



Annual Report 2017

Logan Community
Financial Services Limited

ABN 88 101 148 430

Logan **Community Bank**[®] Group

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Chairman's report

For year ending 30 June 2017

"No change to the interest rates" seems to be a common report month after month from the Reserve Bank. And as such the world keeps turning. So, it is business as usual for us as well. Challenges continue and so do our successes, albeit smaller than in the heady years that may have gone before. As a financial services provider, it is the range of services and products we offer that keeps us on a solid footing, and again, the Board and branch teams are thankful to the loyalty and faith of our community that is so deeply invested in us. "Partners in Business and Community" whether you be a student with your first savings account, a home loan customer or a big business with the full suite of products, you all assist in putting back into the community with us when you choose to be our partner.

As customers and shareholders we urge you to continue with this great arrangement that now reaches two decades as part of the Australian fabric. Financially we can report that profits increased moderately, in line with the conditions that we have been experiencing, and this produced an end of year profit after tax in the order of \$153,493 in what was continued tight financial markets.

As a huge part of the Bendigo and Adelaide Bank Limited Australian network, **Community Bank**[®] companies deliver a massive relationship link to everyday Australians, which is evident in the \$165 million in reinvested profits across the country since the concept commenced. The Logan group continues its local programs and is pleased to report that levels of reinvestment in our immediate community now top \$1.7 million.

There are so many relationships, all of which are incredibly important and well loved by our team, but special mention in the year that has been must go to Logan Thunder as a major partner whereby we have naming rights to the Cornubia facility and the National Women's "Thunder" team. The relationship has seen us both flourish in our respective markets and we thank Josh and his team sincerely.

Griffith University also delivers greatly in its ongoing partnership with us and we look forward to an even bigger year ahead with numerous initiatives on the calendar. On a personal note we wish VC Lesley Chenoweth all the best as she retires from her role at the Logan campus and thank her for her incredible support in forging this relationship.

Many other relationships flourish and develop, and we continue to look for more as this is obviously at the heart of our charter, to engage and put back into our community.

From a personnel perspective the Bendigo Bank Logan team has always been very stable and this is evidenced by some of the incredible milestones hit this year and the Board and management thank all the team for their support;

- Vicki Mitchell 10 years
- Brooke Tyson 10 Years
- Karen Fendle 15 years
- Wilma Sones 20 years

But the big accolades must go to Leanne Daw clocking up 30 years as the benchmark that cannot go without mention.

There are some farewells of course as with any team of this size and we say a fond farewell to Scott Northfield after many years of service to Bendigo Bank and the Logan Group.

It has also been a year which implemented operational changes, Steve Simpson as our Regional Manager in the area of operations and Peter Dirx as Senior Manager Community Relationships.

These valuable additions have enabled us to drill deeper into operational issues than ever before and now allow us to make decisions with more information than at any time before in our history. Many of these decisions will have greater impact in the future and can now be made with vastly improved data.

Chairman's report (continued)

The Board has also made great progress in identifying new community members with whom we share common goals and interests and has invited a number of these individuals along to consider advising us further. These relationships are expected to blossom and produce new ideas, enthusiasm and speak towards our operational plans in areas of risk management and succession planning.

In the present, our Board remains stable with a round of thank you to those involved. As Chair, I would like to note that it has been necessary for Russell Jenkins to take a sabbatical from much of the Board's operational agenda, but he has continued to be an ear and voice of experience that is available when necessary. We expect to see Russell return in more active fashion in the coming year.

Michael Wardlaw (Deputy Chair) Sharon Pullen (Treasurer) Brett Raguse (Company Secretary) along with Robert Herriott as Governance Chair have been ongoing stalwarts and as always earn a huge thanks for their contributions.

Kate Wakeling (Director) and Bridget French, Chair Community Projects, have been the fresher additions to the Board, both having served out their first full year and bringing enthusiasm and fantastic insights into the business. Thank you to both of these great new Directors for your wonderful input.

Michelle Todd, as our Office Manager, supports all these people as well as being there for the branches and their teams. It is undoubted that everyone in the business values this support so much but a formal thank you is warranted here as the role is so key in much of the daily operations.

Branch management sees us changing to embrace the rapidly changing face of banking as we continue to upgrade premises and look at how we can best service our local community. More interactive layouts and a greater convenience in mobile banking are big focus points in the pathway forward. To the management and team members in our group we thank you all for the commitment and focus that you give.

We trust that as shareholders in the company, you continue to believe in the benefits of being part of this great concept and continue to use our services knowing that in doing so you are helping put back into your local community – 'Be the Change'.



Jason Luckhardt
Chairman

Directors' report

For the financial year ended 30 June 2017

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Jason Paul Luckhardt

Chairman

Commercial Property Sales and Management

Licensed Real Estate Agent. Licensed Auctioneer. Diploma of Business (Marketing). Member REIQ. Member Logan Campus Development Advisory Board (Griffith University).

Interests in shares: 2,000

Sharon Maree Pullen

Director/Treasurer

CPA Accountant

Bachelor of Business, CPA Accountant with DKM Group for 19 years operating in Beenleigh providing consulting, business advisory and compliance assistance to a varied client base of predominantly medium to small business located all over Australia.

Chair of Governance, Audit & Human Resources Committee

Interest in shares: 2,000

Russell Peter Jenkins

Director

Retired

35 years in the banking industry, 25 years of this time in the position of Executive with Bendigo & Adelaide Bank Limited.

Interest in shares: Nil

Michael James Wardlaw

Director/Deputy Chairman

Real Estate Agent

Fully licensed Real Estate Certificate for residential property for the past 20 years.

Deputy Chair, Chair Marketing Committee

Interest in shares: 6,000

Brett Blair Raguse

Director/Secretary

Company Director - Strategem P/L & MiCasa Realty Holdings Pty Ltd

BA AdvocT (Hons); Cert IV Real Estate Practice; JP Qualified; Former Member of Parliament of Australia; Chair of Federal Parliamentary Standing Committee on Parliamentary Privilege and Members Interests; Former President of two Chambers of Commerce; Past President and Executive Member of multiple community organisations; Former State and Federal Government Ministerial Adviser; Business Adviser, Teacher; Lecturer.

Governance, Audit & Human Resources Committee

Interest in shares: 500

Directors' report (continued)

Directors (continued)

Robert Leslie Herriott

Director/Secretary

Retired

Retired from 30+ years in the financial services & commercial banking sector. During the last 20 years involved in various management positions within Metway and Suncorp Commercial Banking including past Director of Suncorp Subsidiary "Medical Commercial Finance" MCF. Rotarian for 15 + years Rotary Club of Logan, including 2 years as President also holding various other board positions including Treasurer, International Services and Vocational Services.

Chair Governance, Audit & Human Resources and Member of Marketing and Community Projects Committee

Interest in shares: 2,000

Bridget Louise French

Director

Senior Officer - Development (Griffith University)

Twelve years' experience in a variety of roles in business development, fundraising, event management, marketing and community engagement throughout Australia and the UK. Currently completing Masters of Business Administration at Griffith University. Completed Bachelor of Business (Management) and Bachelor of Arts (Psychology) at University of Queensland.

Chair Community Projects Committee

Interest in shares: Nil

Kathleen Robyn Wakeling

Director (Appointed 1 July 2016)

State Community Manager Bendigo and Adelaide Bank Limited

Since joining Bendigo and Adelaide Bank Limited in 2006, Kate has held a range of roles commencing as a Financial Planning Development Manager for Bendigo Wealth Solutions®, based in Docklands Victoria. Making a move north for the warmer weather, Kate relocated to Queensland to take up the role as Regional Manager for Central Queensland, then onto Townsville as Area Manager - Northern Queensland and is now currently based in Brisbane as State Community Strengthening Manager - Queensland. Kate has been in the Financial Services Industry for more than 25 years and holds a Diploma in Financial Planning from Deakin University. Keen to encourage diversity in the workforce, Kate is also a member of FEW (Financial Executive Women) and WoB Australia (Women on Boards).

Interest in shares: Nil

Mark Anthony Lally

Director (Resigned 1 July 2016)

Regional Manager Bendigo and Adelaide Bank Limited

MBA (University of New England). Over 30 years experience in the banking industry, including 14 years with Bendigo Bank.

Interest in shares: Nil

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

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

Directors' report (continued)

Company Secretary

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

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

Robert Herriott was appointed to the position of secretary on 25 November 2013 and resigned 1 January 2017.

Robert has extensive experience in the banking sector and in corporate management.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**[®] services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
153,493	81,534

Operating and financial review

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

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

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

At 30 June 2017 the level of business on the books was \$415M. This is an increase of \$2M. The product mix comprises lending of \$235.3M, deposits \$140M and other business \$39.7M.

The bank's competitiveness on interest rate remains constant.

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

Directors' report (continued)

Operating and financial review (continued)

Financial position

Assets

Total assets have increased to \$2,468,333 during the financial year ended 30 June 2017.

Cash balances have increased by \$170,715 as a result of the following:

- Cash flows from operations 346,259
- Net investment property plant and equipment (63 544)
- Payment of dividend (112,000)

Liabilities

Total liabilities increased by \$64,343 primarily due to increase in loan.

Equity

Equity has increased by \$41,493

Business Strategies

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

The targeted growth over the next 1-2 years is still to increase total business to \$420M. Striving for a greater market share will deliver a return to the company shareholders and the re-investment in the community.

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

Prospects

The company will continue to focus on securing market share of banking business and the Managers and Staff will continue to provide a high level of service to both customers and the community.

Directors' remuneration

For the year ended 30 June 2017 the directors received total remuneration including superannuation, as follows:

	\$
Jason Paul Luckhardt	9,988
Sharon Maree Pullen	7,330
Russell Peter Jenkins	-
Michael James Wardlaw	6,355
Brett Blair Raguse	4,675
Robert Leslie Herriott	5,550
Bridget Louise French	3,295

Directors' report (continued)

Operating and financial review (continued)

Directors' remuneration (continued)

	\$
Kathleen Robyn Wakeling (Appointed 1 July 2016)	-
Mark Anthony Lally (Resigned 1 July 2016)	-
	37,193

There were no transactions with directors during the period.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Jason Paul Luckhardt	2,000	-	2,000
Sharon Maree Pullen	2,000	-	2,000
Russell Peter Jenkins	-	-	-
Michael James Wardlaw	6,000		6,000
Brett Blair Raguse	500		500
Robert Leslie Herriott	2,000	-	2,000
Bridget Louise French	-	-	-
Kathleen Robyn Wakeling (Appointed 1 July 2016)	-	-	-
Mark Anthony Lally (Resigned 1 July 2016)	-	-	-

Remuneration report

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branches at Loganholme, Browns Plains, Marsden, Springwood and Beenleigh, Queensland. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2017 (2016: \$nil).

Dividends

	Year ended 30 June 2017	
	Cents	\$
Dividends paid in the year	3.5	112,000

Significant changes in the state of affairs

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

Directors' report (continued)

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Directors' Meetings		Marketing & Community Projects		Governance, Audit & Human Resources	
	A	B	A	B	A	B
Jason Paul Luckhardt	11	10	5	2	1	1
Sharon Maree Pullen	11	8	6	1	1	1
Russell Peter Jenkins*	11	-	-	-	-	-
Michael James Wardlaw	11	10	11	11	-	-
Brett Blair Raguse	11	8	-	-	1	1
Robert Leslie Herriott	11	9	11	9	1	1
Bridget Louise French	11	6	11	4	-	-
Kathleen Robyn Wakeling**	11	8	-	-	-	-
Mark Anthony Lally***	-	-	-	-	-	-

A - Eligible

* - Granted leave of absence

B - Attended

** - Appointed 1 July 2016

*** - Resigned 1 July 2016

Proceedings on behalf of the company

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

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

Directors' report (continued)

Non audit services

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

The board of directors has considered the position, in accordance with the advice received from the governance, audit and human resources committee, and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.


The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the governance, audit and human resources committee to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the board of directors at Logan, Queensland on 13 September 2017.



Jason Paul Luckhardt,
Chairman

Auditor's independence declaration



Partners in success

Chartered Accountants

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

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

As lead auditor for the audit of Logan Community Financial Services Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 13 September 2017

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	3,798,588	3,757,180
Employee benefits expense		(2,206,696)	(2,212,928)
Charitable donations, sponsorship, advertising and promotion		(147,904)	(221,070)
Occupancy and associated costs		(481,213)	(462,652)
Systems costs		(166,564)	(142,715)
Depreciation and amortisation expense	5	(195,560)	(201,224)
Finance costs	5	(5,106)	(2,231)
General administration expenses		(377,774)	(397,211)
Profit before income tax expense		217,771	117,149
Income tax expense	6	(64,278)	(35,615)
Profit after income tax expense		153,493	81,534
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		153,493	81,534
Earnings per share		¢	¢
Basic earnings per share	24	4.80	2.55

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	709,626	538,911
Trade and other receivables	8	144,031	150,012
Financial assets	9	7,000	-
Current tax asset	12	4,025	-
Total Current Assets		864,682	688,923
Non-Current Assets			
Property, plant and equipment	10	1,500,027	1,493,723
Intangible assets	11	63,453	132,674
Deferred tax asset	12	40,171	47,177
Total Non-Current Assets		1,603,651	1,673,574
Total Assets		2,468,333	2,362,497
LIABILITIES			
Current Liabilities			
Current tax liabilities	12	-	11,195
Trade and other payables	13	88,621	84,699
Borrowings	14	64,212	7,745
Provisions	15	6,588	8,148
Total Current Liabilities		159,421	111,787
Non-Current Liabilities			
Provisions	15	9,981	7,699
Borrowings	14	14,427	-
Total Non-Current Liabilities		24,408	7,699
Total Liabilities		183,829	119,486
Net Assets		2,284,504	2,243,011
Equity			
Issued capital	16	3,042,211	3,042,211
Accumulated losses	17	(757,707)	(799,200)
Total Equity		2,284,504	2,243,011

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2017

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	3,042,211	(768,734)	2,273,477
Total comprehensive income for the year	-	81,534	81,534
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(112,000)	(112,000)
Balance at 30 June 2016	3,042,211	(799,200)	2,243,011
Balance at 1 July 2016	3,042,211	(799,200)	2,243,011
Total comprehensive income for the year	-	153,493	153,493
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(112,000)	(112,000)
Balance at 30 June 2017	3,042,211	(757,707)	2,284,504

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		4,173,212	4,112,272
Payments to suppliers and employees		(3,754,415)	(3,745,273)
Interest received		5,060	5,692
Interest paid		(5,106)	(2,231)
Income taxes paid		(72,492)	(8,638)
Net cash provided by operating activities	18	346,259	361,822
Cash flows from investing activities			
Payments for property, plant and equipment		(134,438)	(57,491)
Net cash used in investing activities		(134,438)	(57,491)
Cash flows from financing activities			
Proceeds from borrowings		130,000	-
Repayment of borrowings		(59,106)	(64,121)
Dividends paid		(112,000)	(112,000)
Net cash used in financing activities		(41,106)	(176,121)
Net increase in cash held		170,715	128,210
Cash and cash equivalents at the beginning of the financial year		538,911	410,701
Cash and cash equivalents at the end of the financial year	7(a)	709,626	538,911

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch leases to be capitalised.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branches at Loganholme, Browns Plains, Marsden, Springwood and Beenleigh, Queensland.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**[®] branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

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

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

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

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Products and services on which margin is paid include variable rate deposits and variable rate home loans.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

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

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations.

It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return

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

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

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

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised 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 utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

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

- buildings 40 years
- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- motor vehicles 3 - 5 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

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

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Contributed equity

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	2,651,416	2,474,873
- services commissions	573,926	583,059
- fee income	396,985	427,304
- market development fund	168,333	249,167
Total revenue from operating activities	3,790,660	3,734,403
Non-operating activities:		
- interest received	7,444	2,777
- sundry income	484	20,000
Total revenue from non-operating activities	7,928	22,777
Total revenues from ordinary activities	3,798,588	3,757,180

Note 5. Expenses

Depreciation of non-current assets:

- buildings	9,399	9,513
- plant and equipment	28,524	36,217
- leasehold improvements	64,618	66,889
- motor vehicles	23,798	19,384

Amortisation of non-current assets:

- franchise agreement	11,537	11,537
- franchise renewal fee	57,684	57,684
	195,560	201,224

Finance costs:

- interest paid	5,106	2,231
Bad debts	5,212	5,839
Loss on disposal of assets	1,795	-

Notes to the financial statements (continued)

	2017 \$	2016 \$
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Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	57,273	43,555
- Movement in deferred tax	3,074	(8,340)
- Adjustment to deferred tax to reflect change to tax rate in future periods	3,931	-
- Under/(over) provision of tax in the prior period	-	400
	64,278	35,615

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit	217,771	117,149
Prima facie tax on profit from ordinary activities at 27.5% (2016: 30%)	59,887	35,145
Add tax effect of:		
- non-deductible expenses	494	70
- timing difference expenses	4,202	8,340
- other deductible expenses	(7,310)	-
	57,273	43,555
Movement in deferred tax	3,074	(8,340)
Adjustment to deferred tax to reflect change of tax rate in future periods	3,931	-
Under/(over) provision of income tax in the prior year	-	400
	64,278	35,615

Note 7. Cash and cash equivalents

Cash at bank and on hand	554,331	387,618
Term deposits	155,295	151,293
	709,626	538,911

Note 7.(a) Reconciliation to cash flow statement

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

Cash at bank and on hand	554,331	387,618
Term deposits	155,295	151,293
	709,626	538,911

Notes to the financial statements (continued)

	Note	2017 \$	2016 \$
Note 8. Trade and other receivables			
Trade receivables		134,526	137,972
Prepayments		7,121	5,040
Other receivables and accruals		2,384	7,000
		144,031	150,012

Note 9. Financial Assets

Available-for-sale financial assets	9(a)	7,000	-
		7,000	-

Note 9.(a) Available-for-sale financial assets comprise:

Unlisted investments, at cost			
- Shares in unlisted corporations		7,000	-
		7,000	-

Note 10. Property, plant and equipment

Buildings			
At cost		987,396	987,396
Less accumulated depreciation		(50,422)	(41,023)
		936,974	946,373
Leasehold improvements			
At cost		801,571	765,513
Less accumulated depreciation		(373,934)	(400,894)
		427,637	364,619
Plant and equipment			
At cost		468,747	463,738
Less accumulated depreciation		(392,017)	(363,492)
		76,730	100,246
Motor vehicles			
At cost		166,123	166,123
Less accumulated depreciation		(107,437)	(83,638)
		58,686	82,485
Total written down amount		1,500,027	1,493,723

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 10. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Buildings		
Carrying amount at beginning	946,373	955,886
Additions	-	-
Disposals	-	-
Less: depreciation expense	(9,399)	(9,513)
Carrying amount at end	936,974	946,373
Leasehold improvements		
Carrying amount at beginning	364,619	408,929
Additions	129,431	22,579
Disposals	(1,795)	-
Less: depreciation expense	(64,618)	(66,889)
Carrying amount at end	427,637	364,619
Plant and equipment		
Carrying amount at beginning	100,246	124,876
Additions	5,007	11,588
Disposals	-	-
Less: depreciation expense	(28,524)	(36,218)
Carrying amount at end	76,729	100,246
Motor vehicles		
Carrying amount at beginning	82,485	78,545
Additions	-	23,324
Disposals	-	-
Less: depreciation expense	(23,798)	(19,384)
Carrying amount at end	58,687	82,485
Total written down amount	1,500,027	1,493,723

Note 11. Intangible assets

Franchise fee		
At cost	366,796	366,796
Less: accumulated amortisation	(356,220)	(344,683)
	10,576	22,113

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 11. Intangible assets (continued)		
Renewal processing fee		
At cost	533,993	533,993
Less: accumulated amortisation	(481,116)	(423,432)
	52,877	110,561
Total written down amount	63,453	132,674

Note 12. Tax

Current:

Income tax payable/(refundable)	(4,025)	11,195
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Non-Current:

Deferred tax assets		
- accruals	1,272	1,170
- employee provisions	4,557	4,754
- property, plant and equipment	34,998	41,253
	40,827	47,177

Deferred tax liability		
- accruals	656	-
	656	-

Net deferred tax asset	40,171	47,177
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Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	7,006	(8,340)
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Note 13. Trade and other payables

Current:

Trade creditors	5,296	9,787
Other creditors and accruals	83,325	74,912
	88,621	84,699

Note 14. Borrowings

Current:

Bank loans	64,212	7,745
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Non-Current:

Bank loans	14,427	-
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Notes to the financial statements (continued)

Note 14. Borrowings (continued)

The bank loan is a Bendigo and Adelaide Bank Limited Mortgage Loan secured by First Registered Mortgages over the properties known as 1/54 Bryants Road, Shailer Park, Queensland and 2/54 Bryants Road, Shailer Park, Queensland. Interest is recognised at an average rate of 5.91% (2016: 7.25%).

	2017	2016
	\$	\$

Note 15. Provisions

Current:

Provision for annual leave	6,588	8,148
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Non-Current:

Provision for long service leave	9,981	7,699
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Note 16. Contributed equity

3,200,010 ordinary shares fully paid (2016: 3,200,010)	3,092,000	3,092,000
Less: equity raising expenses	(49,789)	(49,789)
	3,042,211	3,042,211

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Notes to the financial statements (continued)

Note 16. Contributed equity (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the “10% limit”).
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the “base number test”). The base number is 1,029. As at the date of this report, the company had 1,114 shareholders.

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

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

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

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the ‘base number test’ is not, as a result the base number clause does not operate whilst the company remains listed on the NSX.

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

	2017	2016
	\$	\$
Note 17. Accumulated losses		
Balance at the beginning of the financial year	(799,200)	(768,734)
Net profit from ordinary activities after income tax	153,493	81,534
Dividends paid or provided for	(112,000)	(112,000)
Balance at the end of the financial year	(757,707)	(799,200)

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 18. Statement of cash flows		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	153,493	81,534
Non cash items:		
- depreciation	126,339	132,003
- amortisation	69,221	69,221
- loss on disposal of assets	1,795	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(1,019)	2,368
- (increase)/decrease in other assets	2,981	15,782
- increase/(decrease) in payables	3,922	50,820
- increase/(decrease) in provisions	722	(1,101)
- increase/(decrease) in current tax liabilities	(11,195)	11,195
Net cash flows provided by operating activities	346,259	361,822

Note 19. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
At 30 June 2017				
Recurring fair value measurements:				
Available-for-sale financial assets				
Unlisted investments:				
- shares in other corporations	-	-	7,000	7,000
	-	-	7,000	7,000
At 30 June 2016				
Recurring fair value measurements:				
Available-for-sale financial assets				
Unlisted investments:				
- shares in other corporations	-	-	-	-
	-	-	-	-
Total assets at fair value	-	-	-	-

Notes to the financial statements (continued)

Note 19. Fair value measurement (continued)

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.
- Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

	2017	2016
	\$	\$

Note 20. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	360,171	339,932
- between 12 months and 5 years	188,207	546,054
	548,378	885,986

The company holds various premises leases for its branches and ATM locations. The leases generally have a five-year term, with rent payable monthly.

Note 21. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	6,750	6,600
- non audit services	2,890	2,830
	9,640	9,430

Note 22. Director and related party disclosures

Key Management Personnel Remuneration

Short-term employee benefits	37,193	37,027
	37,193	37,027

Detailed remuneration disclosures are provided in the remuneration report, included as part of the directors' report.

Transactions with Key Management Personnel

Jason Luckhardt sub-contracted employees from his work to act as marketing consultants for Logan CFSL during the period. Transactions were at market value.	-	8,250
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Notes to the financial statements (continued)

Note 22. Director and related party disclosures (continued)

	2017	2016
Key Management Personnel Shareholdings		
Ordinary shares fully paid	12,500	12,500

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

	2017 \$	2016 \$
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Note 23. Dividends paid or provided

a. Dividends paid during the year

Current year dividend		
100% (2016: 100%) franked dividend - 3.5 cents (2016: 3.5 cents) per share	112,000	112,000
The tax rate at which dividends have been franked is 27.5% (2016: 30%).		

b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	121,216	91,207
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(4,025)	10,104
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	117,191	101,311
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	117,191	101,311

Note 24. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	153,493	81,534
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	3,200,010	3,200,010

Note 25. Events occurring after the reporting date

There have been no events after the end of the financial year that would materially affect the financial statements.

Notes to the financial statements (continued)

Note 26. Contingent liabilities and contingent assets

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

Note 27. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in Loganholme, Browns Plains, Marsden, Springwood and Beenleigh, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 28. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office

Unit 1, 54 Bryants Road
Shailer Park QLD 4128

Principal Place of Business

Unit 1, 54 Bryants Road
Shailer Park QLD 4128

Note 29. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	554,232	387,422	155,295	151,293	-	-	-	-	99	196	1.17	0.57
Receivables	-	-	-	-	-	-	-	-	134,526	137,972	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	64,212	7,745	14,427	-	-	-	-	-	5.39	5.99
Payables	-	-	-	-	-	-	-	-	5,296	9,787	N/A	N/A

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Notes to the financial statements (continued)

Note 29. Financial instruments (continued)

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	6,309	5,310
Decrease in interest rate by 1%	(6,309)	(5,310)
Change in equity		
Increase in interest rate by 1%	6,309	5,310
Decrease in interest rate by 1%	(6,309)	(5,310)

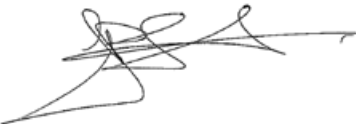
Directors' declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Jason Paul Luckhardt,
Chairman

Signed on the 13th of September 2017.

Independent audit report



Chartered Accountants

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

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of Logan Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

Logan Community Financial Services Limited's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

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

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Independent audit report (continued)

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

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

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

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Logan Community Financial Services Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Key audit matters

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

There are no key audit matters to disclose for the 30 June 2017 audit.

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 13 September 2017



David Hutchings
Lead Auditor

NSX report

Number of shares held	Number of shareholders	Number of shares held
Total	1,122	3,189,502
1 to 1,000	736	505,048
1,001 to 5,000	294	846,437
5,001 to 10,000	49	435,950
10,001 to 100,000	32	880,792
100,001 and over	3	521,275
Total	1,114	3,189,502
Shareholders holding less than a marketable parcel of shares (\$500 in value)	469	238,048

Ten largest shareholders

The following table shows the 10 largest shareholders including equal holdings.

Shareholder	Number of fully paid shares held	Percentage of issued capital	No held including associates	Percentage including associates
Bendigo & Adelaide Bank Limited	247,500	7.76	-	-
Mr Warren Dicker	171,275	5.37	232,275	7.28
Central Plumbing Supplies Pty Ltd	102,500	3.21	-	-
Ezy Homes Investments Pty Ltd	66,400	2.08	-	-
Week Constructions Pty Ltd	57,000	1.79	232,275	7.28
Winpar Holdings Limited	56,900	1.78	-	-
Mr James Vincent Carlton & Mrs Beverley Grace Mercer <Carlton Super Fund Account>	51,540	1.62	-	-
Astonlee Pty	50,000	1.57	-	-
The Miles Superannuation Fund	50,000	1.57	-	-
Thomas Leigh Pty Ltd <The Waring Family Superannuation Fund>	46,500	1.46	-	-

Logan **Community Bank**[®] Group

Browns Plains

Shop 17-18, Westpoint Shopping Centre,
8-24 Browns Plains Road, Browns Plains QLD 4118
Phone: (07) 3806 9777
www.bendigobank.com.au/browns-plains

Loganholme

Shop 1, 54 Bryants Road, Shailer Park QLD 4128
Phone: (07) 3801 3600
www.bendigobank.com.au/loganholme

Marsden

Shop 21, Marsden Park Shopping Centre,
55-77 Chambers Flat Road, Marsden QLD 4132
Phone: (07) 3299 7740
www.bendigobank.com.au/marsden

Springwood

Shop 40/41, Centro Springwood,
34 Fitzgerald Avenue, Springwood QLD 4127
Phone: (07) 3208 2611
www.bendigobank.com.au/springwood

Beenleigh

106 City Road, Beenleigh QLD 4207
Phone: (07) 3801 8336
www.bendigobank.com.au/beenleigh

Franchisee: Logan Community Financial Services Limited
Shop 1, 54 Bryants Road, Shailer Park QLD 4128
Phone: (07) 3801 3600
ABN: 88 101 148 430

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