)
Cash flows from financing activities			
Repayment of loans and borrowings		(1,414)	(3,995)
Proceeds from lease liabilities		18,990	-
Lease payments (principal component)		(51,909)	(49,006)
Dividends paid	29a)	-	(25,044)
Net cash used in financing activities		(34,333)	(78,045)
Net cash decrease in cash held		(113,840)	(23,834)
Cash and cash equivalents at the beginning of the financial year		167,292	191,126
Cash and cash equivalents at the end of the financial year	13b)	53,452	167,292

The accompanying notes form part of these financial statements

Notes to the financial statements

For the year ended 30 June 2021

For the year ended 30 June 2021

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

These financial statements for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 22 September 2021.

Note 3 Changes in accounting policies, standards and interpretations

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

Note 4 Summary of significant accounting policies

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

a) Revenue from contracts with customers

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

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

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

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

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

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

Revenue calculation

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

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

Margin

Margin is arrived at through the following calculation:

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

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

Commission

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

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

Fee income

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

Core banking products

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

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

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

Ability to change financial return

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

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

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

b) Other revenue

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

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) Employee benefits

Bendigo Bank seconds employees to work for the company. Bendigo Bank charges the cost of these employees through the monthly profit share arrangement. The company recognises these expenses when recording the monthly invoice. No annual leave or long service leave liabilities are recognised for the company as these are Bendigo Bank employees.

e) Taxes

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

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

Current income tax

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

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

e) Taxes *(continued)*

Deferred tax

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

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

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

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

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

Goods and Services Tax

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

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

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

f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks. Bank overdrafts are shown as current liabilities within loans and borrowings in the statement of financial position.

g) Property, plant and equipment

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

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

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using straight-line and diminishing value method over their estimated useful lives, and is recognised in profit or loss.

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.

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

h) Intangible assets

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

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

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

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

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.

i) Financial instruments

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

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

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

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

j) Impairment

Non-derivative financial assets

Expected credit losses (ECL) are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received. At each reporting date, the entity recognises the movement in the ECL (if any) as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Most of the company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2021.

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

j) Impairment *(continued)*

Non-financial assets

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

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

k) Issued capital

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

l) Provisions

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

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

m) Leases

At inception of a contract, the company assesses whether a contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration and obtain substantially all the economic benefits from the use of that asset.

As a lessee

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the company's incremental borrowing rate.

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

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

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

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

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

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

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

m) Leases *(continued)*

As a lessee (continued)

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Short-term leases and leases of low-value assets

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

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

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 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 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

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

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

a) Credit risk

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

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

b) Liquidity risk

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

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

- $60,000 overdraft facility with available facility of $38,627 at the end of the financial year.

Exposure to liquidity risk

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

30 June 2021

Non-derivative financial liability	Carrying amount	Contractual cash flows Not later than 12 months	Between 12 months and five years	Greater than five years
Bank overdraft	21,373	21,373	-	-
Lease liabilities	360,467	77,974	308,816	27,916
Trade and other payables	5,374	5,374	-	-
	387,214	104,721	308,816	27,916

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
Lease liabilities	440,478	76,008	326,836	121,404
Trade and other payables	49,435	49,435	-	-
	489,913	125,443	326,836	121,404

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 and liabilities are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of $74,825 at 30 June 2021 (2020: $167,292). 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; and

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2021 can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 8 Revenue from contracts with customers

	2021 $	2020 $
- Margin income	749,899	754,418
- Fee income	82,927	78,760
- Commission income	64,840	65,076
	897,666	898,254

Note 9 Other revenue

	2021 $	2020 $
- Market development fund income	35,000	36,458
- Cluster funding income	-	10,000
- Other income	-	1,718
	35,000	48,176

Note 10 Finance income

	2021 $	2020 $
Term deposits	1,247	1,274

Note 11 Expenses

a) Depreciation and amortisation expense	2021 $	2020 $
Depreciation of non-current assets:		
- Leasehold improvements	13,164	14,762
- Plant and equipment	2,110	2,290
- Motor vehicles	-	2,769
	15,274	19,821
Depreciation of right-of-use assets		
- Leased land and buildings	43,566	51,463
- Leased motor vehicles	3,495	-
	47,061	51,463
Amortisation of intangible assets:		
- Franchise fee	6,000	6,000
- Franchise renewal process fee	13,431	13,430
	19,431	19,430
Total depreciation and amortisation expense	81,766	90,714

Note 11 Expenses *(continued)*

b) Finance costs

	2021 $	2020 $
- Bank loan interest paid or accrued	485	330
- Lease interest expense	19,862	25,194
- Unwinding of make-good provision	786	745
	21,133	26,269

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

c) Employee benefit expenses

	2021 $	2020 $
Wages and salaries	558,486	505,386
Non-cash benefits	3,317	4,648
Contributions to defined contribution plans	56,559	47,859
Expenses related to long service leave	26,901	4,618
Other expenses	72,811	51,238
	718,074	613,749

d) Recognition exemption

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

	2021 $	2020 $
Expenses relating to low-value leases	19,724	19,249

Note 12 Income tax expense

a) Amounts recognised in profit or loss

	2021 $	2020 $
Current tax expense/(credit)		
- Future income tax benefit attributable to losses	(32,807)	(2,182)
- Movement in deferred tax	3,295	(37,896)
- Adjustment to deferred tax on AASB 16 retrospective application	-	33,896
- Reduction in company tax rate	3,811	4,013
	(25,701)	(2,169)

Progressive changes to the company tax rate have been enacted. Consequently, as of 1 July 2021, the company tax rate will be reduced from 26% to 25%. This change resulted in a loss of $3,811 related to the remeasurement of deferred tax assets and liabilities of the company.

Note 12 Income tax expense *(continued)*

b) *Prima facie* income tax reconciliation	2021 $	2020 $
Operating loss before taxation	(114,858)	(23,140)
Prima facie tax on loss from ordinary activities at 26% (2020: 27.5%)	(29,863)	(6,364)
Tax effect of:		
- Non-deductible expenses	351	183
- Temporary differences	(3,295)	3,999
- Movement in deferred tax	3,295	(37,896)
- Adjustment to deferred tax to reflect reduction of tax rate in future periods	3,811	4,013
- Leases initial recognition	-	33,896
	(25,701)	(2,169)

Note 13 Cash and cash equivalents

a) Cash and cash equivalents	2021 $	2020 $
- Cash at bank and on hand	145	40,109
- Term deposits	74,680	127,183
	74,825	167,292

b) Reconciliation to statement of cash flows

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

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

	Note	2021 $	2020 $
- Cash at bank and on hand		145	40,109
- Term deposits		74,680	127,183
- Bank overdraft	20a)	(21,373)	-
		53,452	167,292

Note 14 Trade and other receivables

a) Current assets	2021 $	2020 $
Trade receivables	11,874	20,497
Prepayments	4,650	9,856
	16,524	30,353

Note 15 Property, plant and equipment

a) Carrying amounts

	Note	2021 $	2020 $
Leasehold improvements			
At cost		296,559	296,559
Less: accumulated depreciation		(195,647)	(182,483)
		100,912	114,076
Plant and equipment			
At cost		73,659	73,659
Less: accumulated depreciation		(65,724)	(63,614)
		7,935	10,045
Motor vehicles			
At cost		-	22,155
Less: accumulated depreciation		-	(12,730)
		-	9,425
Total written down amount		108,847	133,546

b) Reconciliation of carrying amounts

	Note	2021 $	2020 $
Leasehold improvements			
Carrying amount at beginning		114,076	128,838
Depreciation		(13,164)	(14,762)
		100,912	114,076
Plant and equipment			
Carrying amount at beginning		10,045	10,045
Additions		-	2,290
Depreciation		(2,110)	(2,290)
		7,935	10,045
Motor vehicles			
Carrying amount at beginning		9,425	12,194
Lease asset transferred out - at cost	16b)	(22,155)	-
Lease asset transferred out - accumulated depreciation	16b)	12,730	-
Depreciation		-	(2,769)
		-	9,425
Total written down amount		108,847	133,546

Following the adoption of AASB 16 in the previous financial year, the company now groups its leased assets with lease terms over 12 months in 'right-of-use assets'. As the Holden Cruze lease terms were extended beyond 12 months during the period it has now been transfered to 'right-of-use assets'.

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

a) Carrying amounts

	Note	2021 $	2020 $
Leased land and buildings			
At cost		657,748	712,302
Less: accumulated depreciation		(427,623)	(384,057)
		230,125	328,245
Leased motor vehicles			
At cost		39,122	-
Less: accumulated depreciation		(16,225)	-
		22,897	-
Total written down amount		253,022	328,245

b) Reconciliation of carrying amounts

	Note	2021 $	2020 $
Leased land and buildings			
Carrying amount at beginning		328,245	-
Initial recognition on transition		-	712,302
Accumulated depreciation on adoption		-	(332,594)
Remeasurement adjustments		(54,554)	-
Depreciation		(43,566)	(51,463)
Carrying amount at end		230,125	328,245
Leased motor vehicles			
Lease asset transferred in - at cost	15b)	22,155	-
Lease asset transferred in - accumulated depreciation	15b)	(12,730)	-
Additional right-of-use assets recognised		16,967	-
Depreciation		(3,495)	-
Carrying amount at end		22,897	-
Total written down amount		253,022	328,245

Note 17 Intangible assets

a) Carrying amounts

	2021 $	2020 $
Franchise fee		
At cost	165,602	165,602
Less: accumulated amortisation	(163,102)	(157,102)
	2,500	8,500
Franchise renewal process fee		
At cost	146,475	146,475
Less: accumulated amortisation	(140,879)	(127,448)
	5,596	19,027
Total written down amount	8,096	27,527

Note 17 Intangible assets *(continued)*

b) Reconciliation of carrying amounts

	2021 $	2020 $
Franchise fee		
Carrying amount at beginning	8,500	14,500
Amortisation	(6,000)	(6,000)
	2,500	8,500
Franchise renewal process fee		
Carrying amount at beginning	19,027	32,457
Amortisation	(13,431)	(13,430)
	5,596	19,027
Total written down amount	8,096	27,527

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

	2021 $	2020 $
Deferred tax assets		
- expense accruals	43	780
- make-good provision	3,753	3,699
- lease liability	84,267	114,524
- property, plant and equipment	1,938	3,404
- carried-forward tax losses	62,795	32,500
Total deferred tax assets	152,796	154,907
Deferred tax liabilities		
- right-of-use assets	57,531	85,344
Total deferred tax liabilities	57,531	85,344
Net deferred tax assets (liabilities)	95,265	69,563
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	25,702	2,167
Movement in deferred tax charged to Statement of Changes in Equity	-	33,896

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	2021 $	2020 $
Trade creditors	4,253	9,593
Other creditors and accruals	1,121	39,842
	5,374	49,435

Note 20 Loans and borrowings

a) Current liabilities	2021 $	2020 $
Bank overdraft	21,373	-
Chattel mortgage	-	8,877
	21,373	8,877

Bank overdraft

The company has an approved overdraft limit of $60,000 which was drawn down to $21,373. The company has $38,627 overdraft remaining before exceeding the approved limited or required to re-negotiate the terms.

Interest is recognised using the effective interest method, currently 2.04%.

Chattel mortgage

Following the adoption of AASB 16 in the previous financial year, the company now groups its chattel mortgages with terms over 12 months in 'lease liabilities'. As the Holden Cruze lease terms were extended beyond 12 months in the period it has now been transfered to 'lease liabilities'.

b) Terms and repayment schedule

	Weighted average	Year of maturity	30 June 2021		30 June 2020	
			Face value	Carrying value	Face value	Carrying value
Bank overdraft	2.04%	Floating	21,373	21,373	-	-

Note 21 Lease liabilities

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

Note 21 Lease liabilities *(continued)*

The company's lease portfolio includes:

- Logan Branch	The lease agreement commenced in October 2006. A 5 year renewal option was exercised in October 2016. The company has a 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is September 2026.
- Jimboomba Branch	The lease agreement commenced in December 2014. A 5 year renewal option was exercised in December 2016. The company has a 5 year renewal option available which for AASB 16: Leases purposes they are reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is November 2026.
- Holden Cruze	During the period the company refinanced the final balloon payment for its Holden Cruze motor vehicle. The lease agreement is a non-cancellable term of 2 years. Upon the final payment the registered security over the motor vehicles is removed.
- Suzuki Baleno	The lease agreement is a non-cancellable term of 4 years. The lease includes a balloon payment at which time the registered security over the motor vehicles is removed.

a) Current lease liabilities	2021 $	2020 $
Property lease liabilities	69,889	76,008
Unexpired interest	(16,879)	(22,445)
	53,010	53,563
Motor vehicle lease liabilities	8,085	-
Unexpired interest	(726)	-
	7,359	-
	60,369	53,563
b) Non-current lease liabilities		
Property lease liabilities	319,943	448,240
Unexpired interest	(35,884)	(61,325)
	284,059	386,915
Motor vehicle lease liabilities	16,789	-
Unexpired interest	(750)	-
	16,039	-
	300,098	386,915
c) Reconciliation of lease liabilities		
Balance at the beginning	440,478	-
Initial recognition on AASB 16 transition	-	489,484
Additional lease liabilities recognised	26,452	-
Remeasurement adjustments	(54,554)	-
Lease payments - interest	20,176	25,194
Lease payments - total cash outflow	(72,085)	(74,200)
	360,467	440,478

Note 21 Lease liabilities *(continued)*

d) Maturity analysis

	2021 $	2020 $
- Not later than 12 months	77,974	76,008
- Between 12 months and 5 years	308,816	326,836
- Greater than 5 years	27,916	121,404
Total undiscounted lease payments	414,706	524,248
Unexpired interest	(54,239)	(83,770)
Present value of lease liabilities	360,467	440,478

Note 22 Provisions

a) Non-current liabilities

	2021 $	2020 $
Make-good on leased premises	15,013	14,227

In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term. The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The leases are due to expire per below at which time it is expected the face-value costs to restore the premises will fall due.

Lease	Lease term expiry date per AASB 16	Estimated provision
Logan Village branch	September 2026	$10,000
Jimboomba branch	November 2026	$10,000

Note 23 Issued capital

a) Issued capital

	2021		2020	
	Number	$	Number	$
Ordinary shares - fully paid	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 169 shareholders (2020: 168 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	2021 $	2020 $
Balance at beginning of reporting period		(382,599)	(247,222)
Adjustment for transition to AASB 16		-	(89,362)
Net loss after tax from ordinary activities		(89,157)	(20,971)
Dividends provided for or paid	29a)	-	(25,044)
Balance at end of reporting period		(471,756)	(382,599)

Note 25 Reconciliation of cash flows from operating activities

	2021 $	2020 $
Net loss after tax from ordinary activities	(89,157)	(20,971)
Adjustments for:		
- Depreciation	62,335	71,284
- Amortisation	19,431	19,430
Changes in assets and liabilities:		
- (Increase)/decrease in trade and other receivables	13,829	(16,125)
- (Increase)/decrease in other assets	(25,701)	(2,168)
- Increase/(decrease) in trade and other payables	(30,182)	17,737
- Increase/(decrease) in provisions	786	745
Net cash flows provided by/(used in) operating activities	(48,659)	69,932

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	2021 $	2020 $
Financial assets			
Cash and cash equivalents	13	145	40,109
Term deposits	13	74,680	127,183
Trade and other receivables	14	11,771	20,497
		86,596	187,789
Financial liabilities			
Trade and other payables	19	5,374	49,435
Bank overdrafts	20	21,373	-
Lease liabilities	21	360,467	440,478
		387,214	489,913

Note 27 Auditor's remuneration

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

	2021 $	2020 $
Audit and review services		
- Audit and review of financial statements	5,000	4,800
Non audit services		
- Taxation advice and tax compliance services	600	600
- General advisory services	2,860	3,220
- Share registry services	1,900	4,339
Total auditor's remuneration	10,360	12,959

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

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

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

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 2021		30 June 2020	
	Cents	$	Cents	$
Unfranked dividend	-	-	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.

	2021 $	2020 $
Loss attributable to ordinary shareholders	(89,157)	(20,971)
	Number	Number
Weighted-average number of ordinary shares	626,108	626,108
	Cents	Cents
Basic and diluted loss per share	(14.24)	(3.35)

Note 31 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 2021 and of its performance for the financial year ended on that date; and

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

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

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

Sonia Jane Hasted, Chair

Dated this 22nd day of September 2021

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Independent auditor's report to the Directors of Logan Country Financial Services Ltd

Report on the Audit of the Financial Report

Opinion

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

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

In our opinion, the accompanying financial report of Logan 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 2021 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Partners in success
Chartered Accountants

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Other Information

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's responsibilities for the Audit of the Financial Report

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

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 22 September 2021

Adrian Downing
Lead Auditor

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(BNPAR21106) (10/21)

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