Annual Report 2020

Beyond Bank
AUSTRALIA

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Board of Directors

SANDRA (SAM) ANDERSEN
CHAIR
Residence: Melbourne, VIC

Sandra (Sam) was appointed to the Beyond Bank Australia Board in November 2013 and appointed Chair in 2018. She has more than 19 years' experience in the finance sector and 11 years' experience as an executive in the technology and health services industries.

She is an experienced executive and Non-Executive Director in the listed, unlisted and government sectors and is currently Chair of the Australian Packaging Covenant Organisation Limited, Chair of Agriculture Victoria Services Pty Ltd, Non-Executive Director of Victorian Land Registry Services Group, Chair of the Audit & Risk Management Committee of the Department of Premier & Cabinet Victoria and a Trustee and Chair of the Finance and Audit Committee of the Melbourne Convention and Exhibition Trust. Sam is a former managing director of Eyecare Partners Limited and a former Chief Financial Officer of listed technology companies. Other past directorships include Anteo Diagnostics Limited, Rural Finance Corporation, Victorian Funds Management Corporation and Superpartners Pty Ltd.

Sam has a Bachelor of Laws and is a Certified Practicing Accountant. She is a fellow of the Financial Services Institute of Australia and the Australian Institute of Company Directors.

Sam is a Director of Eastwoods Group Limited and Eastwoods Wealth Management Pty Ltd. and a member of the Board Governance and Remuneration Committee, and the Board Technology Committee.

GEOFFREY JAMES KNUCKEY
DIRECTOR
Residence: Canberra, ACT

Geoff was appointed to the Beyond Bank Australia Board in July 2012. He had a 32 year career with accounting firm Ernst & Young and retired as a partner in December 2009. He was partner in charge of EY's Audit and Assurance group from 2003 until 2008 and was Canberra Office Managing Partner from 2003 to 2006.

Geoff's career included specialising in financial statements and auditing of entities of all sizes across all types of industries including the financial services sector. His role also included advising in internal audit, corporate governance, risk management and financial statements auditing and reporting. Since 2010, Geoff has specialised in Board Non-Executive Director and Audit Committee positions in the private and public sectors. He is currently Chairman or Non-Executive Director of four private sector companies and is also Chair or Independent Member of the Audit and Risk Committees for a number of Commonwealth and ACT government departments.

His particular skills are in financial auditing, reporting and analysis, risk management, corporate governance and internal audit. Geoff is a Fellow of the Institute of Chartered Accountants in Australia and New Zealand and has been a Registered Company Auditor since 1995.

He is a Graduate Member of the Australian Institute of Company Directors and a member of the Institute of Internal Auditors. He holds a Bachelor of Economics from ANU.

Geoff is the Chair of Eastwoods Group Limited and of Eastwoods Wealth Management Pty Ltd, Chair of the Board Audit Committee and a member of the Board Governance and Remuneration Committee.

Board of Directors

DAVID JOHN NICHOL
DIRECTOR
Residence: Adelaide, SA

David was elected to the Beyond Bank Australia Board in 2015. He has over 30 years' experience within the finance and insurance industry, holding a number of senior national and state roles with companies such as GE, Toyota and QBE. David's specific expertise is in sales process auditing, compliance and remedial training. His experience also extends into the areas of business development, risk management, strategy and operational management.

He is passionate about the finance sector and brings a diverse and unique set of skills to his role. David also has an extensive understanding of the mutual sector, having previously worked for CPS Credit Union (SA). He is a Graduate of the Australian Institute of Company Directors and has recently completed an Applied Cyber Security Course at the Massachusetts Institute of Technology (MIT) in Boston.

David is the Chair of the Beyond Bank Australia Foundation Limited Board and is also a member of the Board Risk Committee.

TRENT BARTLETT
DIRECTOR
Residence: Perth, WA

Trent was appointed to the Beyond Bank Australia Board in September 2016. He has over 20 years of extensive multi-industry Chair / Independent Director / Executive Director and CEO level leadership and experience in listed public companies, large private companies as well as NFP and "for benefit" focused enterprises operating with diverse business models and scale across many industry sectors.

With a speciality in member owned/member governed businesses, Trent is currently a Director, Chair of the Remuneration and Nomination Committee and Audit & Risk Committee Member of Australia's largest co-operative, Co-operative Bulk Handling (CBH), Independent Chair of Margaret River Busselton Tourism Association, Chair of Good Samaritan Industries, Independent Chair of Travellers Choice, and Non-Executive Director and Chair of the Remuneration and Nomination Committee of the Australian Packaging Covenant Board.

Trent also currently mentors CEO's and Senior Executives and is a faculty member of the Australian Institute of Company Directors. Trent is a former CEO of Capricorn Society, one of Australia's largest and most successful co-operative enterprises, as well as having a 15 year General Management career in Australia's largest retailers.

He holds postgraduate qualifications in business and e-commerce and is a fellow of the Australian Institute of Company Directors.

Trent is the Chair of the Board Customer Committee and a member of the Board Audit Committee.

Board of Directors

JOANNE (JODIE) BAKER
DIRECTOR
Residence: Sydney, NSW

Jodie was appointed to the Beyond Bank Australia Board in November 2017. Jodie has over 30 years' experience in banking and funds management. She specialises in developing and implementing strategy with a strong risk management and growth agenda, driving significant gains in customer engagement and shareholder value. Jodie is also on the boards of Export Finance Australia (formerly Export Finance and Insurance Corporation), Spaceship Superannuation, a superannuation fund for millennials, and arts organisation, Synergy & Taikoz, and is a member of Social Enterprise Finance Australia Credit Committee, a B corporation. She has previously served on the boards of Disability Sports Australia and Finance Executives Institute.

During her executive career, Jodie's roles included Managing Partner of Blackhall & Pearl, a board, risk and governance advisory firm, CEO and Managing Director of fintech business, Morgij Analytics and senior executive risk roles at ANZ Institutional Bank, Societe Generale Australia, and BT Financial Group. Earlier in her career, Jodie worked in front line and risk roles at Westpac, Macquarie Bank and Bankers Trust Australia.

Jodie holds a Bachelor of Commerce from the University of Western Australia, and a Diploma from FINSIA. She is a Trustee Fellow of the Australian Superannuation Funds Association and a Graduate of the Australian Institute of Company Directors.

Jodie is Chair of the Board Risk Committee and a member of the Board Audit Committee.

REBECCA RICHARDSON
DIRECTOR
Residence: Sydney, NSW

Rebecca was appointed to the Beyond Bank Australia Board in February 2018. Rebecca has applied her qualifications in environmental planning, law, management and financial analysis in business and working with the public and non-profit sectors. Through her broad professional experience, Rebecca has had a focus on urban development, property, affordable housing and communities.

An experienced company director, with a background in mutual banking, Rebecca's roles have included Director and Chair of APRA regulated company, My Credit Union Limited and Committee Chair in Audit and Risk, Remuneration and Nominations. Other directorships include City West Housing Company and private publishing and urban planning companies.

Rebecca is Managing Director of Urbanista Australia Pty Ltd, a planning and strategy consultancy practice specialising in urban renewal, regional development and housing; improving governance and systems; and feasibility and interactive modelling.

Rebecca has a special interest in fostering successful, liveable and sustainable communities and environments. Rebecca is a member of the Board Customer Committee and Chair of the Board Governance and Remuneration. She is also Chair of the Local Bank Council.

Board of Directors

DARYL JOHNSON
DIRECTOR
Residence: Melbourne, VIC

Daryl was appointed to the Beyond Bank Australia Board in February 2019. Daryl has 40 years banking and finance industry experience, including senior executive roles in Australia, Asia and New Zealand.

Daryl's most recent executive role was CEO New Zealand for Rabobank. Prior roles include CEO Asia, Executive General Manager Nabbusiness and General Manager Corporate Banking for National Australia Bank. Daryl also held a number of senior roles at ANZ Bank, including Managing Director, Business Banking.

Daryl has previously held a number of Non-Executive roles including, Non-Executive Director Banking Ombudsman Scheme New Zealand, Non-Executive Director Whitelion and Non-Executive Director Eftpos New Zealand.

Daryl has a Master of Business Administration gained at Murdoch University and a Bachelor of Business obtained from Curtin University. He is a Graduate of the Australian Institute of Company Directors.

Daryl is a member of the Board Risk Committee and the Chair of the Board Technology Committee.

ELIZABETH WESTCOTT
DIRECTOR
Residence: Melbourne, VIC

Elizabeth (Liz) was appointed to the Beyond Bank Australia Board in March 2020 following the successful merger with Nexus Mutual. Liz was a long-standing director with Nexus Mutual having first joined their Board in 2001.

Liz is an experienced Executive and Non-Executive Director in the listed and not-for-profit sector and she is currently the Energy Executive at EnergyAustralia. Liz joined EnergyAustralia in 2018 and currently has responsibility for the operation and development of the company's generation portfolio, comprising around 5000MW of owned and contracted wind, solar, coal and gas power spread across 4 states. Prior to this role Liz was the People Executive at EnergyAustralia with responsibility for the HSSE and HR functions. Liz serves on seven EnergyAustralia subsidiary boards as a Director.

Before joining EnergyAustralia, Liz had a 25 year career with Esso Australia, the local arm of United States-based oil and gas business ExxonMobil. During her career with ExxonMobil she was based in Australia, the United Kingdom and Italy in roles spanning strategic planning, operations, project management, technical, commercial and safety leadership.

Liz has a Bachelor of Engineering (Civil with Honours) and a Bachelor of Commerce from the University of Melbourne. She is also a Graduate of the Australian Institute of Company Directors.

Liz is a member of the Board Customer Committee and the Beyond Bank Australia Foundation Ltd Board.

Board of Directors

Persons who were Directors during the period 1 July 2019 to 30 June 2020.

STEVEN NOLIS
DIRECTOR (Term ended 26 November 2019)
Residence: Adelaide, SA

Steve was elected as a Director of Beyond Bank Australia in 2009. Steve has significant banking and finance industry experience, having worked for the Reserve Bank of Australia for 14 years and at CPS Credit Union (SA) Limited for five years.

In addition to this, he has Senior Management experience at a state and national level across both commercial and government sectors. His range of expertise includes operations management, change management, human resources, strategic planning, marketing, finance and business development. Steve is currently the Executive Director Commercial for the Local Government Association of South Australia.

His tertiary qualifications include a Graduate Certificate of Management and a Master of Business Administration (MBA) attained through the University of South Australia. He has also completed studies through the Business in China Intensive School, Shanghai, China. Steve was the Chair of the Board Governance and Remuneration Committee.

Directors' Report

The directors submit their report together with the financial statements of Beyond Bank Australia Limited (the Company) and the Consolidated Entity comprising the Company and its controlled entities and the Group's interest in associates for the financial year ended 30 June 2020, the Independent Audit Report thereon and the Auditor's Independence Declaration. The financial statements have been prepared in accordance with the requirements of the Corporations Act, 2001.

Principal activities

The principal activities of the Company and the activities within the Consolidated Entity in the course of the financial year were to provide financial services to members and this remained unchanged.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year not otherwise disclosed in the financial statements of the Consolidated Entity.

Review of operations

The Consolidated Entity had a successful year in providing financial services to members. Loans under management grew above system growth at 10.1% by a total of $576m for the year. This included $301m of loan portfolio growth via the merger with EECU Limited (trading as Nexus Mutual) on 1 March 2020. Deposits from members grew by a substantial 13.8% or $646M, with approximately half of this growth being derived from Nexus Mutual.

Total Operating Income grew by 2.7% to $157.2m which was an excellent outcome given difficult trading conditions in recent months, and in light of the Reserve Bank sharply lowering its cash rate from 1.25% in June 2019 to 0.25% by June 2020.

Net Profit for the period (after tax) was $25.172m, an increase of 29.6% when compared with last year's profit after tax. Both years included several abnormal transactions, with an impairment expense of $4.282m recorded in relation to the Goodwill and Intangible assets held by Eastwoods Wealth Management Pty Ltd significantly impacting last year's results. This year's results include $0.638m of costs relating to the Nexus Mutual merger, however on the positive side, the share of our net profit of associates (Data Action) was higher this year at $0.982m, and the Net fair value adjustment on interest rate swaps was favourable in the current year ($1.168m), with the unfavourable 2018/19 position unwinding.

Similar to last year, net profit includes a $0.715m reduction in income due to the accounting treatment required under accounting standard AASB 15 Revenue. This accounting standard required significant receivables to be booked at the date of initially adopting the standard (1 July 2018) for future years' Insurance and Wealth management commissions where performance obligations have been met prior to 1 July 2018. The subsequent remeasurement of the receivables at 30 June 2020 resulted in this reduction in income.

Underlying profit therefore reflects a stable result in light of the continued low interest rate environment in Australia with a reconciliation of reported profit to unaudited underlying profit set out in Table 1.

Table 1 – Consolidated Underlying Earnings	**For the Year Ended 30 June 2020**		
	Before Tax $'000	**Tax $'000**	**After Tax $'000**
Per Statement of Comprehensive Income	**35,292**	**10,120**	**25,172**
+/- Fair value adjustment on interest rate swaps	**(1,168)**	**(350)**	**(818)**
Share of net profit of associate	**(982)**	**(295)**	**(687)**
Contribution from alliance partner	**(419)**	**(126)**	**(293)**
AASB 15 Revenue standard income adjustment	**715**	**214**	**501**
Business combination costs – Nexus Mutual merger	**638**	**192**	**446**
Fee remediation costs	**83**	**25**	**58**
AASB 16 Leases costs incurred via application of new standard in comparison to expensing lease payments	**237**	**71**	**166**
Consolidated Entity Underlying Profit	**34,396**	**9,851**	**24,545**
	For the Year Ended 30 June 2019		
Per Statement of Comprehensive Income	29,322	9,896	19,426
+/- Fair value adjustment on interest rate swaps	1,075	323	752
Share of net profit of associate	(140)	(42)	(98)
Contribution from alliance partner	(1,010)	(303)	(707)
AASB 15 Revenue standard income adjustment	518	155	363
Impairment losses on intangibles & goodwill	4,282	-	4,282
Fee remediation costs	234	70	164
Business relocation costs	330	99	231
Consolidated Entity Underlying Profit	34,611	10,198	24,413

Directors' Report

This year also saw the adoption of new accounting standard AASB 16 Leases which removes the classification of leases as either operating leases or finance leases (for lessee) effectively treating all leases as finance leases and, subject to limited exceptions, requires all leases to be capitalised on the balance sheet. This change resulted in the Group recognising $27.0m of right-of-use assets upon adoption at 1 July 2019, along with a lease liability of $34.0m, the difference in net assets was taken up as an adjustment to retained earnings at this date.

Dividends

During the year dividends of $16,921 were paid on D Class shares.

Significant events after the balance date

No matters or circumstances have arisen since the end of the financial year which have significantly affected, or may significantly affect, the operations of the Consolidated Entity in the financial year ending after 30 June 2020.

Likely developments

The Company and Consolidated Entity will continue to create and return value to members through the provision of financial services to members and other Group clients. Further information about likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

Indemnification and insurance of officers

During the year, the Company paid an insurance premium to insure officers of the Company and its controlled entities against liability. The liabilities insured are for losses arising from any claim against an officer for any civil or criminal proceeding in their capacity as an officer of the entities. The contract also covers officers of the wholly owned controlled entities.

Disclosure of the amount of insurance premium payable under, and a summary of the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

The Company has not otherwise, during the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Table 2 – Board Committee meetings

	Board		Board Audit		Board Risk		Board Governance and Remuneration		Board Customer	
Directors	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended	Eligible to Attend	Meetings Attended
Sam Andersen	12	12					5	5	4	4
Jodie Baker	12	12	5	5	7	7				
Trent Bartlett	12	10	5	5					4	4
Daryl Johnson	12	12			7	7				
Geoffrey Knuckey	12	12	5	5			5	5		
David Nichol	12	12			7	6				
Steven Nolis (term ended 26/11/19)	6	5					3	3		
Rebecca Richardson	12	12					5	5	4	4
Elizabeth Westcott (term commenced 1/3/20)	4	4					1	1		

With effect from 1 July 2020 the Board Technology Committee was formed as a standing committee of the Board.

Directors' Report

Directors

Individual Director's details are set out on pages 4 - 8.

Directors' meetings

The names of directors holding office as at the date of this report and during the year, and attendance at Board and Standing Board Committee meetings held are set out in Table 2. Where non-attendance at meetings was recorded, apologies were received or leave of absence was granted in most instances.

Company Secretaries

Andrew Lee has substantial legal and finance industry experience. He holds a Bachelor of Economics, a Bachelor of Law (Hons), a Bachelor of Commerce (Hons), a Master of Applied Law, and a Master of Business Administration. He is a graduate member of the Australian Institute of Company Directors, the Immediate Past President of the SA Division of the Association of Corporate Counsel Australia, and a member of the Law Society of South Australia.

Ray O'Brien has more than 20 years' experience in the banking and finance industry and was the General Manager / Chief Executive of Companion Credit Union from 1996 up until the merger of this entity with the Company in 2010 at which point Ray became part of the merged Group's Executive team. Ray is a member of the Australian Institute of Company Directors, a Fellow of the Institute of Public Accountants, and a Fellow of the Australasian Mututals Institute.

Rounding off

The amounts contained in this report and in the financial statements have been rounded off to the nearest thousand dollars (unless otherwise stated) in accordance with *Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investment Commission as the Company has total assets greater than $10m.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 12.

Board Committees

In addition to providing general governance through Board meetings, directors are involved in providing specific guidance through the operation of five standing Board committees. Committees are structured to ensure they have the qualifications and experience to execute their responsibilities. Membership of each committee comprises at least two directors. The Chief Executive Officer attends all Board committee meetings. Details of Board committees are contained in the Corporate Governance Statement in our Corporate Report, available on our website.

Public disclosure of prudential information

Prudential Standard APS 330 Public Disclosure requires the Company and Consolidated Entity to meet minimum requirements for the public disclosure of information on their risk profile, risk management, capital adequacy, capital instruments and remuneration practices to contribute to the transparency of financial markets and to enhance market discipline. This information is published on the Consolidated Entity's public website at www.beyondbank.com.au/about-us/disclosures/our-commitment.html

Signed this 31st day of August 2020, in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

Sandra (Sam) Andersen
Chair

Geoff Knuckey
Director

Lead Auditor's Independence Declaration and Directors' Declaration

KPMG

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001

To the Directors of Beyond Bank Australia Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit of Beyond Bank Australia Limited for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in 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.

KPMG

Darren Ball
Partner

Adelaide
31 August 2020

Beyond Bank Australia Limited
Directors' Declaration
For the year ended 30 June 2020

In the opinion of the directors of Beyond Bank Australia Limited (the "Company"):

a) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) The attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards, the Corporations Regulations 2001, International Financial Reporting Standards (as disclosed in Note 1b) and giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2020 and their performance for the financial year ended on that date.

Signed this 31st day of August 2020, in accordance with a resolution of the Directors, made pursuant to s.295(5) of the *Corporations Act 2001.*

On behalf of the Directors.

Sandra (Sam) Andersen
Chair

Geoff Knuckey
Director

Independent Auditor's Report

KPMG

To the members of Beyond Bank Australia Limited

Opinion

We have audited the consolidated Financial Report of Beyond Bank Australia Limited (the Group Financial Report). We have also audited the Financial Report of Beyond Bank Australia Limited (the Company Financial Report).

In our opinion, each of the accompanying Group Financial Report and Company Financial Report of Beyond Bank Australia Limited are in accordance with the *Corporations Act 2001,* including:

- giving a true and fair view of the Group's and Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001.*

The respective Financial Reports of the Group and the Company comprise:

- Statements of financial position as at 30 June 2020
- Statements of profit or loss and other comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The Group consists of Beyond Bank Australia Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audits in accordance with *Australian Auditing Standards.* We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the Financial Reports* section of our report.

We are independent of the Group and Company in accordance with 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 audits of the Financial Reports in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in Beyond Bank Australia Limited's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinions on the Financial Reports do not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Reports

The Directors are responsible for:

- preparing Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of Financial Reports that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the Financial Reports

Our objective is:

- to obtain reasonable assurance about whether each of the Financial Reports as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audits of the Financial Reports is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Darren Ball
Partner
Adelaide, 31 August 2020

Statements of Profit or Loss and Other Comprehensive Income

		CONSOLIDATED		COMPANY	
		2020	2019	**2020**	2019
	Note	**$'000**	$'000	**$'000**	$'000
FOR THE YEAR ENDED 30 JUNE 2020					
Interest revenue	2	**222,417**	243,227	**222,417**	243,227
Interest expense	3	**89,612**	112,569	**91,046**	113,983
Net interest revenue		**132,805**	130,658	**131,371**	129,244
Net fair value adjustment on interest rate swaps	2	**1,168**	(1,075)	**4,115**	1,625
Non interest operating income	2	**23,246**	23,467	**20,359**	20,095
Total operating income		**157,219**	153,050	**155,845**	150,964
Impairment losses on loans and advances	3	**4,191**	3,683	**4,191**	3,683
Business combination costs	3	**638**	-	**638**	-
Other expenses	3	**117,365**	115,385	**113,423**	111,158
Operating profit		**35,025**	33,982	**37,593**	36,123
Remeasurement of contract receivable		**(715)**	(518)	**(255)**	(48)
Impairment losses on intangibles and goodwill	3	**-**	(4,282)	**-**	-
Share of net profit of associates	11	**982**	140	**982**	140
Profit before income tax expense		**35,292**	29,322	**38,320**	36,215
Income tax expense	4	**10,120**	9,896	**10,178**	9,925
Net profit for the period		**25,172**	19,426	**28,142**	26,290
Other comprehensive income, net of tax Items that may be reclassified to profit or loss:					
Fair value adjustment on investment securities taken to equity	-	**-**	(1,162)	**-**	(1,162)
Total comprehensive income for the period		**25,172**	18,264	**28,142**	25,128

The Statements of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the notes to the financial statements

Statements of Financial Position

	Note	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	COMPANY 2020 $'000	COMPANY 2019 $'000
AS AT 30 JUNE 2020					
Assets					
Cash and cash equivalents	5	93,850	99,387	93,850	99,387
Prepayments and other receivables	6	30,299	29,582	29,213	27,887
Placements with other financial institutions	7	973,143	704,316	973,143	704,316
Net loans and advances	8,9	5,888,460	5,312,608	5,888,460	5,312,608
Equity accounted investments	11	7,235	6,253	7,235	6,253
Investment securities	12	13,369	13,541	15,430	15,602
Right-of-use assets	13	30,590	-	30,590	-
Property, plant and equipment	14	19,633	19,534	19,595	19,250
Intangible assets - capitalised software	15	1,667	2,660	1,667	2,660
Other financial assets	22	7,840	4,893	7,840	4,893
Current tax assets	4	-	675	-	828
Net deferred tax assets	4	6,038	2,557	6,316	2,809
Total assets		7,072,124	6,196,006	7,073,339	6,196,493
Liabilities					
Deposits from members	18	5,318,909	4,672,672	5,326,379	4,679,936
Trade and other payables	19	4,104	10,321	3,945	9,825
Lease liabilities	20	38,590	-	38,590	-
Borrowings	21	1,139,972	988,663	1,139,972	988,663
Other financial liabilities	22	7,729	5,950	(111)	1,057
Provisions	23	7	14	7	14
Employee benefits	28	10,963	9,259	10,478	8,817
Current tax liabilities	4	2,412	-	2,617	-
Total liabilities		6,522,686	5,686,879	6,521,877	5,688,312
Net assets		549,438	509,127	551,462	508,181
Equity					
Share capital	24	404	557	409	562
Reserves	25	195,705	174,444	195,705	174,444
Retained earnings	26	353,329	334,126	355,348	333,175
Total equity		549,438	509,127	551,462	508,181

The Statements of Financial Position are to be read in conjunction with the notes to the financial statements

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2020	Share Capital	Fair Value Reserve (FVOCI Equity Instruments)	Asset Revaluation Reserve	Redeemed Share Reserve	General Reserve for Credit Losses	Transfer of Business Reserve	Retained Earnings	Total Equity
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 30 June 2018	607	-	3,745	1,955	25,492	145,320	309,789	486,908
Change on initial application of AASB 9	-	151	-	-	-	-	(1,738)	(1,587)
Change on initial application of AASB 15	-	-	-	-	-	-	5,609	5,609
Adjusted balance at 1 July 2018	607	151	3,745	1,955	25,492	145,320	313,660	490,930
Net profit for the period	-	-	-	-	-	-	19,426	19,426
Fair value adjustment on investment securities taken to equity	-	(1,162)	-	-	-	-	-	(1,162)
Transfers to/(from) reserves	-	-	-	277	(1,334)	-	1,057	-
Share capital redeemed out of profits	(50)	-	-	-	-	-	-	(50)
Dividends	-	-	-	-	-	-	(17)	(17)
Balance at 30 June 2019	557	(1,011)	3,745	2,232	24,158	145,320	334,126	509,127
Change on initial application of AASB 16	-	-	-	-	-	-	(4,281)	(4,281)
Adjusted balance at 1 July 2019	557	(1,011)	3,745	2,232	24,158	145,320	329,845	504,846
Net profit for the period	-	-	-	-	-	-	25,172	25,172
Attributable to business combinations	-	-	282	67	368	18,868	-	19,585
Transfers to/(from) reserves	-	-	-	43	1,633	-	(1,676)	-
Share capital redeemed out of profits	(153)	-	-	-	-	-	-	(153)
Dividends	-	-	-	-	-	-	(12)	(12)
Balance at 30 June 2020	**404**	**(1,011)**	**4,027**	**2,342**	**26,159**	**164,188**	**353,329**	**549,438**
Company								
Balance at 30 June 2018	612	-	3,745	1,955	25,492	145,320	303,397	480,521
Change on initial application of AASB 9	-	151	-	-	-	-	(1,738)	(1,587)
Change on initial application of AASB 15	-	-	-	-	-	-	4,186	4,186
Adjusted balance at 1 July 2018	612	151	3,745	1,955	25,492	145,320	305,845	483,120
Net profit for the period	-	-	-	-	-	-	26,290	26,290
Fair value adjustment on investment securities taken to equity	-	(1,162)	-	-	-	-	-	(1,162)
Transfers to/(from) reserves	-	-	-	277	(1,334)	-	1,057	-
Share capital redeemed out of profits	(50)	-	-	-	-	-	-	(50)
Dividends	-	-	-	-	-	-	(17)	(17)
Balance at 30 June 2019	562	(1,011)	3,745	2,232	24,158	145,320	333,175	508,181
Change on initial application of AASB 16	-	-	-	-	-	-	(4,281)	(4,281)
Adjusted balance at 1 July 2019	562	(1,011)	3,745	2,232	24,158	145,320	328,894	503,900
Net profit for the period	-	-	-	-	-	-	28,142	28,142
Attributable to business combinations	-	-	282	67	368	18,868	-	19,585
Transfers to/(from) reserves	-	-	-	43	1,633	-	(1,676)	-
Share capital redeemed out of profits	(153)	-	-	-	-	-	-	(153)
Dividends	-	-	-	-	-	-	(12)	(12)
Balance at 30 June 2020	**409**	**(1,011)**	**4,027**	**2,342**	**26,159**	**164,188**	**355,348**	**551,462**

The Statements of Changes in Equity are to be read in conjunction with the notes to the financial statements

Statements of Cash Flows

	Note	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	COMPANY 2020 $'000	COMPANY 2019 $'000
FOR THE YEAR ENDED 30 JUNE 2020					
Cash flows from operating activities					
Interest received		**224,144**	242,647	**224,144**	242,647
Net (increase) in loans, advances and other receivables		**(278,412)**	(263,847)	**(278,094)**	(263,847)
Net (increase) in placements with other financial institutions		**(227,710)**	(92,605)	**(228,028)**	(92,605)
Other non interest income received		**23,685**	21,632	**20,299**	20,050
Interest and other costs of finance paid		**(98,563)**	(111,257)	**(99,996)**	(112,671)
Net increase in deposits from members		**319,306**	310,949	**319,511**	311,850
Net increase in borrowings		**148,854**	40,829	**148,854**	40,829
Payments to suppliers and employees		**(111,217)**	(107,256)	**(106,852)**	(105,093)
Income tax paid		**(8,369)**	(9,740)	**(8,095)**	(9,608)
Net cash from operating activities	27 (a)	**(8,282)**	31,352	**(8,257)**	31,552
Cash flows from investing activities					
(Increase) in amounts receivable from controlled entities	6	**-**	-	**(132)**	(222)
Proceeds from sale of / (payment for) other investments		**172**	-	**172**	-
Payment for property, plant and equipment	14	**(5,892)**	(4,571)	**(5,892)**	(4,549)
Proceeds from sale of property, plant and equipment		**2,177**	5	**2,284**	5
Payment for intangible assets - capitalised software	15	**(487)**	(744)	**(487)**	(744)
Payment for expenses directly attributable to business combinations		**(638)**	-	**(638)**	-
Increase in cash balances via business combination	10	**14,209**	-	**14,209**	-
Net cash from investing activities		**9,541**	(5,310)	**9,516**	(5,510)
Cash flows from financing activities					
Payments on redemption of share capital		**(153)**	(50)	**(153)**	(50)
Payment of lease liabilities		**(6,626)**	-	**(6,626)**	-
Dividends paid		**(17)**	(17)	**(17)**	(17)
Net cash from financing activities		**(6,796)**	(67)	**(6,796)**	(67)
Net (decrease) / increase in cash and cash equivalents		**(5,537)**	25,975	**(5,537)**	25,975
Cash and cash equivalents at the beginning of the financial year		**99,387**	73,412	**99,387**	73,412
Cash and cash equivalents at the end of the financial year	27 (b)	**93,850**	99,387	**93,850**	99,387

The Statements of Cash Flows are to be read in conjunction with the notes to the financial statements

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

Beyond Bank Australia Limited ("the Company") is a company domiciled in Australia. The consolidated financial report for the year ended 30 June 2020 comprises the Company and its controlled entities (together referred to as the "Consolidated Entity"). The Consolidated Entity is a for profit entity and primarily is involved in providing a range of financial services including personal and business banking, insurance, and financial planning services. The financial report was authorised for issue by the directors on 31 August 2020.

(b) Statement of Compliance

This financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the Consolidated Entity and the Company comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

(c) Basis of Preparation and Areas of Estimation

The financial report has been prepared in Australian dollars and in accordance with the accruals basis of accounting using historical costs except where described otherwise in the notes to the accounts. Cost is based on the fair values of the consideration given in exchange for assets.

ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016 permits the rounding of amounts in financial statements and directors' reports. In accordance with that Instrument, all financial information has been rounded to the nearest thousand dollars unless otherwise stated. The Company holds an Australian Financial Services Licence and has therefore applied ASIC Class Order CO 10/654 and has presented both the Company and Consolidated Entity financial statements in this financial report.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Consolidated Entity and the Company. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, areas of estimation uncertainty and critical areas where judgement has been applied are as follows:-

- Loans and receivables are carried at amortised cost, requiring estimates to be made of their expected life. The expected life of mortgage secured loans is estimated at 75 months (2019: 80 months) while other loans have an estimated expected life of 28 months (2019: 32 months). In addition, loans and receivables are carried net of impairment provisions which are determined based on estimates of default probabilities and the loss incurred in the event of default. The impairment provision estimates are uncertain with an analysis of the sensitivity of the recognised impairment provision to changes in the estimates provided at Note 1(r).
- Judgement has been exercised in determining that not all the risks and rewards of ownership of securitised loans have been transferred.
- In assessing goodwill and other intangibles for impairment, estimates have been made of expected future cash flows from the applicable cash generating units and judgement used to determine the rate at which those cash flows are discounted.
- Similarly, the obligation for long-term employee benefits is determined based on statistical estimates of the amount and timing of related future cash flows with Australian high quality corporate bond rates applied to discount cash flows.
- Investment securities are carried at fair value which is based on an estimate of the amount which would be exchanged between willing parties in an arm's length transaction.

AASB 101 *Presentation of Financial Statements* allows assets and liabilities to be presented in order of their relative liquidity. As this presentation provides information that is more relevant, assets and liabilities are not presented as current and non-current on the face of the Statements of Financial Position.

(d) Principles of Consolidation

The consolidated financial statements are prepared by including the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the parent entity) and its controlled entities as defined in AASB 10 *Consolidated Financial Statements*. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity.

A list of controlled entities appears in Note 12 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the Company obtains control and until such time as the control ceases. In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Consolidated Entity are eliminated in full.

Notes to the Financial Statements

i) Business Combinations

Business combinations are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the Consolidated Entity.

The identifiable assets and liabilities of the acquiree are recognised at their fair value at acquisition date. Goodwill is recognised if, and to the extent that, the consideration transferred exceeds the fair value of the acquiree's identifiable assets acquired and liabilities assumed.

Transaction costs that the Consolidated Entity incurs in connection with a business combination are expensed as incurred.

ii) Interests in Equity Accounted Investees

The Consolidated Entity's interest in equity accounted investees comprises interest in an Associate. Associates are those entities in which the Consolidated Entity has significant influence, but not control, over financial and operating policies.

Interest in the Associate is accounted for using the equity method. The interest is initially recognised at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Consolidated Entity's share of the Associate's profit or loss and other comprehensive income until the date on which significant influence ceases.

(e) New Accounting Standards that are effective in the current period

The Group has initially adopted AASB 16 *Leases* using the modified retrospective approach from 1 July 2019. Due to the transition method chosen by the Group in applying the new standard, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 July 2019 and comparative information throughout these financial statements has not been restated.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces AASB 117 Leases. AASB 16 removes the classification of leases as either operating leases or finance leases (for lessee) effectively treating all leases as finance leases and, subject to limited exceptions, require all leases to be capitalised on the balance sheet.

Policy applicable before 1 July 2019

For contracts entered before 1 July 2019, the Consolidated Entity determined whether an arrangement which contained a lease was classified as a finance lease or an operating lease under the guidance of AASB 117.

Policy applicable from 1 July 2019

Under the new standard the Consolidated Entity is required to assess at the inception of a contract whether a contract is, or contains, a lease. To assess whether a contract is, or contains, a lease, the Consolidated Entity applies judgement as to whether:

- the contract involves the use of an identified asset
- the Consolidated Entity has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Consolidated Entity has the right to direct the use of the asset.

Recognition

The Consolidated Entity 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 an estimate of costs associated with restoring the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is tested for impairment and if there is an indicator, it is adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the Consolidated Entity's incremental borrowing rate. The lease liability is remeasured when there is a change in future lease payments. This includes adjusting for variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The carrying amounts are remeasured if there is a change in any of the future lease payments arising from a change in an index rate used, lease term and termination penalties. When a lease liability is remeasured an adjustment is made for the corresponding right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The incremental borrowing rate is determined by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease. The Consolidated Entity has elected not to recognise right-of-use assets and lease liabilities for low value assets.

Transition

The adoption of this new Standard on the date of initial application of AASB 16, 1 July 2019, has resulted in the group recognising a right-of-use asset of $27,003,441 and related lease liability of $33,976,772 with the transition adjustment made to reduce retained earnings at 1 July 2019. When measuring lease liabilities, the Consolidated Entity discounted lease payments using its weighted average incremental borrowing rate of 2.08% for motor vehicles and 2.40% for properties at 1 July 2019. The Consolidated Entity 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 17 Leases.

A reconciliation of the operating lease commitments reported at 30 June 2019 to the balance of lease liabilities recognised at 1 July 2019 is provided as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) New Accounting Standards that are effective in the current period (continued)

	CONSOLIDATED	COMPANY
	1 July 2019	1 July 2019
	$'000	$'000
Operating lease commitment as at 30 June 2019 as disclosed in the Group's consolidated financial statements	44,215	43,663
Subsidiary lease commitments recognised by the Company	-	552
Adjustment for GST	(986)	(986)
Adjustment for variable lease payments based on an index (CPI)	(273)	(273)
Adjustment for outgoing costs recorded in operating lease commitment	(5,341)	(5,341)
Adjustment to align contractual start date to lease payment date	49	49
Finance lease liabilities recognised as at 1 July 2019	37,664	37,664
Discounted using the incremental borrowing rate at 1 July 2019	(3,687)	(3,687)
Lease liabilities recognised at 1 July 2019	33,977	33,977

(f) New Accounting Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019 and have not been applied in preparing these consolidated financial statements. These standards are not expected to have any material recognition or measurement impacts on the Consolidated Entity's financial report upon initial application but, in respect of certain standards, may result in additional disclosures.

(g) Accounts Payable

Trade and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the procurement of goods and services. These liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(h) Borrowings

Interest on wholesale borrowings and other interest-bearing liabilities is brought to account on an effective yield basis. The amount of the accrual is measured on a nominal basis and recognised as a liability in the Statements of Financial Position. These liabilities are carried at amortised cost.

In March 2020, the Reserve Bank of Australia announced a Term Funding Facility (TFF) for ADIs to support lending to Australian business. The TFF is a three year facility with a fixed interest rate of 0.25% per annum. These liabilities are carried at amortised cost using the effective interest rate method.

(i) Cash and Cash equivalents

Cash and cash equivalents comprise cash at branches plus deposits at call with Approved Deposit-taking Institutions. Interest income on cash and cash equivalents is recognised using the effective interest rate method in the Statements of Profit or Loss and Other Comprehensive Income. Cash and cash equivalents are recognised at the gross value of the outstanding balance. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows but as part of Borrowings in the Statements of Financial Position.

(j) Deposits

Interest on deposits is credited in accordance with the terms of each deposit and brought to account on an effective yield basis. Interest is accrued as part of the deposit balances which are carried at amortised cost.

Notes to the Financial Statements

(k) Derivative Financial Instruments

The Consolidated Entity enters into interest rate swap agreements for the sole purpose of managing interest rate risk exposures in the Statements of Financial Position and not for speculative purposes. Derivative financial instruments are recognised at fair value. Realised gains and losses on interest rate swaps are recognised immediately in the Statements of Profit or Loss and Other Comprehensive Income via inclusion in the determination of interest revenue while unrealised changes in the fair value of interest rate swaps is included as Other Income.

The Consolidated Entity enters into fixed for floating interest rate swap transactions that are designated as an effective hedging instrument against a specified dollar value of fixed rate loan exposures which will reprice in the same specified month and year. For fair value hedges, the change in fair value of the hedging derivative is recognised immediately in the Statements of Profit or Loss and Other Comprehensive Income together with changes in the fair value of the hedged item attributable to the hedged risk. Hedge accounting is discontinued when the hedge instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit and loss over the last six months of the life of the related hedging instrument.

Derivatives are initially measured at fair value and are subsequently re-measured to fair value at each reporting date with movements recorded in the Statements of Profit or Loss and Other Comprehensive Income. Fair values are calculated by discounted cash flow models using yield curves that are based on observable market data or are based on valuations from counterparties. All derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative. Where there is the legal ability and intention to settle net, the derivative is classified as a net asset or liability, as appropriate.

Interest rate swaps that do not qualify for hedge accounting or have been de-designated are accounted for as trading instruments and any changes in fair value are recognised immediately in profit or loss. Further details of derivative financial instruments are disclosed in Note 34(i).

(l) Employee Benefits

A defined contribution plan is a post-employment benefits plan under which an entity pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations to defined contribution plans are recognised as a personnel expense in profit or loss when they are due.

Long-term employee benefits

The Consolidated Entity's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs and that benefit is discounted to determine its present value. The calculation is performed using the projected unit credit method. The discount rate is the yield at the reporting date on Australian high quality corporate bonds that have maturity dates approximating the terms of the Consolidated Entity's obligations.

Termination benefits

Termination benefits are recognised as an expense when the Consolidated Entity is committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer encouraging voluntary redundancy, and it is probable that the offer will be accepted.

Short-term benefits

Liabilities for employee benefits for wages, salaries, and annual leave represent present obligations resulting from employees' services provided to reporting date and are expected to be settled wholly within 12 months and hence are calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as payroll tax. Non-accumulating non-monetary benefits, such as motor vehicles or free or subsidised goods and services, are expensed based on the net marginal cost to the Consolidated Entity as the benefits are taken by the employees.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans if the Consolidated Entity has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(m) Financial Assets and Liabilities

The Consolidated Entity initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities at fair value on the date they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Consolidated Entity becomes a party to the contractual provisions of the instrument.

These financial assets and liabilities are subsequently measured at amortised cost using the effective interest method unless otherwise stated in the notes to the accounts.

The Consolidated Entity derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. An interest in transferred financial assets that is created or retained by the Consolidated Entity is recognised as a separate asset or liability.

The Consolidated Entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Consolidated Entity enters into transactions whereby it transfers assets recognised in its Statements of Financial Position, but retains either all the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the Statements of Financial Position.

The Consolidated Entity securitises various consumer financial assets, which generally results in a sale of these assets to special-purpose entities, which in turn issue securities to investors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of Non-Financial Assets

The carrying amounts of the Consolidated Entity's non-financial assets, other than deferred tax assets, are reviewed at each balance date to determine whether there is any indication of impairment. If any such impairment exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset (either in its own right or as part of a cash-generating unit) exceeds its recoverable amount. Impairment losses are recognised in the Statements of Profit or Loss and Other Comprehensive Income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal of that previous revaluation with any excess recognised through the Statements of Profit or Loss and Other Comprehensive Income.

Goodwill is tested for impairment annually. Whenever there is any indication that the goodwill may be impaired, any impairment loss is recognised immediately in profit and loss and is not subsequently reversed.

(o) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years. Current tax for current and prior years is recognised as a liability to the extent that it is unpaid.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base of those items. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at reporting date, to recover or settle the carrying amount of its assets and liabilities, using tax rates enacted or substantially enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be used.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are not recognised if the temporary differences affect neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

The Company's disclosed available franking credits are based on the balance of its franking account at year end adjusted for:

(a) franking credits that will arise from the payment of current tax liabilities or franking debits that will arise from the receipt of current tax asset refunds;

(b) franking debits that will arise from the payment of dividends recognised as a liability at year end;

(c) franking credits that will arise from the receipt of dividends recognised as receivables at year end, and

(d) franking credits that the Company may be prevented from distributing in subsequent years.

The controlled entities of the Consolidated Entity are not part of a tax consolidation group and are taxed as individual entities. As a result, the individual entities continue to recognise current and deferred tax amounts in their own right which are then consolidated into the accounts of the Consolidated Entity.

(p) Intangible Assets

Goodwill

Goodwill, representing the excess of the cost of acquisition of a business over the fair value of the identifiable net assets acquired, is recognised as an asset and not amortised, but tested for impairment annually. Refer to Note 1(n) in relation to impairment.

Computer Software

Software acquired by the Consolidated Entity is stated at cost less accumulated amortisation. Amortisation is charged from the date the asset is available for use on a straight line basis over a period of 2-3 years.

The Barton Securitisation Program

Costs associated with establishing the program and each Series issue are amortised over the weighted average life of the notes for each Series. This generally results in amortisation over 3-5 years on a straight line basis and is reflected as part of borrowing costs.

Other Intangible Assets

Other intangible assets, including customer relationships that are acquired by the Consolidated Entity and have finite useful lives, are measured at cost less accumulated amortisation and any impairment losses. Amortisation is charged from the date the asset is acquired on a straight line basis over the estimated useful life of the asset.

(q) Investment Securities

Investment Securities are measured at fair value through other comprehensive income (FVOCI). For Equity investments, AASB 9 requires Beyond Bank to consider whether those assets are held for trading. As our Equity investments are not held for trading, the Consolidated Entity has irrevocably elected to designate the instruments at FVOCI. In the Company's financial statements, investments in controlled entities are carried at cost.

Investment securities are subject to annual testing as to whether there is objective evidence of impairment (refer Note 1(n)). If assessed as impaired, any loss is recognised in other comprehensive income. Any subsequent recovery in the fair value of an impaired investment security would also be recognised in other comprehensive income.

(r) Loans and Advances

Loans and advances are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, after assessing required provisions for impairment. Loan and credit limit interest is calculated on the daily balance outstanding and is charged to members' accounts on the last day of each month. Overdraft interest is calculated on the daily balance outstanding and is charged in arrears to members' accounts at the beginning of the following month. Housing loans are secured by registered mortgages.

Impairment

All loans and advances are subject to regular management review to assess whether there is any objective evidence of impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement.

Bad debts are written off when identified. Bad loans are written off against the Provision for Impaired Loans. Adjustments to the Provision for Impaired Loans are taken to the Statements of Profit or Loss and Other Comprehensive Income and reported with Impairment Losses. Recovery of loans previously written off is recognised in the Statements of Profit or Loss and Other Comprehensive Income only when the recovery amount has been received from the debtor.

Statutory reporting requirements for Impaired Loans

All loans and advances are reviewed and graded according to the anticipated level of credit risk. AASB 7 *Financial Instruments: Disclosures* prescribes specific reporting requirements of impaired loans, acquired assets and past-due loans.

The following classifications have been adopted:

Restructured loans are those where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member and the revised terms are not comparable to new facilities.

Past-due loans are loans where the borrower has failed to make a repayment when contractually due. Provision for these loans is made according to the period of arrears and with regard to the underlying security.

Assets acquired through the enforcement of security are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Loans and Advances – Provision for Impairment

The components of the aggregate provision as set out in Note 9 are described in the following paragraphs.

Specific Provision

The specific provision against impaired loans exists to provide for loans that are 90 days or more in arrears (being a loss event) and for which there is evidence based on past history that a loss will occur and impact on future cash flows.

Collective Provision

The Expected Credit Loss (ECL) provision is calculated based on current credit delinquency, historical default probabilities and rates of loss in the event of default. The provision is calculated on all loan and credit limit balances, and on committed, undrawn exposures, including credit cards and loan commitments; except exposures for which a specific provision has been raised. The ECL for credit impaired financial assets is generally measured as the difference between the contractual and expected cash flows from the individual exposure. For credit-impaired exposures that are modelled collectively, ECL is measured as the product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD), based on a range of possible scenarios for the future value of security held and adjusted for forward looking macro-economic information.

The ECL is determined with reference to the following stages:

Stage 1: 12 month ECL
At initial recognition, and for financial assets for which there has not been a significant increase in credit risk (SICR) or for those financial assets for which the credit risk is considered to be low, ECL is determined based on the PD over the next 12 months and the life time losses associated with such PD, adjusted for forward looking macroeconomic information.

Stage 2: Lifetime ECL not credit-impaired
When there has been a SICR, the ECL is determined with reference to the financial asset's life-time PD and the lifetime losses associated with that PD, adjusted for forward looking macroeconomic information. The Consolidated Entity assesses whether there has been a SICR since initial recognition. This assessment is based on qualitative information but primarily relies on AASB 9's rebuttable backstop of a credit balance being greater than 30 days past due as the most reasonable and effective way of consistently determining when a significant increase in credit risk has occurred. Use of alternative criteria could result in significant changes to the timing and amount of ECL to be recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Loans and Advances (continued)

Stage 3: Lifetime ECL credit-impaired

Financial assets are classified as Stage 3 where they are determined to be credit impaired, which generally matches the Australian Prudential Regulatory Authority (APRA) definition of default and includes exposures that are at least 90 days past due.

The measurement of ECL for credit impaired financial assets is based on estimates that are inherently uncertain. PD and LGD rates are calculated from the Consolidated Entity's actual default and loss experience over the last 5 years which may not accurately reflect its future default and loss experience. EAD is calculated as the maximum available exposure amount at balance date, net of available security at its most recently recorded valuation estimate (but not less than zero). Lenders' Mortgage Insurance, if any, is not factored into the EAD calculation. Forward looking security value scenarios and macro-economic factors are estimated from a range of publicly available economic sources but, by their nature, are not certain. A summary of these key estimates and an analysis of the sensitivity of the collective provision to changes in these estimates, is set out in the following table.

Key estimates	Base	Stress	ECL change
Weighted average Probability of Default (PD)	7.3%	8.3%	+$2.223m
Weighted average Loss Given Default (LGD)	49%	59%	+$0.587m
Downside security value scenario weighting (A)	45%	55%	+$0.059m
Downside security value scenario property price fall (B)	35%	45%	+$0.230m
Forecast peak unemployment rate (C)	10%	15%	+$0.152m
Forecast peak unemployment rate weighting	70%	80%	+$0.025m
Forecast peak unemployment rate PD correlation per percentage point	142bps	242bps	+$0.052m
Estimate combination (compounded) stress (A & B & C)			+$0.639m

The statutory collective component of the provision is contingent upon the length of time loan repayments are in arrears and the security held. The provision varies according to the type of security attached to the loan and the number of days each loan is in arrears.

Reversals of Impairment Losses

An impairment loss in respect of Loans and Advances carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

General Reserve for Credit Losses

In accordance with APRA Prudential Standards a General Reserve for Credit Losses is maintained. This reserve exists to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults. This reserve is raised to satisfy our prudential obligations.

The reserve is calculated based on current non-delinquent credit balances, historical default probabilities and loss in the event of default rates plus a calculated stress scenario loss for mortgage secured exposures and adjusted for expected changes in economic default drivers and internal credit risk appetite.

(s) Member Share Capital

Withdrawable member share capital (redeemable preference shares) is classed as a liability (at amortised cost) and is therefore reported under the classification of Deposits from members (Note 18). Each member holds one redeemable preference share.

The Redeemed Share Reserve represents the amount of Preference Shares redeemed by the Company during the period 1 July 1999 to the date of this financial report. The Corporations Act 2001 requires that redemption of these shares is to be made out of retained profits or through a new issue of shares for the purpose of the redemption. Since the value of the shares redeemed have been paid to the members in accordance with the terms and conditions of the share issue, the account balance represents the amount of profits appropriated to the account for the period stated above.

(t) Other Receivables

Receivables are recorded at amounts due less any allowance for impairment and are classified as loans and receivables.

(u) Placements with Other Financial Institutions

Placements with other financial institutions are recorded at amortised cost. Income is recognised when earned. An ECL provision is calculated based on current credit delinquency, historical default probabilities and rates of loss in the event of default. Because credit risk for these assets is considered to be low, the ECL is determined based on the PD over the next 12 months and the life time losses associated with such PD, adjusted for forward looking macroeconomic information.

Investments in Bank Bills and Bank Bonds are recorded at cost plus or minus any amount taken into account for discounts or premiums arising at acquisition. Discounts or premiums are amortised over the period of investment through the Statements of Comprehensive Income so that the investments attain their redemption values by maturity date.

(v) Preference Share Capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Company's Board.

(w) Property, Plant and Equipment

Assets acquired are initially recorded at the cost of acquisition, being the fair value of the consideration provided plus costs incidental and directly attributable to the acquisition.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Consolidated Entity in future years, otherwise the costs are expensed as incurred.

Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses.

Depreciation is provided on property, plant and equipment and is calculated on a straight line basis from the date the asset is held ready for use so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

The following estimated useful lives are used in the calculation of depreciation:

	For Current and Comparable Period
Buildings	40 years
Fit-out and leasehold improvements	5 to 10 years
Plant and equipment	3 to 7 years

Held for sale assets

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Company's accounting policies. Thereafter the assets are generally measured at the lower of their carrying amount or fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses are recognised in profit or loss.

(x) Provisions

Provisions are recognised when the Consolidated Entity has a present, legal or constructive obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the expected consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation and those cash flows are discounted to the present value where appropriate.

(y) Revenue Recognition

Revenue arises mainly from interest on loans to members, fees for services provided, dividends, commission from the sale of insurance products, and the rendering of wealth management services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Consolidated Entity satisfies performance obligations by transferring the promised goods or services to its members.

The Consolidated Entity recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the Statements of Financial Position. Similarly, if the Consolidated Entity satisfies a performance obligation before it receives the consideration, the Consolidated Entity recognises either a contract asset or a receivable in the Statements of Financial Position, depending on whether something other than the passage of time is required before the consideration is due.

Dividend income

Dividend income is recognised when the right to receive the dividend has been established, which in the case of unlisted securities is when the dividend is declared.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Revenue Recognition (continued)

Interest income and expense

Interest income and expense on all financial instruments are recognised in interest revenue or expense in the Statements of Profit or Loss and Other Comprehensive Income. Interest income and expense are calculated using the effective interest rate method for financial assets and liabilities held at amortised cost and at FVOCI.

The effective interest rate method is a method of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument.

Specifically, for mortgage assets, the effect of this policy is to spread the impact of loan establishment fees and costs directly attributable and incremental to setting up the loan, over the expected life of the mortgage. Other transaction-related loan fees, including loan break fees, are recognised at the point of rendering the service to the member and reported as part of Other Income.

Due to the short term nature and reviewability of Revolving Credit facilities, all associated fees, including establishment fees, are recognised at the time the related service is performed.

Sale of assets

Income from the sale of assets is recognised when the significant risks and rewards of ownership of the asset passes from the Consolidated Entity to the buyer.

2 REVENUE

Revenue from operations consisted of the following items:

	CONSOLIDATED		COMPANY	
	2020 $'000	2019 $'000	**2020 $'000**	2019 $'000
Interest revenue	**222,417**	243,227	**222,417**	243,227
Fair value adjustment on interest rate swaps	**1,168**	(1,075)	**4,115**	1,625
Other income				
Fees and commissions				
- Loan fee income	**4,179**	2,898	**4,179**	2,898
- Wealth management income	**3,744**	4,028	**-**	-
- Member fee income	**3,947**	4,069	**3,947**	4,069
- Insurance commissions	**4,604**	5,751	**4,604**	5,751
- Other commissions	**4,443**	4,373	**4,443**	4,373
Income from property	**442**	465	**442**	465
Recovery of loans and advances previously written off	**507**	564	**507**	564
Dividend income	**800**	315	**800**	315
Other	**580**	1,004	**1,437**	1,660
Total other income	**23,246**	23,467	**20,359**	20,095
Total revenue	**246,831**	265,619	**246,891**	264,947

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
3 EXPENSES				
Profit before income tax expense has been arrived at after charging the following expenses:				
Interest expense	**89,612**	112,569	**91,046**	113,983
Bad debts written off	**2,389**	4,051	**2,389**	4,051
Increase / (decrease) in impairment provisions	**1,646**	(377)	**1,646**	(377)
Impairment losses on loans and advances	**4,035**	3,674	**4,035**	3,674
Impairment adjustment for intangible assets - customer lists	**-**	1,137	**-**	-
Impairment adjustment for goodwill	**-**	3,145	**-**	-
Impairment losses on placements with other financial institutions	**156**	9	**156**	9
Impairment losses	**4,191**	7,965	**4,191**	3,683
Business combination costs	**638**	-	**638**	-
Other expenses				
Depreciation				
- Plant and equipment	**1,665**	1,779	**1,644**	1,759
- Building	**219**	223	**219**	223
- Right-of-use assets - property	**6,891**	-	**6,891**	-
- Right-of-use assets - motor vehicles	**652**	-	**652**	-
- Leasehold improvements	**2,821**	2,803	**2,748**	2,716
	12,248	4,805	**12,154**	4,698
Amortisation				
- Customer lists	**-**	28	**-**	-
- Software	**1,310**	1,361	**1,310**	1,361
	1,310	1,389	**1,310**	1,361
Staff costs	**54,114**	50,722	**51,410**	48,211
Contributions to defined contribution superannuation funds	**4,486**	4,270	**4,249**	4,033
Employee entitlements expense	**2,151**	1,420	**2,053**	1,313
General administrative expenses				
- Fee and commission expense	**11,176**	11,134	**11,176**	11,134
- Information technology	**13,265**	12,090	**13,084**	12,014
- Occupancy	**4,010**	3,128	**3,934**	3,107
- Brand and marketing	**4,289**	5,912	**4,269**	5,884
- Printing and stationery	**421**	486	**420**	474
- Communication	**2,955**	2,637	**2,935**	2,605
Other operating expenses	**6,701**	8,036	**6,190**	7,315
Operating lease rentals	**-**	8,650	**-**	8,563
Net loss on disposal of property, plant and equipment	**239**	706	**239**	446
Total other expenses	**117,365**	115,385	**113,423**	111,158
Total non interest expense	**122,194**	123,350	**118,252**	114,841
Total expenses	**211,806**	235,919	**209,298**	228,824

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
4 INCOME TAXES				
(a) Income tax recognised in the Statements of Profit or Loss and Other Comprehensive Income				
Tax expense comprises:				
Current tax expense				
Current year	**11,406**	8,885	**11,490**	8,689
Adjustments recognised in the current year in relation to prior years	**-**	(62)	**-**	(62)
	11,406	8,823	**11,490**	8,627
Deferred tax expense				
Origination and reversal of temporary differences	**(1,286)**	1,073	**(1,312)**	1,298
Total tax expense	**10,120**	9,896	**10,178**	9,925
The prima facie income tax on profit from operations reconciles to the income tax provided in the financial statements as follows :				
Profit from operations	**35,292**	29,322	**38,320**	36,215
Income tax expense calculated at 30% (2019: 30%)	**10,588**	8,796	**11,496**	10,864
Franked dividends received	**(240)**	(94)	**(240)**	(94)
Deferred tax on equity accounted associates	**(295)**	(42)	**(295)**	(42)
Net fair value adjustment on interest rate swaps	**(350)**	323	**(1,234)**	(488)
AASB 9 financial instruments standard transition adjustments	**-**	(725)	**-**	(725)
AASB 15 revenue standard transition adjustments	**-**	2,500	**-**	1,794
AASB 16 leases standard transition adjustments	**(1,835)**	-	**(1,835)**	-
Fixed assets	**795**	(1,347)	**887**	(1,350)
Other sundry items	**2,933**	(526)	**2,901**	(1,270)
Change in recognised temporary differences	**(1,286)**	1,073	**(1,312)**	1,298
Capital losses utilised	**(190)**	-	**(190)**	-
	(468)	1,162	**(1,318)**	(877)
Over provision of income tax in previous year	**-**	(62)	**-**	(62)
Income tax expense	**10,120**	9,896	**10,178**	9,925
(b) Income tax recognised directly in equity				
The following deferred amounts were charged directly to equity during the period:				
Deferred tax arising from business combinations	**(360)**	-	**(360)**	-
Deferred tax arising from accounting standard changes and fair value adjustments	**(1,835)**	1,322	**(1,835)**	616
	(2,195)	1,322	**(2,195)**	616
(c) Current tax balance				
Current tax assets comprise:				
Tax refund receivable	**-**	675	**-**	828
	-	675	**-**	828
Current tax liabilities comprise:				
Income tax payable	**2,412**	-	**2,617**	-
	2,412	-	**2,617**	-

Notes to the Financial Statements

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
(d) Deferred tax balance				
Deferred tax assets comprise:				
Net loans and advances to members	**-**	317	**-**	317
Property, plant and equipment	**4,263**	3,152	**4,261**	3,056
Intangible assets	**74**	475	**74**	79
Trade and other payables	**1,571**	1,149	**1,568**	1,062
Loans and advances - specific provisions	**2,361**	-	**2,361**	-
Deferred tax asset derecognition	**-**	(328)	**-**	-
AASB 9 financial instruments standard transition adjustments	**-**	1,883	**-**	1,883
Employee benefits	**3,236**	2,779	**3,090**	2,646
Other provisions	**142**	-	**142**	-
AASB 16 leases standard adjustments	**22,124**	-	**22,124**	-
Other	**226**	140	**227**	140
	33,997	9,567	**33,847**	9,183
Deferred tax liabilities comprise:				
Prepayments	**10**	2	**10**	2
Net loans and advances to members	**33**	-	**33**	-
Equity accounted investments	**2,854**	2,442	**2,854**	2,442
AASB 9 financial instruments standard transition adjustments	**-**	153	**-**	153
Remeasurement of contract receivable	**2,129**	2,345	**1,701**	1,779
AASB 16 leases standard adjustments	**20,722**	-	**20,722**	-
Property, plant and equipment	**1,644**	1,619	**1,644**	1,618
Intangible assets	**565**	449	**565**	380
Other deposits - other ADIs	**2**	-	**2**	-
	27,959	7,010	**27,531**	6,374
Net deferred tax assets	**6,038**	2,557	**6,316**	2,809
(e) Franking credits				
Adjusted franking account balance (tax provision basis)	**-**	-	**190,476**	182,687

5 CASH AND CASH EQUIVALENTS

Cash on hand and deposits at call	**93,850**	99,387	**93,850**	99,387

6 PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables	**20,420**	17,364	**20,390**	17,317
Future trailing commission receivable	**7,101**	7,816	**5,677**	5,932
Interest receivable	**2,778**	4,402	**2,778**	4,402
Amount (payable to) / receivable from controlled entities	**-**	-	**368**	236
	30,299	29,582	**29,213**	27,887

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
7 PLACEMENTS WITH OTHER FINANCIAL INSTITUTIONS				
Bank term deposits	**3,205**	75	**3,205**	75
Bank negotiated certificates of deposit and bonds	**953,448**	691,087	**953,448**	691,087
Other deposits	**16,964**	13,472	**16,964**	13,472
	973,617	704,634	**973,617**	704,634
Provision for Impairment	**(474)**	(318)	**(474)**	(318)
	973,143	704,316	**973,143**	704,316

8 NET LOANS AND ADVANCES				
Revolving credit loans	**104,744**	123,616	**104,744**	123,616
Term loans	**5,791,585**	5,194,952	**5,791,585**	5,194,952
Gross loans and advances	**5,896,329**	5,318,568	**5,896,329**	5,318,568
Provision for impairment	**(7,869)**	(5,960)	**(7,869)**	(5,960)
Net loans and advances	**5,888,460**	5,312,608	**5,888,460**	5,312,608

(a) Concentration of risk

The loan portfolio of the Consolidated Entity includes no loans, or groups of loans, that represent greater than 10% of capital. An analysis of the concentration of the Consolidated Entity's loans and advances by geographic location is provided below:

- South Australia	**1,998,855**	1,957,830	**1,998,855**	1,957,830
- Western Australia	**1,175,730**	1,169,716	**1,175,730**	1,169,716
- Australian Capital Territory	**966,998**	839,390	**966,998**	839,390
- New South Wales	**860,274**	901,282	**860,274**	901,282
- Victoria	**525,952**	253,179	**525,952**	253,179
- Other	**368,520**	197,171	**368,520**	197,171
Gross loans and advances	**5,896,329**	5,318,568	**5,896,329**	5,318,568

(b) Securitised loans

The Company has established The Barton securitisation program to provide a diversified and longer term source of funding compared to previous wholesale funding options. The Company sells the rights to future cash flows of eligible residential home loans into The Barton program and receives funds equal to the aggregated outstanding balances on all loans which The Barton program has purchased and then subsequently issued notes for investors to invest in. Whilst the cash flows have been transferred, the Company has been appointed to service the loans. In practical terms, the Company's obligation is to continue to manage the loans as if it were the lender.

The transfer of a financial asset is dependant upon the extent to which the risks and rewards of ownership are transferred. In the case of loans securitised with The Barton program it has been determined that the Company substantially retains the risks and rewards of ownership and hence continues to recognise the assets for financial reporting purposes. The balance at year end is separately disclosed below with a liability to Barton Trusts for the equivalent amount being recognised under Note 21 – Borrowings.

The risks associated with The Barton securitised loans relate to the potentially variable nature of the cash flows received by the Company for servicing the loans. In addition, the Company is exposed to first loss credit risk in respect of Barton loans. These risks are managed by the Company.

Securitised Loan Funding is provided through Perpetual Corporate Trust Limited ("Perpetual").

In addition to The Barton program, the Company has used Integris Securitisation Services Pty Ltd ("Integris") to provide funding for lending. The sale of loans to Integris is considered to be a clean sale of loan receivables that effectively transfers the risks and rewards of ownership and hence these loans are treated as off-balance sheet.

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
On-Balance sheet securitised loans (The Barton program)	**1,004,678**	1,030,215	**1,004,678**	1,030,215
Associated funding received from notes issued	**1,005,471**	987,667	**1,005,471**	987,667
The fair value of securitised loans and the associated bank facilities are substantially the same as the carrying amount.				
Off-Balance sheet securitised loans	**15,958**	10,971	**15,958**	10,971

9 IMPAIRMENT OF LOANS AND ADVANCES

The policy covering impaired loans and advances is set out in Note 1.

Specific provision for impairment				
Balance at beginning of financial year	**1,754**	2,830	**1,754**	2,830
Bad debts written off	**(301)**	(1,972)	**(301)**	(1,972)
Impaired loan expense	**255**	896	**255**	896
Closing specific provision for impairment	**1,708**	1,754	**1,708**	1,754
Collective provision for impairment				
Balance at beginning of financial year	**4,206**	1,147	**4,206**	4,205
AASB 9 transition adjustment	**-**	2,109	**-**	2,109
Bad debts written off	**(2,088)**	(2,079)	**(2,088)**	(2,079)
Acquired through business combinations	**126**	-	**126**	-
Impaired loan expense	**3,917**	3,029	**3,917**	3,029
Closing collective provision for impairment	**6,161**	4,206	**6,161**	4,206
Total provision for impairment	**7,869**	5,960	**7,869**	5,960
Restructured loan balances				
With provision for impairment	**-**	-	**-**	-
Collective provision for impairment	**-**	-	**-**	-
Without provision for impairment	**328**	-	**328**	-
Net restructured loans	**328**	-	**328**	-
(a) Interest revenue on non-accrual and restructured loans	**-**	-	**-**	-
(b) Interest foregone on non-accrual and restructured loans	**352**	438	**352**	438
(c) Net fair value of assets acquired through the enforcement of security during the financial year	**3,487**	2,173	**3,487**	2,173
(d) Forced sale proceeds	**2,119**	530	**2,119**	530

Notes to the Financial Statements

10 BUSINESS COMBINATIONS

The Company accepted a total voluntary transfer of EECU Limited (trading as Nexus Mutual) on 1 March 2020 under the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth). No consideration was paid under this transaction. Nexus Mutual's business was assessed for Identifiable Intangible Assets and none were recognised by the Company because their values are not material.

Business combinations enable the Consolidated Entity to offer its members enhanced access and a broader range of products and services. In addition, its increased scale will enhance its ability to pursue its strategic goals, further spread its geographic risks, improve operating efficiency and provide increased opportunities for its staff.

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Details of business combinations are as follows:				
Consideration				
Cash	**-**	-	**-**	-
Deferred purchase consideration	**-**	-	**-**	-
	-	-	**-**	-
Fair value of net assets acquired				
Assets				
Cash and cash equivalents	**14,209**	-	**14,209**	-
Prepayments and other receivables	**290**	-	**290**	-
Placements with other financial institutions	**41,270**	-	**41,270**	-
Net loans and advances	**301,475**	-	**301,475**	-
Investment securities	**5**	-	**5**	-
Right-of-use assets	**1,266**	-	**1,266**	-
Property, plant and equipment	**1,476**	-	**1,476**	-
Intangible assets - capitalised software	**13**	-	**13**	-
Deferred tax assets	**1,000**	-	**1,000**	-
Liabilities				
Deposits from members	**335,884**	-	**335,884**	-
Trade and other payables	**270**	-	**270**	-
Lease liabilities	**1,773**	-	**1,773**	-
Borrowings	**2,455**	-	**2,455**	-
Employee benefits	**346**	-	**346**	-
Current tax liabilities	**50**	-	**50**	-
Deferred tax liabilities	**641**	-	**641**	-
Net assets acquired	**19,585**	-	**19,585**	-
Equity				
Reserves	**717**	-	**717**	-
Retained earnings	**18,868**	-	**18,868**	-
Net assets less equity acquired	**-**	-	**-**	-
Goodwill on acquisition	**-**	-	**-**	-

11 EQUITY ACCOUNTED INVESTMENTS

The Company is a shareholder in Data Action Pty Ltd ("DA"). As a consequence of the merger with Alliance One Credit Union Limited on 1 July 2013, the Company's shareholding in DA increased. Upon initial adoption of revised Accounting Standard AASB 128 *Investments in Associates and Joint Ventures* it was determined that significant influence existed from that date.

The Company has determined that significant influence exists because it has representation on the Board of DA, along with meeting additional criteria for assessing influence including holding more than 20% of the voting power of DA.

Profit sharing is based on relative shareholding.

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Investment in associate	**7,235**	6,253	**7,235**	6,253
Profit share interest	**28.30%**	28.30%	**28.30%**	28.30%
Share of associate's balance sheet				
Current assets	**6,227**	4,669	**6,227**	4,669
Non-current assets	**6,364**	4,347	**6,364**	4,347
	12,591	9,015	**12,591**	9,015
Current liabilities	**1,981**	1,609	**1,981**	1,609
Non-current liabilities	**3,359**	798	**3,359**	798
	5,340	2,407	**5,340**	2,407
Net assets	**7,251**	6,608	**7,251**	6,608
Share of associate's profit or loss				
Revenue	**11,780**	10,435	**11,780**	10,435
Profit / (loss) before income tax	**1,149**	282	**1,149**	282
Income tax expense	**167**	142	**167**	142
Profit after income tax	**982**	140	**982**	140
Dividends received	**-**	-	**-**	-
Total share of net profit of associate	**982**	140	**982**	140

12 INVESTMENT SECURITIES

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Controlled entities	**-**	-	**2,061**	2,061
Equity securities at fair value through other comprehensive income	**13,369**	15,201	**13,369**	15,201
Impairment through other comprehensive income adjustment	**-**	(1,660)	**-**	(1,660)
Total investment securities	**13,369**	13,541	**15,430**	15,602

At 1 July 2018 under AASB 9 *Financial Instruments* the Group designated the investments shown above as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes.

Under Australian Accounting Standards, Beyond Bank is obliged to assess the fair value of its equity investments at each reporting date. This assessment as at 30 June 2020 concluded that the fair values previously stated were still appropriate and no adjustments to the carrying amounts have been made during the current financial year. The reduction in investment balances during the financial year was due to disposal of shares in one investment.

Investment in controlled entities

All controlled entities are domiciled in Australia.
Investment in controlled entities comprises:

	CONSOLIDATED ENTITY INTEREST	
	2020	2019
Name	**%**	%
Eastwoods Wealth Management Pty Ltd	**100**	100
Eastwoods Group Ltd	**100**	100
Beyond Employee Benevolent Fund Pty Ltd	**100**	100
Community CPS Services Pty Ltd	**100**	100
Beyond Bank Australia Foundation Ltd	**100**	100
Beyond Bank Australia Master Support Fund	**100**	100
Beyond Bank Australia Master DGR Fund	**100**	100
The Barton W Warehouse Trust	**100**	100
The Barton A Warehouse Trust	**100**	100
The Barton Series 2011-1 Trust	**100**	100
The Barton Series 2013-1R Trust	**100**	100
The Barton Series 2014-1 Trust	**100**	100
The Barton Series 2017-1 Trust	**100**	100
The Barton Series 2019-1 Trust	**100**	-

Eastwoods Wealth Management Pty Ltd is wholly owned by Eastwoods Group Ltd.

Beyond Bank Australia Foundation Ltd is a public company limited by guarantee with the Company being the sole $100 guarantor.

Beyond Bank Australia Foundation Master Support Fund, Beyond Bank Australia Foundation Master DGR Fund, and Beyond Employee Benevolent Fund Pty Ltd are not-for-profit entities primarily involved in administering charitable donations.

In April 2011, the Company established a residential mortgage-backed securitisation (RMBS) program, The Barton program, and established The Barton Series 2011-1 Trust to purchase mortgage loans it originated.

Under The Barton program the Company subsequently established the following facilities: The Barton W Warehouse in February 2012 and The Barton A Warehouse in August 2011, The Barton Series 2014-1 Trust in November 2014, The Barton Series 2017-1 in July 2017, The Barton Series 2019-1 in November 2019, and internal securitisation program The Barton Series 2013-1R Trust in May 2013.

Community CPS Services Pty Ltd was established in 2011 to manage the activity of the securitisation trusts.

13 RIGHT-OF-USE ASSETS

	Note	Property	Motor Vehicles	Total
Consolidated		$'000	$'000	$'000
Upon adoption of AASB 16 at 1 July 2019		26,297	706	27,003
Net additions		8,939	925	9,864
Acquisitions through business combinations	10	1,237	29	1,266
Depreciation expense		(6,891)	(652)	(7,543)
Balance at 30 June 2020		**29,582**	**1,008**	**30,590**
Company				
Upon adoption of AASB 16 at 1 July 2019		26,297	706	27,003
Net additions		8,939	925	9,864
Acquisitions through business combinations	10	1,237	29	1,266
Depreciation expense		(6,891)	(652)	(7,543)
Balance at 30 June 2020		**29,582**	**1,008**	**30,590**

14 PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings at deemed cost	Fit-out & Leasehold Improvements at cost	Plant & Equipment at cost	Total
Consolidated		$'000	$'000	$'000	$'000
Gross Carrying Amount					
Balance at 30 June 2018		8,244	26,638	19,369	54,251
Additions		66	3,229	1,276	4,571
Disposals		-	(11,667)	(10,170)	(21,837)
Balance at 30 June 2019		8,310	18,200	10,475	36,985
Acquisitions through business combinations	10	970	726	163	1,859
Additions		13	3,828	2,051	5,892
Disposals		(2,970)	(858)	(194)	(4,022)
Balance at 30 June 2020		**6,323**	**21,896**	**12,495**	**40,714**
Accumulated Depreciation					
Balance at 30 June 2018		2,572	16,377	15,152	34,101
Disposals		-	(11,446)	(10,009)	(21,455)
Depreciation expense	3	223	2,803	1,779	4,805
Balance at 30 June 2019		2,795	7,734	6,922	17,451
Acquisitions through business combinations	10	151	127	105	383
Disposals		(678)	(617)	(163)	(1,458)
Depreciation expense	3	219	2,821	1,665	4,705
Balance at 30 June 2020		**2,487**	**10,065**	**8,529**	**21,081**
Net Book Value					
As at 30 June 2019		5,515	10,466	3,553	19,534
As at 30 June 2020		**3,836**	**11,831**	**3,966**	**19,633**

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Land & Buildings at deemed cost $'000	Fit-out & Leasehold Improvements at cost $'000	Plant & Equipment at cost $'000	Total $'000
Gross Carrying Amount					
Balance at 30 June 2018		8,244	25,956	19,241	53,441
Additions		66	3,227	1,256	4,549
Disposals		-	(11,594)	(10,144)	(21,738)
Balance at 30 June 2019		8,310	17,589	10,353	36,252
Acquisitions through business combinations	10	970	726	163	1,859
Additions		13	3,828	2,051	5,892
Disposals		(2,970)	(256)	(194)	(3,420)
Balance at 30 June 2020		**6,323**	**21,887**	**12,373**	**40,583**
Accumulated Depreciation					
Balance at 30 June 2018		2,572	16,010	15,078	33,660
Disposals		-	(11,372)	(9,984)	(21,356)
Depreciation expense	3	223	2,716	1,759	4,698
Balance at 30 June 2019		2,795	7,354	6,853	17,002
Acquisitions through business combinations	10	151	127	105	383
Disposals		(678)	(167)	(163)	(1,008)
Depreciation expense	3	219	2,748	1,644	4,611
Balance at 30 June 2020		**2,487**	**10,062**	**8,439**	**20,988**
Net Book Value					
As at 30 June 2019		5,515	10,235	3,500	19,250
As at 30 June 2020		**3,836**	**11,825**	**3,934**	**19,595**

An independent valuation of the Consolidated Entity's land and buildings at Mawson, ACT, was performed as at 27 November 2018 by Mr M Elliott & Mr G Cummins of Knight Frank Valuations & Advisory Canberra Pty Ltd to determine the fair value of the land and buildings. The valuation was performed on the basis of current tenancies and vacant possession for the owner occupied floor area that valued the property at $4.550m.

An independent valuation was obtained for the land and buildings at Sale, VIC, acquired as a result of the Consolidated Entity's merger with EECU Limited (tranding as Nexus Mutual) in March 2020 by Mr B Jones of Herron Todd White to determine the fair value of the land and buildings. The valuation considered the market value of the property on an 'As Is' basis, assuming a notional lease to Nexus Mutual for a renewed term of five years, to be $0.820m, which was approximately the written down value (WDV) of the building at merger date, and hence the WDV was used as the basis of the Fair Value in the Business Combination entry on 1 March 2020.

Capital expenditure commitments for plant and equipment contracted for but not provided for and payable within one year are $769,328 (2019: $2,602,400). There are no capital commitments payable after one year (2019: $Nil).

	Note	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	COMPANY 2020 $'000	COMPANY 2019 $'000
15 INTANGIBLE ASSETS - CAPITALISED SOFTWARE					
Gross Carrying Amount - Capitalised Software					
Balance at beginning of financial year		**8,726**	7,989	**8,726**	7,989
Acquisitions through business combinations	10	**719**	-	**719**	-
Additions		**487**	744	**487**	744
Disposals		**(322)**	(7)	**(322)**	(7)
Balance at end of financial year		**9,610**	8,726	**9,610**	8,726
Accumulated Amortisation					
Balance at beginning of financial year		**6,066**	4,712	**6,066**	4,712
Acquisitions through business combinations	10	**706**	-	**706**	-
Disposals		**(139)**	(7)	**(139)**	(7)
Amortisation expense	3	**1,310**	1,361	**1,310**	1,361
Balance at end of financial year		**7,943**	6,066	**7,943**	6,066
Net Book Value					
Balance at beginning of financial year		**2,660**	3,277	**2,660**	3,277
Balance at end of financial year		**1,667**	2,660	**1,667**	2,660

	Note	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	COMPANY 2020 $'000	COMPANY 2019 $'000
16 INTANGIBLE ASSETS - CUSTOMER LISTS					
Balance at beginning of financial year		**-**	1,163	**-**	-
Amortisation expense	3	**-**	(28)	**-**	-
Remeasurement adjustment upon settlement of deferred purchase consideration		**-**	(146)	**-**	-
Impairment expense		**-**	(989)	**-**	-
Balance at end of financial year		**-**	-	**-**	-

	Note	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	COMPANY 2020 $'000	COMPANY 2019 $'000
17 GOODWILL					
Balance at beginning of financial year		**-**	3,145	**-**	-
Impairment adjustment		**-**	(3,145)	**-**	-
Balance at end of financial year		**-**	-	**-**	-

Goodwill is associated with the Consolidated Entity's Wealth Management cash-generating unit. The recoverable amount of the goodwill is based on its value in use; determined by discounting the future cash flows generated from the continuing use of these units.

In 2019 it was determined that future cash flows were insufficient and would result in value in use defficiency against other tangible assets. Hence it was concluded that both Goodwill and Intangible assets - customer lists (Note 16) should be fully impaired.

	Note	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	COMPANY 2020 $'000	COMPANY 2019 $'000
18 DEPOSITS FROM MEMBERS					
Withdrawable member shares		**737**	795	**737**	795
Deposits from controlled entities at call		**-**	-	**7,114**	6,916
Call deposits		**2,973,397**	2,411,892	**2,973,397**	2,411,892
Term deposits		**2,344,775**	2,259,985	**2,345,131**	2,260,333
		5,318,909	4,672,672	**5,326,379**	4,679,936

Each member share entitles the holder to vote at a meeting of members (except if the member is a minor), to participate equally in any surplus upon winding up and to request its redemption at any time. The shares are not transferable and have no dividend entitlement.

The number of member shares at 30 June 2020 is 248,503 (2019: 226,070)

(a) Concentration of deposits

The deposit portfolio of the Company does not include any deposits or groups of deposits that represents a material concentration in terms of the source of liability.

	Note	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	COMPANY 2020 $'000	COMPANY 2019 $'000
19 TRADE AND OTHER PAYABLES					
Unearned loan fee obligation		**738**	798	**738**	798
Deferred purchase consideration		**-**	80	**-**	-
Trade and other creditors		**3,366**	9,443	**3,207**	9,027
		4,104	10,321	**3,945**	9,825

	Note	CONSOLIDATED 2020 $'000	CONSOLIDATED 2019 $'000	COMPANY 2020 $'000	COMPANY 2019 $'000
20 LEASE LIABILITIES					
Upon adoption of AASB 16 at 1 July 2019		**33,976**	-	**33,976**	-
Net additions		**10,347**	-	**10,347**	-
Acquisitions through business combinations	10	**1,773**	-	**1,773**	-
Interest expense		**1,160**	-	**1,160**	-
Payments made		**(8,666)**	-	**(8,666)**	-
		38,590	-	**38,590**	-
Lease liability maturity analysis					
Less than 1 year		**7,509**	-	**7,509**	-
Between 1 and 5 years		**23,813**	-	**23,813**	-
Beyond 5 years		**7,268**	-	**7,268**	-
		38,590	-	**38,590**	-

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
21 BORROWINGS				
Negotiable certificates of deposit	**21,947**	996	**21,947**	996
Term facility funding	**110,053**	-	**110,053**	-
Subordinated debt	**2,500**	-	**2,500**	-
Securitised loan funding	**1,005,472**	987,667	**1,005,472**	987,667
	1,139,972	988,663	**1,139,972**	988,663

Securitised Loan Funding is provided through Perpetual Corporate Trust Limited ("Perpetual").

Funding provided through Perpetual is in its capacity as Trustee for the The Barton Series Trusts. Under the transaction documents for these facilities, The Barton Series Trusts acquire residential mortgages originated by the Company. The acquisition of these residential mortgages by each of the Series Trusts is funded by notes issued from those Trusts. The Master Trust Deed established for each structure does not have an expiry date. The maturity profile of the issued notes are effectively tied to the maturity profile of the associated securitised loans and has been disclosed accordingly at Note 34(b).

Warehouse securitisation funding under The Barton trust program is also provided by Perpetual in its capacity as Trustee of The Barton A Warehouse Trust and The Barton W Warehouse Trust. The Barton A Warehouse Trust was established in August 2011, expires in October 2020 and, under its transaction documents, acquires residential mortgages originated by the Company with funding provided by Australia and New Zealand Banking Group. The Barton W Warehouse Trust was established in February 2012, expires in May 2021 and, under its transaction documents, acquires residential mortgages originated by the Company with funding provided by Westpac Banking Corporation. Both warehouse facilities can be renewed with the agreement of the relevant parties.

22 OTHER FINANCIAL ASSETS / (LIABILITIES)				
At fair value:				
Interest rate swap assets	**7,840**	4,893	**7,840**	4,893
Interest rate swap liabilities	**(7,729)**	(5,950)	**111**	(1,057)
	111	(1,057)	**7,951**	3,836

In certain circumstances the Company has the right to set-off the amounts due to/ owed from interest rate counterparties for the above interest rate swap instruments.

The impact of netting off would not have a material impact on the reported financial position of the Company.

23 PROVISIONS				
Provision for dividends				
Balance at beginning of financial year	**14**	15	**14**	15
Dividends declared	**10**	16	**10**	16
Dividends paid	**(17)**	(17)	**(17)**	(17)
Balance at end of financial year	**7**	14	**7**	14

24 SHARE CAPITAL				
D Class shares				
Balance at beginning of financial year	**557**	607	**562**	612
Redeemed out of (retained) profits during the year	**(153)**	(50)	**(153)**	(50)
Balance at end of financial year	**404**	557	**409**	562

D Class shares are non-cumulative redeemable preference shares with no voting rights additional to those attributable to the holder's member share and are redeemable at the option of the Company. The dividend rate is determined by the Board every six months and paid annually. At 30 June 2020, there were 409,100 D Class shares on issue fully paid to $1 per share (2019: 561,800).

25 RESERVES

Asset revaluation reserve

Upward (or subsequent downward) adjustments to the carrying value of assets are recorded in the asset revaluation reserve.

Redeemed share reserve

Upon a member ceasing membership with the Company or redeeming a D Class Share out of profits/retained earnings, the redeemed share reserve is used.

General reserve for credit losses

In accordance with APRA Prudential Standards a General Reserve for Credit Losses is maintained. This reserve exists to provide an additional reserve against possible volatility in future cash flows as a result of unexpected loan defaults.

Fair value through other comprehensive income reserve - equity instruments

The fair value reserve comprises the cumulative net change in the fair value of equity securities measured at FVOCI

Transfer of business reserve

Mergers with other mutual entities are accounted for by recognising the identifiable assets and liabilities of the transferring entity on the Statements of Financial Position at their fair value at the date of merger. The excess of the fair value of assets taken up over liabilities assumed is taken directly to equity as a reserve.

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
26 RETAINED EARNINGS				
Balance at beginning of financial year	**334,126**	309,789	**333,175**	303,397
Adjustments on adoption of accounting policy specified by AASB 16	**(4,281)**	-	**(4,281)**	-
Adjustments on adoption of accounting policies specified by AASB 9 and AASB 15	**-**	3,871	**-**	2,448
Restated balance at beginning of financial year	**329,845**	313,660	**328,894**	305,845
Transfer to general reserve for credit losses	**(1,633)**	1,334	**(1,633)**	1,334
Transfer to redeemed member share reserve	**(43)**	(277)	**(43)**	(277)
Net profit attributable to members	**25,172**	19,426	**28,142**	26,290
Dividends	**(12)**	(17)	**(12)**	(17)
Balance at end of financial year	**353,329**	334,126	**355,348**	333,175

27 NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of profit to net cash flows from operating activities:

	CONSOLIDATED		COMPANY	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Profit for the period	**25,172**	19,426	**28,142**	26,290
Impairment losses	**4,191**	7,964	**4,191**	3,684
Depreciation and amortisation of non current assets	**13,558**	6,194	**13,464**	6,058
Business combination costs classified as cash flows from investing activities	**638**	-	**638**	-
Share of net profit of associates	**(982)**	(140)	**(982)**	(140)
Net (gain) / loss on sale of plant and equipment	**239**	706	**239**	446
Changes in assets and liabilities				
Decrease / (increase) in loans, advances and other receivables	**(278,412)**	(263,847)	**(278,094)**	(263,847)
Decrease / (increase) in placements with other financial institutions	**(227,710)**	(92,605)	**(228,028)**	(92,605)
Decrease / (increase) in interest receivable	**1,727**	(581)	**1,727**	(581)
Decrease / (increase) in prepayments and other receivables	**(2,155)**	5,972	**(2,627)**	5,494
Decrease / (increase) in other financial assets	**(1,168)**	1,075	**(4,115)**	(1,625)
Decrease / (increase) in deferred tax assets	**-**	1,073	**-**	1,297
Increase / (decrease) in deposits from members	**319,306**	310,949	**319,512**	311,851
Increase / (decrease) in other borrowings	**148,854**	40,829	**148,854**	40,829
Increase / (decrease) in interest payable	**(8,952)**	1,311	**(8,952)**	1,311
Increase / (decrease) in employee entitlements	**1,358**	316	**1,315**	222
Increase / (decrease) in current tax assets	**1,750**	(917)	**2,076**	(981)
Increase / (decrease) in other creditors	**(5,696)**	(6,373)	**(5,617)**	(6,151)
Net cash from operating activities	**(8,282)**	31,352	**(8,257)**	31,552

(b) Reconciliation of cash and cash equivalents

For the purposes of the Statements of Cash Flows, cash and cash equivalents includes cash on hand and in financial institutions and money market instruments readily convertible to cash within one working day, net of outstanding overdrafts.

Cash as at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the Statements of Financial Position as follows;

Cash and cash equivalents (Note 5)	**93,850**	99,387	**93,850**	99,387
Closing cash balance	**93,850**	99,387	**93,850**	99,387

(c) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the Statements of Cash Flows :

i) member deposits to and withdrawals from deposit accounts

ii) borrowings and repayments on loans, advances and other receivables

iii) membership shares purchased and redeemed

iv) dealings with other financial institutions

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
27 NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)				
(d) Financing Facilities				
The Company has access to the following financing facilities with Cuscal Ltd and The Barton Warehouse Trusts. The overdraft facility from Cuscal Ltd is secured by security deposits.				
Overdraft facility - Cuscal Ltd				
Approved limit (committed)	**40,000**	40,000	**40,000**	40,000
Balance at end of financial year	**-**	-	**-**	-
Unused credit at end of financial year	**40,000**	40,000	**40,000**	40,000
Loan securitisation funding - Barton W Warehouse Trust				
Approved limit (committed)	**125,000**	285,000	**125,000**	285,000
Balance at end of financial year	**100,126**	259,640	**100,126**	259,640
Unused credit at end of financial year	**24,874**	25,360	**24,874**	25,360
Loan securitisation funding - Barton A Warehouse Trust				
Approved limit (committed)	**190,000**	270,000	**190,000**	270,000
Balance at end of financial year	**85,143**	250,727	**85,143**	250,727
Unused credit at end of financial year	**104,857**	19,273	**104,857**	19,273

All facilities are reviewed annually and therefore contractually mature within one year.

28 EMPLOYEE BENEFITS

(a) Employee entitlements

Provision for employee benefits - current				
- Termination benefits	**177**	-	**177**	-
- Annual leave	**5,204**	4,208	**4,964**	4,016
- Long service leave - current	**564**	548	**547**	524
	5,945	4,756	**5,688**	4,540
Provision for employee benefits - non current				
- Long service leave - non current	**5,018**	4,503	**4,790**	4,277
Total provision for employee benefits	**10,963**	9,259	**10,478**	8,817
Accrued staff costs included in Trade and other payables (Note 19)	**1,538**	997	**1,434**	928
Aggregate employee benefit and related on-cost liabilities	**12,501**	10,256	**11,912**	9,745

29 COMMITMENTS TO EXTEND CREDIT

Binding commitments to provide loan funding are agreements to lend to the member as long as there is no violation of any condition established in the contract. The total commitment amounts do not necessarily represent future cash requirements. The balance of undrawn credit limits are commitments which can be unconditionally revoked at any time without notice and are subject to review at least annually.

Approved but undrawn loans	**203,400**	127,815	**203,400**	127,815
Approved but undrawn credit limits	**204,256**	195,437	**204,256**	195,437
	407,656	323,252	**407,656**	323,252

30 SIGNIFICANT ALLIANCES

The Company has significant alliances with the following suppliers of services:

Cuscal Ltd

This entity supplies the Company with rights to member cheques, Redi and Visa cards in Australia and provides services in the form of settlement with bankers for member cheques, electronic funds deposit, and Visa card transactions and provides the link for all member electronic funds transactions to the computer bureau which services the Company. The Company is a shareholder in Cuscal Ltd.

Data Action Pty Ltd

The Company is a shareholder in Data Action Pty Ltd, the computer bureau which provides the Company with a range of computing services.

Allianz Insurance Ltd

The Company is an agent of Allianz Australia Insurance Limited for the purpose of offering their specialised range of insurance products to members.

BT Financial Group

Eastwoods Wealth Management Pty Ltd has an agreement with Asgard Capital Management Ltd to provide administration services to financial planning clients and with BT Services Principals' Community to provide dealer-to-dealer services. Asgard and BT Open Principals' Community are both members of the BT Financial Group.

QBE Lenders' Mortgage Insurance Limited Pty Ltd

The Company is an agent of QBE Lenders' Mortgage Insurance Limited for the purpose of offering their lenders' mortgage insurance products to members.

31 AUDITOR'S REMUNERATION

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Amounts received or due and receivable by the auditors of the Consolidated Entity - KPMG :				
- auditing the financial report	**220**	215	**165**	158
- other regulatory activities	**89**	98	**77**	86
- other assurance services	**103**	87	**103**	77
- taxation services	**50**	62	**50**	62
	462	462	**395**	383

The Board is satisfied that the provision of non-audit services has not compromised auditor independence.

No audit or other services were provided by practices related to the auditor of the Consolidated Entity.

32 KEY MANAGEMENT PERSONNEL DISCLOSURES

The following were key management personnel of the Company at any time during the reporting period.

Non-Executive directors
S D Andersen (Chair)
S Nolis - to 26/11/2019
G J Knuckey
E Westcott - commenced 1/3/2020
D J Nichol
T Bartlett
R Richardson
J Baker
D C Johnson

Executives
R Keogh (Chief Executive Officer)
W Matters (Deputy CEO and Chief Financial Officer)
R O'Brien (Chief Risk Officer)
P Laforest (General Manager - Brand and Marketing) - to 27/9/2019
P Rutter (General Manager - Strategy & Community Development)
D Jiranek (General Manager - People and Culture)
N May (General Manager - Customer Experience)
A Hood (Chief Operating Officer) - from 1/3/2020

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Key management personnel compensation				
The aggregate compensation of the key management personnel of the Company at any time during the reporting period.				
Short term employee benefits	**3,234,966**	3,948,846	**3,234,966**	3,948,846
Other long term benefits	**4,178**	(37,718)	**4,178**	(37,718)
Post employment benefits	**212,072**	241,869	**212,072**	241,869
	3,451,216	4,152,997	**3,451,216**	4,152,997

The key management personnel compensation detailed above is included in Staff costs (Note 3) with $721,624 (2019: $716,275) relating to directors included in Other operating expenses (Note 3).

Other transactions with key management personnel – financial instruments

Loans to key management personnel and their related parties

Loans and overdrafts outstanding	**10,951,002**	12,646,356	**10,951,002**	12,646,356

Loans totalling $2,657,757 (2019: $6,445,043) were made to key management personnel during the year.

During the year key management personnel repaid $4,712,073 (2019: $3,536,434) of the balance outstanding on their loan. Loans are either unsecured or secured by registered mortgage over the borrower's residences.

Interest received on the loans during the year totalled $358,963 (2019: $478,730).

Deposits from key management personnel and their related parties

Deposit balances	**2,023,203**	1,852,744	**2,023,203**	1,852,744

Financial instrument transactions between key management personnel and the Company during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions occurred on an arm's length basis and on normal commercial terms and conditions materially no more favourable than those given to other employees or members generally.

These terms and conditions have not been breached and no amounts have been written down or recorded as allowances as the balances are considered fully collectible.

Other transactions with key management personnel

Each key management member holds one Member share in the Company.

33 OTHER RELATED PARTY DISCLOSURES

Other related party transactions - ultimate parent entity

Beyond Bank Australia Limited is the parent entity in the Consolidated Entity and the ultimate parent entity in the wholly owned group.

Other related party transactions - equity interests in controlled entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 12 to the financial statements.

Other related party transactions - equity accounted associates

Data Action Pty Ltd provides a range of services, which includes computing services, stationery and communication, and received $10,614,648 (2019: $8,944,278) for services provided.

Other related party transactions - transactions within the wholly-owned group

The wholly-owned group includes:

- the ultimate parent entity in the wholly-owned group; and
- controlled entities, listed in Note 12.

Amounts receivable and payable to entities in the wholly-owned group are disclosed in Note 6 to the financial statements. Other transactions that occurred during the financial year between entities in the wholly-owned group were;

Other transactions that occurred during the financial year between entities in the wholly-owned group were:

- interest charged on receivables during the year from Eastwoods Wealth Management Pty Ltd $Nil (2019: $Nil);
- the Company provides administrative support to its controlled entities across a range of services, including accounts payable processing, marketing support, property maintenance, Information Technology etc. The extent of this support is not material to the Company and no charges are levied for their provision;
- the Company made donations totalling $375,000 (2019: $351,563) to the Beyond Bank Australia Foundation Master Support Fund and the Beyond Bank Australia Foundation Master DGR Fund;
- a management fee of $45,142 (2019: $65,728) was charged by Eastwoods Group Ltd to Eastwoods Wealth Management Pty Ltd for management services provided;
- a management fee of $1,316,198 (2019: $1,265,900) was paid to Community CPS Services Pty Ltd for trust management services in relation to The Barton Trusts;

Payments received by the Company from each of the individual Barton Trusts are summarised in the following table:

Trust Name	Servicing Fees	Residual Income	Eligible Facilities	Total
30 June 2020				
The Barton W Warehouse Trust	539,985	1,083,121	-	**1,623,106**
The Barton A Warehouse Trust	531,969	1,379,554	-	**1,911,523**
The Barton Series 2011-1 Trust	127,468	302,440	247,488	**677,396**
The Barton Series 2013-1R Trust	2,042,296	4,477,476	1,145,507	**7,665,279**
The Barton Series 2014-1 Trust	292,887	691,803	727,316	**1,712,006**
The Barton Series 2017-1 Trust	778,816	3,119,085	3,702	**3,901,603**
The Barton Series 2019-1 Trust	682,021	2,292,556	3,226	**2,977,803**
30 June 2019				
The Barton W Warehouse Trust	728,232	556,063	-	**1,284,295**
The Barton A Warehouse Trust	697,324	610,852	-	**1,308,176**
The Barton Series 2011-1 Trust	152,647	325,005	91,632	**569,284**
The Barton Series 2013-1R Trust	1,725,799	3,065,184	(699,446)	**4,091,537**
The Barton Series 2014-1 Trust	354,508	779,109	432,572	**1,566,189**
The Barton Series 2017-1 Trust	944,879	3,631,127	4,490	**4,580,496**

34 FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The Company and Consolidated Entity as part of its daily operations is exposed to a range of risks. The management of these risk exposures involves a number of activities including the identification of particular risks, quantifying the risk exposure, implementing procedures to control and mitigate the risks, and risk reporting.

The Company and Consolidated Entity has in place an enterprise wide risk management process. The process is managed through its Board Risk Committee, the Board Audit Committee, and the Management Operations Risk Committee, and is supported by a documented risk management plan, risk policies and strategies, internal controls and procedures, and a Business Risk and Continuity Plan.

The risk management process involves establishing the context and the identification, analysis, evaluation, treatment, communication and ongoing monitoring of risks. A risk database has been established as part of the risk management process that utilises internationally recognised software enabling a structured and logical assessment and reporting of identified risks including their consequences and likelihood, and the assessment of established risk mitigation controls.

Risks of financial instruments are reported for the Consolidated Entity only as they are not materially different to those of the Company.

The Company does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes. The use of financial derivatives is governed by the Company's policies, as approved by the Board. Compliance with policies is reviewed by the risk management structure in place on a continuous basis, as discussed above.

(b) Liquidity risk management

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

The Consolidated Entity has in place policies, information systems and a structured process to measure, monitor and manage liquidity risk. The key measure used by the Consolidated Entity for managing liquidity risk is the ratio of high quality liquid assets to its liabilities base, as defined in APRA Prudential Standards. The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in high quality liquid assets, the availability of appropriate standby lines of funding, maintenance of reliable sources of funding (retail and wholesale) and daily, medium and longer term liquidity projections.

APRA Prudential Standards place specific management and reporting requirements on banks in relation to liquidity risk. The Prudential Standards provide that liquidity strategies and liquidity holdings can be based on either a scenario analysis or on a minimum liquidity holdings basis. APRA has approved the adoption by the Company of a minimum liquidity holdings basis whereby the Company is required to maintain a minimum holding of 9% of its liabilities in specified high quality liquid assets at all times. The Company and the Consolidated Entity complied with all APRA liquidity requirements throughout the year.

	CONSOLIDATED	
	2020	2019
	%	%
Liquidity holdings	**17.10**	13.14

(b) Liquidity risk management (continued)

An analysis of residual contractual maturities of the Consolidated Entity's financial assets and liabilities is set out below. Expected maturity periods for Loans and Advances to Members are substantially shorter than contractual maturity dates.

Financial Instruments	< 1 mth	1-3 mths	3 mths-1 yr	1-5 yrs	> 5 yrs	No maturity specified	Total carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
i) Financial assets - 2020							
Cash and deposits at call	**88,868**	**-**	**-**	**-**	**-**	**4,982**	**93,850**
Placements with other financial institutions	**121,291**	**158,020**	**328,142**	**299,314**	**49,460**	**17,390**	**973,617**
Loans and advances	**104,744**	**24,298**	**109,384**	**478,171**	**5,179,732**	**-**	**5,896,329**
Equity accounted investments	**-**	**-**	**-**	**-**	**-**	**7,235**	**7,235**
Investment securities	**-**	**-**	**-**	**-**	**-**	**13,369**	**13,369**
Total financial assets	**314,903**	**182,318**	**437,526**	**777,485**	**5,229,192**	**42,976**	**6,984,400**
ii) Financial liabilities - 2020							
Deposits from members	**3,325,013**	**728,127**	**1,145,910**	**119,122**	**-**	**737**	**5,318,909**
Borrowings	**-**	**-**	**185,269**	**110,053**	**844,649**	**-**	**1,139,971**
Other financial liabilities (net)	**(111)**	**-**	**-**	**-**	**-**	**-**	**(111)**
Total financial liabilities	**3,324,902**	**728,127**	**1,331,179**	**229,175**	**844,649**	**737**	**6,458,769**
Commitments to extend credit	**407,656**	**-**	**-**	**-**	**-**	**-**	**407,656**
i) Financial assets - 2019							
Cash and deposits at call	95,079	-	-	-	-	4,308	99,387
Placements with other financial institutions	23,085	122,214	296,927	248,862	-	13,546	704,634
Loans and advances	123,616	21,795	98,116	428,911	4,646,130	-	5,318,568
Other financial assets	-	-	-	-	-	-	-
Equity accounted investments	-	-	-	-	-	6,253	6,253
Investment securities	-	-	-	-	-	13,541	13,541
Total financial assets	241,780	144,009	395,043	677,773	4,646,130	37,648	6,142,383
ii) Financial liabilities - 2019							
Deposits from members	2,724,817	602,829	1,200,146	144,085	-	795	4,672,672
Borrowings	-	-	510,366	-	478,297	-	988,663
Other financial liabilities (net)	-	62	995	-	-	-	1,057
Total financial liabilities	2,724,817	602,891	1,711,507	144,085	478,297	795	5,662,392
Commitments to extend credit	323,252	-	-	-	-	-	323,252

34 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Consolidated Entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statements of Financial Position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question. Collateral held takes the form of mortgage interests over real property, other registered securities and guarantees. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

The Consolidated Entity minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of members within the specified categories. The majority of members are concentrated in South Australia, Western Australia, the Australian Capital Territory and regional New South Wales. Credit risk in loans receivable is managed through both up-front and ongoing risk assessment processes applied for all members, including affordability and security requirements, approval authorities and the securing of credit insurance for higher risk loans. Loan provisions are calculated as disclosed under Note 1 - Summary of significant accounting policies.

The Group holds collateral against loans and advances to members in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against investment securities, and no such collateral was held at 30 June 2019 or 2020.

Investments are allowed only in liquid securities and only with counterparties that have a credit rating of at least investment grade.

	CONSOLIDATED AND COMPANY			
Exposure to credit risk	**Loans and advances to members**		**Placements with other financial institutions**	
	2020	2019	**2020**	2019
Carrying amount	**$'000**	$'000	**$'000**	$'000
Individually impaired				
- Mortgage secured	**20,427**	17,423	**-**	-
- Other loans	**887**	-	**-**	-
Gross amount	**21,314**	17,423	**-**	-
Less: Allowance for impairment	**1,708**	1,754	**-**	-
Carrying amount	**19,606**	15,669	**-**	-
Collectively impaired				
- Mortgage secured	**21,036**	17,451	**-**	-
- Other loans	**1,351**	765	**-**	-
- Overdrawn and overlimit savings	**5,437**	7,408	**-**	-
Gross amount	**27,824**	25,624	**-**	-
Less: Allowance for impairment	**6,161**	4,206	**474**	318
Carrying amount	**21,663**	21,418	**(474)**	(318)
Past due but not impaired				
- less than 30 days	**72,909**	127,454	**-**	-
Carrying amount	**72,909**	127,454	**-**	-
Neither past due nor impaired				
Carrying amount	**5,774,282**	5,148,067	**973,617**	704,634
Total carrying amount	**5,888,460**	5,312,608	**973,143**	704,316

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain member, creditor and market confidence and to sustain future development of the business. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's medium term target is to achieve a return on equity of greater than 8%; during the year ended 30 June 2020 the return was 4.6% percent (2019: 4.0%). There were no changes in the Group's approach to capital management during the year.

(e) Capital adequacy

The management of the capital of a financial institution is a fundamental part of its risk management process as an essential element of capital is its availability to absorb future, unexpected and unidentified losses. As a mutual organisation, the Company's primary source of capital is retained earnings. The Company maintains an Internal Capital Adequacy Assessment Process to provide assurance that its capital holdings are commensurate with its risk exposures, it identifies future capital needs in advance and has plans in place to respond to unexpected capital deficiencies. Note 36 provides an outline of the capital adequacy of the Company.

(f) Market risk management

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Company as part of its normal trading activities. As the Company does not deal in foreign exchange contracts or commodities, market risk for the Group consists solely of interest rate risk.

Interest rate risk is managed in the following ways:

The Board has in place a market risk policy which establishes a methodology for the calculation, examination and reporting of the interest rate risk position on a regular basis. The policy sets risk limits above which the Company is required to actively hedge its exposure through the use of on-balance sheet methods or through financial instruments such as interest rate swaps.

Overall daily management of interest rate risk is vested in the Assets and Liabilities Committee (ALCO). The ALCO meets monthly and reviews the interest rate risk position and measures taken to manage that position. The ALCO is also responsible for reviewing all policies associated with market risk and treasury matters, making recommendations to the Board as required.

Two methods are used to measure interest rate risk, namely Market Value of Equity (MVE) and net interest income volatility with the MVE the preferred measure. The MVE method encompasses the price sensitivity of assets and liabilities and the value of the cash flows to maturity. The calculations are obtained through the use of specific modelling software using actual and projected financial information within defined interest rate scenarios of upward and downward shocks of 100 basis points. The net interest income approach is derived from the same modelling software utilising simulated income projections. A rudimentary gap analysis methodology is also employed. Refer to Note 34(h).

34 FINANCIAL INSTRUMENTS (CONTINUED)

(g) Interest rate risk management

The Company's activities primarily expose the Consolidated Entity to the financial risks of changes in interest rates. The Company utilises financial modelling techniques to identify the value at risk to net interest income and the market value of equity, given a number of assumed changes in market interest rates. The Board has in place a market risk policy which sets risk limits above which the Company is required to actively hedge its exposure through the use of on-balance sheet methods or through financial instruments such as interest rate swaps.

The Consolidated Entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the balance date, which is not materially different to that of the Company, are as follows:

Financial Instruments	Variable int. rate	Fixed interest rate maturing in: < 1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs	Non interest bearing	Total	Weighted av. effective int. rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
i) Financial assets - 2020										
Cash and deposits at call	88,868	-	-	-	-	-	-	4,982	93,850	0.15%
Other receivables	-	-	-	-	-	-	-	30,299	30,299	n/a
Placements with other financial institutions	16,964	956,227	-	-	-	-	-	426	973,617	0.84%
Loans and advances	4,719,640	443,649	360,529	318,648	27,707	19,857	6,299	-	5,896,329	3.49%
Investment securities	-	-	-	-	-	-	-	13,369	13,369	n/a
Total financial assets	4,825,472	1,399,876	360,529	318,648	27,707	19,857	6,299	49,076	7,007,464	
ii) Financial liabilities - 2020										
Deposits from members	2,973,397	2,212,194	88,265	24,468	4,538	1,131	-	14,916	5,318,909	1.00%
Other payables	-	-	-	-	-	-	-	4,104	4,104	n/a
Borrowings	-	1,029,919	-	110,053	-	-	-	-	1,139,972	1.41%
Other financial liabilities (net)	-	(111)	-	-	-	-	-	-	(111)	n/a
Total financial liabilities	2,973,397	3,242,002	88,265	134,521	4,538	1,131	-	19,020	6,462,874	
Interest rate swaps – notional principal	-	300,000	-	-	-	-	-	-	300,000	0.13%

(g) Interest rate risk management (continued)

Financial Instruments	Variable int. rate	Fixed interest rate maturing in: < 1 yr	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs	Non-interest bearing	Total	Weighted av. effective int. rate
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
i) Financial assets - 2019										
Cash and deposits at call	95,079	-	-	-	-	-	-	4,308	99,387	1.10%
Other receivables	-	-	-	-	-	-	-	29,582	29,582	n/a
Placements with other financial institutions	13,546	691,017	-	-	-	-	-	71	704,634	2.31%
Loans and advances	3,865,610	859,666	319,527	214,095	34,488	17,944	7,238	-	5,318,568	4.26%
Investment securities	-	-	-	-	-	-	-	13,541	13,541	n/a
Total financial assets	3,974,235	1,550,683	319,527	214,095	34,488	17,944	7,238	47,502	6,165,712	
ii) Financial liabilities - 2019										
Deposits from members	2,411,892	2,095,479	88,248	49,302	2,886	2,259	-	22,606	4,672,672	1.82%
Other payables	-	-	-	-	-	-	-	10,321	10,321	n/a
Borrowings	-	988,663	-	-	-	-	-	-	988,663	2.81%
Other financial liabilities (net)	-	1,057	-	-	-	-	-	-	1,057	n/a
Total financial liabilities	2,411,892	3,085,199	88,248	49,302	2,886	2,259	-	32,927	5,672,713	
Interest rate swaps – notional principal	-	259,000	-	-	-	-	-	-	259,000	1.86%

The Consolidated Entity has disclosed the above information in relation to financial assets and liabilities based on the expected repricing dates. These dates may differ significantly from the contractual dates however this basis provides a more accurate measure for evaluating the interest rate risk to which the entity is exposed.

The Company provides mortgage secured loans to its members at interest rates that can be fixed for terms of one to five years. The member retains an option to break their loan contract during the fixed rate period upon payment of the prescribed fee. This fee is calculated based on the economic loss to the Company and should off-set the loss incurred due to the breaking of the contract.

(h) Market risk sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Consolidated Entity's net interest revenue and net financial assets or "market value of equity" to standard interest rate scenarios. Standard interest rate scenarios considered on a monthly basis include 100 basis point (bp) parallel falls and rises in all yield curves. Sensitivity outcomes are assessed relative to either 12 month forecast net interest revenue, in respect of net interest revenue sensitivity, or the Consolidated Entity's current capital base, for market value of equity sensitivity.

	30 June 2020		30 June 2019	
	100 bp rise	100 bp fall	100 bp rise	100 bp fall
Market value of equity sensitivity				
Average for the period	**0.67%**	**-0.66%**	0.26%	-0.24%
Maximum for the period	**1.52%**	**0.40%**	0.70%	0.21%
Minimum for the period	**-0.29%**	**-1.54%**	-0.19%	-0.69%
Net interest revenue sensitivity				
Average for the period	**1.73%**	**-1.85%**	1.45%	-1.44%
Maximum for the period	**2.38%**	**-1.36%**	1.72%	-1.23%
Minimum for the period	**1.24%**	**-2.58%**	1.24%	-1.75%

34 FINANCIAL INSTRUMENTS (CONTINUED)

(i) Interest rate swap contracts

The Consolidated Entity may use various types of interest rate contracts in managing interest rate exposure, including interest rate swap contracts.

Under interest rate swap contracts, the Consolidated Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated Entity to mitigate the risk of changing interest rates.

The Consolidated Entity enters into interest rate swap agreements for the sole purpose of managing interest rate exposures in the Statements of Financial Position and not for speculative purposes.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date.

	Average interest rate		Fair Value		Notional principal amount	
	2020	2019	**2020**	2019	**2020**	2019
			$'000	$'000	**$'000**	$'000
Outstanding fixed for floating contracts						
Less than 1 year		1.86%	**-**	(1,057)	**-**	259,000
			-	(1,057)	**-**	259,000
Outstanding basis swap contracts						
Less than 1 year	**0.13%**	-	**111**	-	**300,000**	-
			111	-	**300,000**	-

	CONSOLIDATED		COMPANY	
	2020	2019	**2020**	2019
	$'000	$'000	**$'000**	$'000
Interest rate swap contracts exchanging fixed rate interest for floating rate interest are designated and assessed as effective fair value hedges.				
Fair value movements on financial instruments recognised in the Statements of Profit or Loss and Other Comprehensive Income comprised the following:				
- Amortisation of quarantined fair value amounts on de-designated hedged items	**-**	341	**-**	341
- Net gains/(losses) on derivatives not hedge accounted - other	**1,168**	(1,416)	**1,168**	(1,416)
- Net gains/(losses) on derivatives not hedge accounted - securitisation	**-**	-	**2,947**	2,700
Total fair value movements recognised in the Statements of Profit or Loss and Other Comprehensive Income	**1,168**	(1,075)	**4,115**	1,625

(j) Financial assets and liabilities by classification

The table below sets out the Consolidated Entity's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest).

	Note	Available for sale $'000	At fair value $'000	Amortised Cost $'000	Total Carrying Amount $'000	Fair Value $'000
30 June 2020						
Cash and cash equivalents	5	-	-	**93,850**	**93,850**	**93,850**
Placements with other financial institutions	7	-	-	**973,143**	**973,143**	**972,666**
Loans and advances	8,9	-	-	**5,888,460**	**5,888,460**	**5,956,995**
Investment securities	12	-	**13,369**	-	**13,369**	**13,369**
Deposits from members	18	-	-	**5,318,909**	**5,318,909**	**5,310,691**
Borrowings	21	-	-	**1,139,972**	**1,139,972**	**1,139,972**
Other financial liabilities	22	-	**(111)**	-	**(111)**	**(111)**
30 June 2019						
Cash and cash equivalents	5	-	-	99,387	99,387	99,387
Placements with other financial institutions	7	-	-	704,316	704,316	703,958
Loans and advances	8,9	-	-	5,312,608	5,312,608	5,355,013
Investment securities	12	-	13,541	-	13,541	13,541
Deposits from members	18	-	-	4,672,672	4,672,672	4,659,588
Borrowings	21	-	-	988,663	988,663	988,663
Other financial liabilities	20	-	1,057	-	1,057	1,057

(k) Fair value of financial instruments

The following methods are used to determine the fair values of financial assets and liabilities. Cash and cash equivalents are classified as Level 1 below.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities (the Consolidated Entity has no such financial instruments)
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: inputs for the asset or liability that are not based on observable market data.

The fair value heirarchy applied to each category of financial asset and liability is noted in brackets below.

Cash and cash equivalents (Level 1)

As the assets are at call the carrying amount equates to fair value.

Other receivables (Level 2)

The carrying amount of trade debtors and other receivables is estimated to approximate fair value.

Placements with other financial institutions (Level 2)

The fair values of other deposits are estimated using discounted cash flow analysis, based on current market rates for investments having substantially the same terms and conditions. Bank accepted bills of exchange and bank negotiable certificates of deposit held are not intended to be traded but held until maturity. The fair value of these assets is based on the quoted market price at balance date.

34 FINANCIAL INSTRUMENTS (CONTINUED)

(k) Fair value of financial instruments (Continued)

Loans and advances (Level 3)

The fair values of loans receivable are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements.

Other financial assets / liabilities (Level 2)

The fair value of Interest rate swaps are determined as the net present value of the future cash flows.

Investment securities (Level 3)

Equity investments are not held for trading, and the Consolidated Entity has irrevocably elected to designate the instruments at fair value through other comprehensive income. Fair value has been measured via reference to recent market transaction prices where available, and where not available a range of high level values were determined using various valuation methodologies based on underlying cash flow assumptions for these entities.

Deposits from other financial institutions (Level 2)

The fair values of deposits from other financial institutions are estimated using discounted cash flow analysis, based on current market rates for deposits having substantially the same terms and conditions.

Deposits from members (Level 2)

The carrying amount approximates fair value for savings account balances as they are at call.

The fair value of members' term deposits are estimated using discounted cash flow analysis, based on current market rates for term deposits having substantially the same terms and conditions.

Other payables (Level 2)

This includes interest payable and accrued expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value.

Borrowings (Level 2)

The fair values of borrowings are estimated using discounted cash flow analysis, based on current market rates for borrowings having substantially the same terms and conditions.

The aggregate net fair values of financial assets and financial liabilities at the balance date are detailed in the table above under Note 34(j).

The following table shows a reconciliation from the beginning balances to the end balances for financial instruments measured at fair value in Level 3 of the fair value hierarchy:

	CONSOLIDATED	
	2020	2019
	$'000	$'000
Investment securities		
Balance at beginning of financial year	**13,541**	15,050
Disposals	**(177)**	-
Acquisitions through business combinations	**5**	-
Fair value adjustment through Other Comprehensive Income	**-**	(1,509)
Balance at end of financial year	**13,369**	13,541

Although the Consolidated Entity considers that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value at Level 3. However, changing one or more of the inputs to reasonably possible alternative assumptions would not change the fair value of Level 3 financial instruments significantly relative to total assets or equity.

35 TRANSFERS OF FINANCIAL ASSETS

In the ordinary course of business, the Company enters into transactions that result in the transfer of financial assets that consist primarily of loans and advances to members. In accordance with Note 1(m), the transferred financial assets continue to be recognised in their entirety to the extent of the Company's continuing involvement or are derecognised in their entirety.

The Company transfers financial assets primarily through securitisation activities in which loans and advances to members are transferred to investors in the notes issued by consolidated special purpose entities ("SPEs"), ie, The Barton Trust. The notes issued are collaterised by the purchased assets.

A transfer of such financial assets arises when the Company sells assets to a consolidated SPE, then the transfer is from the Group (that includes the consolidated SPE) to investors in the notes. The transfer is in the form of the Group assuming an obligation to pass cash flows from the underlying assets to investors in the notes.

Although the Company does not own more than half the voting power, it has effective control over these SPEs because it is exposed to the majority of ownership risks and rewards of the SPEs and hence, these SPEs are consolidated.

The SPEs that are part of the Group transfer substantially all the economic risks and rewards of ownership of the transferred assets to investors in the notes. Derecognition of the transferred assets is prohibited because the cash flows that it collects from the transferred assets on behalf of the investors are not passed through to them without material delay.

In these cases, the consideration received from the investors in the notes in the form of cash is recognised as a financial asset and a corresponding financial liability is recognised.

The investors in the notes have recourse only to the cash flows from the transferred financial assets.

When the Company transfers assets as part of the securitisation transactions it does not have the ability to use the assets during the term of the arrangement.

The total of both on and off balance sheet securitised loans is disclosed at Note 8(b) Net loans and advances - securitised loans.

	CONSOLIDATED	
	2020	2019
	%	%
36 CAPITAL ADEQUACY		
APRA calculation	**17.09**	17.34
Capital	**$'000**	$'000
Paid-up ordinary capital	**404**	557
Reserves	**169,546**	150,286
Retained earnings including current year earnings	**353,329**	334,126
Common Equity Tier 1 and Total Tier 1 Capital	**523,279**	484,969
Capitalised expenses	**2,369**	2,660
Deferred tax assets dependant on future profitability	**6,038**	2,557
Investments in banking and financial entities, Consolidated Entity owns <10%	**13,369**	13,541
Equity investments in commercial entities	**7,235**	6,253
Regulatory adjustment to Common Equity Tier 1	**29,011**	25,011
Common Equity Tier 1 Capital - net of deductions	**494,268**	459,958
Transitional Tier 2 Capital	**2,500**	-
Tier 2 Provisions (General Reserve for Credit Losses)	**26,159**	24,158
Total Capital	**522,927**	484,116

APRA Prudential Standards require banks to maintain at all times a minimum ratio of capital to risk-weighted assets of 8%.

As part of its risk management process, the Company has developed a methodology with financial modelling to assist in determining the optimum level of capital that is consistent with assessed risk exposure and business activity. The optimum capital is managed within a range well above the 8% minimum required by APRA and incorporates an assessment of the combined risk exposure for operations, market and credit risk. The Company and the Consolidated Entity complied with all APRA capital adequacy requirements throughout the year.

37 CONTINGENT LIABILITIES

CUFSS:

The Company is a party to CUFSS. CUFSS is a voluntary scheme that many Credit Unions and Mutual Banks agreed to participate in. CUFSS is a company limited by guarantee, each member's guarantee being $100.

As a member of CUFSS, the Company:

- May be required to advance funds of up to 3% (excluding permanent loans) of total assets to a CUFSS member requiring financial support.
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

No such direction has, at balance date, been given to the Company.

Financial guarantees provided on behalf of members:

At balance date, the Company had financial guarantees in place that it had provided on behalf of members, totalling $5,886,141 (2019: $5,945,127).

The Company has not received any directions in relation to these guarantees to balance date.

The fair value of these guarantees is $Nil as they are secured by either registered mortgage or term deposit and no loss is anticipated even in the event of directions.

38 SUBSEQUENT EVENTS

As a result of the evolving nature of the COVID-19 pandemic and the rapidly evolving government policies and measures put in place in response, as at the date of these financial statements, significant uncertainty exists in respect of the financial effects of the COVID-19 pandemic on the current and future financial performance and financial position of the Group. The Company's best estimate of these impacts at balance date are as disclosed elsewhere in these financial reports.

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements as at 30 June 2020.

Glossary of Terms and Acronyms

APRA
Australian Prudential Regulation Authority.

ASIC
Australian Securities and Investments Commission.

Capital Adequacy Ratio
A ratio used to measure the prudential strength of a financial institution. Prudential strength is calculated as total retained earnings and other equity divided by total assets, weighted to reflect the relative risks associated with our operations.

Consolidated
The combined accounts of Beyond Bank Australia and its controlled entities.

Contingent Liability
A possible liability that arises from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain future events not wholly within Beyond Bank Australia's control.

Controlled Entity
An entity for which Beyond Bank Australia is able to control its decision making, to ensure it operates for the benefit of Beyond Bank Australia.

Deferred Tax Amounts
Deferred Tax Assets and Deferred Tax Liabilities reflect the tax effect of timing differences, being items which are brought to account in different periods for income tax and accounting purposes.

Derivative Financial Instrument
Derivative financial instruments create rights and obligations that have the effect of transferring between the parties to the instrument one or more of the financial risks inherent in an underlying primary financial instrument, but without the transfer of the underlying primary instrument.

Equity
The excess of Beyond Bank Australia's assets over its liabilities, which is the amount owned by members. Also referred to as Members' Funds.

Equity Accounted Investments
An investment of more than 20% and less than 100% ownership interest over which Beyond Bank Australia is able to exert 'significant influence'. Significant influence normally stems from the investor's voting power which is linked to ownership interest and is evidenced by existence of factors such as representation on the board of the investee and participation in policy making processes for that entity.

Fair Value
The amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial Instrument
Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Franking Credit
Tax credits arising largely from the payment of tax by Beyond Bank Australia that are available for attachment to eligible distributions by Beyond Bank Australia to its members.

Interest Rate Swap
A type of Derivative Financial Instrument under which Beyond Bank Australia agrees to exchange interest cash flows with another party for an agreed period of time.

Lease Liability
A financial obligation to make the payments arising from a lease, measured on a discounted basis

Liability
A debt or obligation to another party, eg. a savings account held on behalf of a Beyond Bank Australia member.

Liquid Assets
A monetary asset that can be readily converted to cash at Beyond Bank Australia's option without significant change in value.

Provisions
An amount set aside out of profits of Beyond Bank Australia for an expense which has been incurred, but the amount and timing of payment can only be estimated (eg. long service leave or bad debts).

Receivables
Amounts owed by members and other external parties for which payment is expected soon.

Reserves
Several reserves exist within equity and have been derived from specific transactions such as the net change in value of revalued assets still held (Asset Revaluation Reserve), the Equity transferred to Beyond Bank Australia from another credit union upon merger (Transfer of Business Reserve), and the value of shares redeemed out of retained profits (Redeemed Share Reserve).

Right-of-use asset
A lessee's right to use an asset over the life of a lease

Securitisation
A financing technique whereby one party can convert an illiquid asset (such as a member's loan) into a liquid asset (such as cash) through the equitable assignment of its ownership interest (essentially the sale of the illiquid asset).

Registered Office

Beyond Bank Australia

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Email	contactus@beyondbank.com.au

Regional Offices

Canberra	105 Mawson Drive, Mawson ACT 2607
Hunter	4B/24 Garnett Road, Green Hills NSW 2323
Melbourne	Level 10, 664 Collins Street, Docklands VIC 3008
Perth	3 Loftus Street, West Leederville WA 6007
Sydney	Units 9 and 10, 11-21 Underwood Road, Homebush NSW 2140

Branches

Branches located across the Australian Capital Territory, New South Wales, South Australia, Victoria and Western Australia.

Beyond Bank Australia Wealth Management

Adelaide	Level 12, 100 Waymouth St, Adelaide SA 5000
Canberra	105 Mawson Drive, Mawson ACT 2607
Hunter	4B/24 Garnett Road, Green Hills NSW 2323
Perth	3 Loftus Street, West Leederville WA 6007

Beyond Bank Australia Australia Limited
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Eastwoods Wealth Management Pty Ltd ABN 17 008 167 002/AFSL 237853 trading as Beyond Bank Australia Wealth Management is a wholly owned but not guaranteed subsidiary of Beyond Bank Australia Limited.