Annual Report 2016

Logan Community
Financial Services Limited

ABN 88 101 148 430

Logan **Community Bank**® Group

Contents

Chairman's report

For year ending 30 June 2016

Tenacity

This has undoubtedly been the year that has been marked with challenge after challenge, not just for us in our small patch of the market, but also for the entire financial markets sector. The broad spread of products and deep footings across our community have without a doubt helped us weather the continued pressure on financial rates and the subsequent margin impacts that have followed. Our customers have proven themselves to be supportive and loyal and with the strong spirit of our branch teams, we have seen us return a modest profit off the back of a lean year in terms of business. It is also to be noted that a change in accounting standards has crystallised an expense entry that has in past years carried over beyond the close of the financial year (30 June 2016) so this year it has entered the books pre 30 June delivering a less than expected bottom line of $81,500. Now that this anomaly is accounted for we should see a corresponding benefit leading into the new financial year.

The **Community Bank**® network now undertakes the implementation of Funds Transfer Pricing, a previously discussed system that is truly providing the Board, and branches alike, with an understanding of the financial aspects of operations. Funds Transfer Pricing or 'FTP' is a method used to individually measure how much each product is contributing to overall profitability, given a marginal cost of funding. Through this method, the bank can gain a better picture of the net interest margin component of overall profitability. Speaking directly from the Chair, it is noteworthy that this is the type of reform that previous Chairs and indeed Boards have long sought.

It has also been a year in which concluded with considerable operational change. This change is positive in nature and has seen an injection of enthusiasm across our team and the entire region. The Board sees the departure of Mark Lally, who has served diligently as the alternate for Russell Jenkins, but this is a secondary effect of the fact that the region has be realigned to form a broader Gold Coast/Logan region. The effect is that a wealth of knowledge has stepped in to fill the gap of Mark's departure. We welcome Kate Wakeling to the board as Mark's replacement and we see the return of a familiar face in Steve Simpson as Senior Manager Strategy & Performance. The change also sees Peter Dirkx join us as Senior Manager Community Relationships, an added role that is surely a massive boost to our strategic planning and developmental parts of the operation. The Board extends a huge welcome to these three and big thanks to Mark for his time, effort and support.

The year also saw the addition of a new Director in the ranks, Mrs. Bridget French, who boasts a long association with Griffith University in the area of Alumni liaison, and more recently a senior appointment in the Arts, as Development Manager Philanthropy for Queensland Performing Arts Centre. Bridget has a wealth of knowledge across many sectors and we are excited about her input to our Board.

As always, the community and our involvement with it remains a cornerstone of operations.

The 10th year of 'Best Day Out' was a massive success with many business and community operations coming together to deliver a massive day for some 350 plus participants and carers. Sponsorships and donations flowed and the event looks ready to soar to greater heights in the future.

We continue our support of the Griffith University Scholarship program and the continued connection it provides us with one of Logan's leading lights in the area of education and pivotal social change. The University plays a critical role in shaping the future of Logan and the people within it and we are delighted with our association with this fine institution.

In the area of sport and community we continue our association with a great number of local clubs, but are excited by two in particular that warrant special mention. We are proud to announce our commitment to a major sponsorship of Logan Thunder Basketball and thank them for the huge support that they continue to show in return for this highly beneficial mutual relationship.

Chairman's report (continued)

In similar fashion, the Park Ridge Pirates relationship is one that shows how our assistance helps leverage a massive benefit to the local community as this club now marches forward to record stellar growth, and in doing so takes on some inspirational projects that go way beyond simply sporting prowess.

On behalf of the Board I commend all of the work that these fantastic clubs and associations perform in our community and look forward to our ongoing relationships.

Thanks to all the members of this Board that continue to give so much of their valuable time in what seems to be an increasingly busy world. Michael Wardlaw's role as Deputy Chair and Chair of Marketing seems to be just the tip of iceberg to his massive support of us and the whole **Community Bank**® network. Sharon Pullen continues to steer us with her financial control as our Company Treasurer, Robert Herriott with endless company secretary compliance and governance is such an asset and Brett Raguse and Russell Jenkins with their ever valuable advice and contributions in so many of our projects.

Michelle Todd continues to be the glue that binds us as a Board and is always valuable in contributions to the branch environment. The Board thanks her for her massive contribution.

In the world of the branches we have also embarked on a journey that embraces change, welcoming Mark Lang in joining the group in the newly created role of Mobile Relationship Manager. To the Managers and their teams, we look forward to a year that will build upon these new ideas and initiatives and a year that will work with these changes to achieve better outcomes.

For the shareholders, this is a year that comes full of exciting promise. Your support means so much and there is a feeling of positive energy as we stride into the next year. We have the tools, the people and knowledge like never before. The final thanks should be with all of you that made and continue to make this community what it is.

Jason Luckhardt
Chairman

Directors' report

For the financial year ended 30 June 2016

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

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 and Auctioneer and member of the Real Estate Institute of Queensland. Holds a Diploma of Business (Marketing), member of Logan Campus Development Advisory Board (Griffith University) and is a former Chairman of the St Matthews Catholic School Board.

Co-Chairman Marketing and Community Projects Committee

Interests in shares: 2,000

Sharon Maree Pullen

Director/Treasurer

CPA Accountant

Bachelor of Business, CPA Accountant with DKM Group for 18 years operating in Beenleigh, providing business service and compliance assistance to wide client base including Logan and surrounding districts.

Interest in shares: 2,000

Russell Peter Jenkins

Director

Executive Assistant Customer & Community Bendigo and Adelaide Bank Limited

A qualified Chemical Engineer, headed the **Community Bank**® concept since its inception in 1998, with over 30 years experience in banking, finance and business.

Chairman Lead On Australia and Director Bank of Cyprus Australia.

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.

Co-Chairman of Marketing and Community Projects Committee

Interest in shares: 6,000

Brett Blair Raguse

Director

Community Engagement and Marketing Manager

BA AdvocT (Hons); Cert IV Real Estate Practice; JP (Qual);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.

Interest in shares: 500

Directors (continued)

Robert Leslie Herriot

Director/Secretary

Retired

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

Member of Marketing and Community Projects

Interest in shares: 2,000

Bridget French

Director (Appointed 25 January 2016)

Development Manager - Philanthropy

Eleven year's experience across business developemtn, fundraising, event managemnt, marketing and community engagement initiative's in Australia and the UK. Currently completing Masters of Business Administration at Griffith University. Completed Bachelor of Business (Management) and Bachelor of Arts (Psychology) University of Queensland.

Member of Marketing and Community Projects

Interest in shares: Nil

Kathleen Robyn Wakeling

Director (Alternate Director for Russell Peter Jenkins - Appointed 1 July 2016)

State Community ManagerBendigo and Adelaide Bank Limited

26 years' experience in the Financial Services Industry (18 years in Leadership roles). Currently working for Bendigo and Adelaide Bank Limited as State Community Manager in Queensland. Leading a team and working with existing **Community Bank**® branches right accross Queensland. Responsible for establishing new **Community Bank**® branches in Queensland. Previous employment with CBA have included overseeing 250+ staff and roles with more than 20 direct reports. Last role at CBA was Financial Services Manaer - Gippsland/Peninsula region. Experienced Manager possessing superior communication skills and a reputation as a strong, effective leader with proven sales results. Currently a member of Women on Boards (WOB) and also Financial Executive Women (FEW).

Interest in shares: Nil

Mark Anthony Lally

Director (Alternate Director for Russell Peter Jenkins - 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.

Company Secretary

The company secretary is Robert Herriot. Robert was appointed to the position of secretary on 25 November 2013.

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 2016 $	Year ended 30 June 2015 $
81,534	123,521

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 however all transactions with customers are effectively conducted between the customers and 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 2016 the level of business on the books was $413.0M. This is a increase of $8.9M. The product mix comprises lending of $239M, deposits $129M and other business $45.0M.

The bank 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 for improved revenue.

Financial Position

Assets

Total assets have increased to $2,360,561 during the financial year ending 30 June 2016.

Cash balances have increased by $128,331 as a result of the following:

Cash flows from operations 342,279

Net investment property plant and equipment (331,163)

Payment of Dividend (112,000)

Operating and financial review

Financial Position

Liabilities

Total liabilities increased by $40,732 primarily due to increase in the borrowings associated with fit out offset by a decrease in trade creditors and payables.

Equity

Equity has decreased by $10,687.

Dividends

During the financial year the company paid a full franked final dividend of 3.5 cents per share.

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 very competitive. Growth in financial planning, credit cards, merchant facilities and insurance based products are all being targeting for the company year.

The targeted growth over the next 1-2 years is 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 profile of the Bendigo and Adelaide Bank Ltd and its community partners. Continuing to promote the "Bendigo Story" and filling voids left by the competitors is one 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.

Remuneration report

Directors' remuneration

For the year ended 30 June 2016 the directors received total remuneration including superannuation, as follows:

	$
Jason Paul Luckhardt	12,249
Sharon Maree Pullen	6,585
Russell Peter Jenkins	-
Michael James Wardlaw	6,635
Brett Blair Raguse	2,843
Robert Leslie Herriot	7,135
Bridget French (Appointed 25 January 2016)	1,625
Kathleen Robyn Wakeling (Appointed 1 July 2016)	-
Mark Anthony Lally (Resigned 1 July 2016)	-
	37,072

Remuneration report (continued)

	$
Transactions with directors	
Jason Luckhardt sub-contracted employees from his work to act as marketing consultants for Logan CFSL during the period. Transactions were at market value and totaled $8,250 (2015: $4,950)	8,250

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 Herriot	2,000	-	2,000
Bridget French (Appointed 25 January 2016)	-	-	-
Kathleen Robyn Wakeling (Appointed 1 July 2016)	-	-	-
Mark Anthony Lally (Resigned 1 July 2016)	-	-	-

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 2016 (2015: $nil).

Dividends

	Year ended 30 June 2016	
	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.

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Marketing and Community Projects	
	Eligible	Attended	Eligible	Attended
Jason Paul Luckhardt	11	10	9	9
Sharon Maree Pullen	11	7	-	-
Russell Peter Jenkins	11	2	-	-
Michael James Wardlaw	11	10	9	8
Brett Blair Raguse	11	7	-	-
Robert Leslie Herriot	11	7	9	7
Bridget French (Appointed 25 January 2016)	6	4	6	5
Kathleen Robyn Wakeling (Appointed 1 July 2016)	-	-	-	-
Mark Anthony Lally (Resigned 1 July 2016)	10	7	-	-

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position 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 board 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 26 September 2016.

Jason Paul Luckhardt,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

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 2016, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 26 September 2016

David Hutchings
Lead Auditor

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

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	3,757,180	3,818,565
Employee benefits expense		(2,212,928)	(2,083,465)
Charitable donations, sponsorship, advertising and promotion		(221,070)	(238,548)
Occupancy and associated costs		(462,652)	(573,317)
Systems costs		(142,715)	(128,610)
Depreciation and amortisation expense	5	(201,224)	(200,536)
Finance costs	5	(2,231)	(4,523)
General administration expenses		(397,211)	(409,841)
Profit before income tax expense		**117,149**	**179,725**
Income tax expense	6	(35,615)	(56,204)
Profit after income tax expense		**81,534**	**123,521**
Total comprehensive income for the year		**81,534**	**123,521**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	22	2.55	3.86

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	538,911	410,701
Trade and other receivables	8	150,012	152,380
Current tax asset	11	-	24,122
Total Current Assets		**688,923**	**587,203**
Non-Current Assets			
Property, plant and equipment	9	1,493,723	1,568,235
Intangible assets	10	132,674	201,895
Deferred tax asset	11	47,177	38,837
Total Non-Current Assets		**1,673,574**	**1,808,967**
Total Assets		**2,362,497**	**2,396,170**
LIABILITIES			
Current Liabilities			
Current tax liability	11	11,195	-
Trade and other payables	12	84,699	33,879
Borrowings	13	7,745	71,866
Provisions	14	8,148	8,645
Total Current Liabilities		**111,787**	**114,390**
Non-Current Liabilities			
Provisions	14	7,699	8,303
Total Non-Current Liabilities		**7,699**	**8,303**
Total Liabilities		**119,486**	**122,693**
Net Assets		**2,243,011**	**2,273,477**
Equity			
Issued capital	15	3,042,211	3,042,211
Accumulated losses	16	(799,200)	(768,734)
Total Equity		**2,243,011**	**2,273,477**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2016

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2014	**3,042,211**	**(780,255)**	**2,261,956**
Total comprehensive income for the year	**-**	**123,521**	**123,521**
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 2015	**3,042,211**	**(768,734)**	**2,273,477**
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**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		4,112,272	4,227,942
Payments to suppliers and employees		(3,745,273)	(3,868,940)
Interest received		5,692	7,782
Interest paid		(2,231)	(4,523)
Income taxes paid		(8,638)	(19,881)
Net cash provided by operating activities	**17**	**361,822**	**342,380**
Cash flows from investing activities			
Payments for property, plant and equipment		(57,491)	(331,163)
Net cash used in investing activities		**(57,491)**	**(331,163)**
Cash flows from financing activities			
Proceeds from borrowings		-	394,000
Repayment of borrowings		(64,121)	(328,316)
Dividends paid		(112,000)	(112,000)
Net cash used in financing activities		**(176,121)**	**(46,316)**
Net increase/(decrease) in cash held		**128,210**	**(35,099)**
Cash and cash equivalents at the beginning of the financial year		410,701	445,800
Cash and cash equivalents at the end of the financial year	**7(a)**	**538,911**	**410,701**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

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

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the 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 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
AASB 16 Leases	1 January 2019
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2015. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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:

- advice and assistance in relation to the 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

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank®** model, known as 'Project Horizon'. This was conducted in consultation with the **Community Bank®** network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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.

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. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

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.

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. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

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.

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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank**® companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

The Board is yet to appreciate the full impact of the above changes on our revenue moving forward.

The Board is continuing to work with Bendigo and Adelaide Bank Ltd to understand any potential changes to revenue and will provide further details as appropriate in due course.

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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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.

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.

Note 1. Summary of significant accounting policies (continued)

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.

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

• leasehold improvements	40 years
• plant and equipment	2.5 - 40 years
• furniture and fittings	4 - 40 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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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.

(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 of 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.

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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.

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.

Note 2. Financial risk management (continued)

(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.

(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 2016 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.

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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.

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.

	2016 $	2015 $

Note 4. Revenue from ordinary activities

	2016 $	2015 $
Operating activities:		
- services commissions	3,734,403	3,795,579
- other revenue	20,000	12,468
Total revenue from operating activities	**3,754,403**	**3,808,047**
Non-operating activities:		
- interest received	2,777	10,242
- profit on sale of non-current assets	-	276
Total revenue from non-operating activities	**2,777**	**10,518**
Total revenues from ordinary activities	**3,757,180**	**3,818,565**

Note 5. Expenses

	2016 $	2015 $
Depreciation of non-current assets:		
- buildings	9,513	9,513
- plant and equipment	36,217	40,123
- leasehold improvements	66,889	63,129
- motor vehicles	19,384	18,550
Amortisation of non-current assets:		
- franchise agreements	11,537	11,537
- franchise renewal fee	57,684	57,684
	201,224	**200,536**
Finance costs:		
- interest paid	**2,231**	**4,523**
Bad debts	**5,839**	**16,957**
Loss on disposal of non-current assets	**-**	**830**

Note 6. Income tax expense

	2016 $	2015 $
The components of tax expense comprise:		
- Current tax	43,555	32,204
- Movement in deferred tax	(8,340)	24,000
- Under/over provision in respect to prior years	400	-
	35,615	**56,204**

	2016 $	2015 $

Note 6. Income tax expense (continued)

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

	2016 $	2015 $
Operating profit	117,149	179,725
Prima facie tax on profit from ordinary activities at 30%	35,145	53,918
Add tax effect of:		
- non-deductible expenses	70	2,453
- timing difference expenses	8,340	9,613
- other deductible expenses	-	(33,780)
	43,555	**32,204**
Movement in deferred tax	(8,340)	24,000
Under/over provision in respect to prior years	400	-
	35,615	**56,204**

Note 7. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	387,618	263,679
Term deposits	151,293	147,022
	538,911	**410,701**

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:

	2016 $	2015 $
Cash at bank and on hand	387,618	263,679
Term deposits	151,293	147,022
	538,911	**410,701**

Note 8. Trade and other receivables

	2016 $	2015 $
Trade receivables	137,972	124,124
Prepayments	5,040	1,688
Other receivables and accruals	7,000	26,568
	150,012	**152,380**

	2016 $	2015 $

Note 9. Property, plant and equipment

	2016 $	2015 $
Land and buildings		
Buildings		
At cost	987,396	987,396
Less accumulated depreciation	(41,023)	(31,510)
	946,373	**955,886**
Leasehold improvements		
At cost	765,513	742,934
Less accumulated depreciation	(400,894)	(334,005)
	364,619	**408,929**
Plant and equipment		
At cost	463,738	452,150
Less accumulated depreciation	(363,492)	(327,275)
	100,246	**124,875**
Motor vehicles		
At cost	166,123	142,799
Less accumulated depreciation	(83,638)	(64,254)
	82,485	**78,545**
Total written down amount	**1,493,723**	**1,568,235**
Movements in carrying amounts:		
Buildings		
Carrying amount at beginning	955,886	965,399
Additions	-	-
Disposals	-	-
Less: depreciation expense	(9,513)	(9,513)
Carrying amount at end	**946,373**	**955,886**
Leasehold improvements		
Carrying amount at beginning	408,929	162,900
Additions	22,579	309,165
Disposals	-	(155,482)
Less: depreciation expense	(66,889)	92,346
Carrying amount at end	**364,619**	**408,929**

	2016 $	2015 $
Note 9. Property, plant and equipment (continued)		
Plant and equipment		
Carrying amount at beginning	124,875	143,548
Additions	11,588	31,650
Disposals	-	(49,931)
Less: depreciation expense	(36,217)	(392)
Carrying amount at end	**100,246**	**124,875**
Motor vehicles		
Carrying amount at beginning	78,545	97,094
Additions	23,324	-
Disposals	-	-
Less: depreciation expense	(19,384)	(18,549)
Carrying amount at end	**82,485**	**78,545**
Total written down amount	**1,493,723**	**1,568,235**

Note 10. Intangible assets

	2016 $	2015 $
Franchise fees		
At cost	366,796	366,796
Less: accumulated amortisation	(344,683)	(333,146)
	22,113	**33,650**
Renewal processing fee		
At cost	533,993	533,993
Less: accumulated amortisation	(423,432)	(365,748)
	110,561	**168,245**
Total written down amount	**132,674**	**201,895**

Note 11. Tax

	2016 $	2015 $
Current:		
Income tax payable/(refundable)	**11,195**	**(24,122)**

	2016 $	2015 $

Note 11. Tax (continued)

Non-Current:

	2016 $	2015 $
Deferred tax assets		
- accruals	1,170	1,575
- employee provisions	4,754	5,085
- property, plant and equipment	41,253	33,052
	47,177	**39,712**
Deferred tax liability		
- accruals	-	875
	-	**875**
Net deferred tax asset	**47,177**	**38,837**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(8,340)**	**23,999**

Note 12. Trade and other payables

Current:

	2016 $	2015 $
Trade creditors	9,787	20,629
Other creditors and accruals	74,912	13,250
	84,699	**33,879**

Note 13. Borrowings

Current:

	2016 $	2015 $
Bank loans	**7,745**	**71,866**

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 7.25%.

Note 14. Provisions

Current:

	2016 $	2015 $
Provision for annual leave	**8,148**	**8,645**
Non-Current:		
Provision for long service leave	**7,699**	**8,303**

	2016 $	2015 $
Note 15. Contributed equity		
3,200,000 ordinary shares fully paid (2015: 3,200,000)	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.

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 1,129. As at the date of this report, the company had 1,123 shareholders.

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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.

	2016 $	**2015 $**

Note 16. Accumulated losses

Balance at the beginning of the financial year	(768,734)	(780,255)
Net profit from ordinary activities after income tax	81,534	123,521
Dividends paid or provided for	(112,000)	(112,000)
Balance at the end of the financial year	**(799,200)**	**(768,734)**

Note 17. 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	81,534	123,521
Non cash items:		
- depreciation	132,003	131,315
- amortisation	69,221	69,221
- profit made on disposal of asset	-	(276)
- loss made on disposal of asset	-	830

	2016 $	2015 $

Note 17. Statement of cash flows (continued)

Changes in assets and liabilities:		
- (increase)/decrease in receivables	2,368	8,857
- (increase)/decrease in other assets	15,782	36,424
- increase/(decrease) in payables	50,820	(30,832)
- increase/(decrease) in provisions	(1,101)	3,320
- increase/(decrease) in current tax liabilities	11,195	-
Net cash flows provided by operating activities	**361,822**	**342,380**

Note 18. 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	339,932	340,177
- between 12 months and 5 years	546,054	931,005
- greater than 5 years	-	-
	885,986	**1,271,182**

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 19. Auditor’s remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	6,600	6,400
- other non audit services	2,830	3,034
	9,430	**9,434**

Note 20. Director and related party disclosures

Key Management Personnel Remuneration		
Short-term employee benefits	37,027	41,433
	37,027	**41,433**

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

Notes to the financial statements (continued)

	2016 $	2015 $

Note 20. Director and related party disclosures (continued)

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	4,950

	2016	2015
Key Management Personnel Shareholdings		
Ordinary shares fully paid	12,500	12,50 0

	2016 $	2015 $

Note 21. Dividends paid or provided

	2016 $	2015 $
a. Dividends paid during the year		
Current year dividend		
100% (2015: 100%) franked dividend - 3.5 cents (2015: 3.5 cents) per share	**112,000**	**112,000**
The tax rate at which dividends have been franked is 30% (2015: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	91,207	130,568
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	10,104	(24,123)
- 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:	**101,311**	**106,445**
- 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	**101,311**	**106,445**

Note 22. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	81,534	123,521

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	3,200,000	3,200,000

Note 23. 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.

Note 24. 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 25. Segment reporting

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

Note 26. 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 27. 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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 %**	**2015 %**
Financial assets												
Cash and cash equivalents	387,422	263,507	151,293	147,022	-	-	-	-	196	172	0.57	1.42
Receivables	-	-	-	-	-	-	-	-	137,972	124,124	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	7,745	71,866	-	-	-	-	-	-	5.99	1.86
Payables	-	-	-	-	-	-	-	-	9,787	20,629	N/A	N/A

Note 27. Financial instruments (continued)

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.

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 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2016 $	2015 $
Change in profit/(loss)		
Increase in interest rate by 1%	5,310	3,387
Decrease in interest rate by 1%	5,310	3,387
Change in equity		
Increase in interest rate by 1%	5,310	3,387
Decrease in interest rate by 1%	5,310	3,387

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 2016 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 26th of September 2016.

Independent audit report

Partners in success

Chartered Accountants

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

Report on the financial report

We have audited the accompanying financial report of Logan Community Financial Services Limited, which comprises the balance sheet as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

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Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Logan Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 26 September 2016

David Hutchings
Lead Auditor

NSX report

Logan Community Financial Services Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia (NSX).

Shareholding

The following table shows the number of shareholder, broken into various categories showing the total number of shares held.

Range of shares held	Total holders	Units
1 to 1,000	739	506,048
1,001 to 5,000	298	859,937
5,001 to 10,000	50	445,950
10,001 to 100,000	33	856,292
100,001 and over	3	521,275
Total shareholders	**1,123**	

Each of the shareholders is entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 473 shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to $1 per share. There are no unquoted equity securities.

The following table shows the 10 largest shareholders

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	166,275	5.21	232,275	7.28
Central Plumbing Supplies Pty Ltd	102,500	3.21	-	-
Week Constructions Pty Ltd	57,000	1.79	232,275	7.28
Winpar Holdings Limited	56,900	1.78	-	-
Astonlee Pty	50,000	1.57	-	-
The Miles Superannuation Fund	50,000	1.57	-	-
Mr Richard Craig Campbell &				
Mrs Haydee Elba Campbell	45,000	1.41	-	-
Mr James Vincent Carlton & Mrs Beverley Grace Mercer	41,540	1.30	-	-
Global Effect Pty Ltd Superannuation Fund	36,001	1.13	-	-

Registered office and principal administrative office

The registered office of the company is located at:
54 Bryants Road,
Shailer Park QLD 4128
Phone: (07) 3806 4000

The principal administrative office of the company is located at
54 Bryants Road,
Shailer Park QLD 4128
Phone: (07) 3806 4000

Security register

The security register (share register) is kept at:
ShareData Pty Ltd
52 Angove Park Drive,
Tea Tree Gully SA 5091

Company Secretary

The Company Secretary is Robert Herriott. Robert was appointed to the role of Company Secretary on 25 November 2013.

Corporate governance

The company has implemented various corporate governance practices, which include:-

a) Director approval of operating budgets and monitoring of progress against these budgets;

b) Ongoing Director training and;

c) Monthly Director Meetings to discuss performance and strategic plans.

Annexure 3

There are no material differences between the information in the company's Annexure 3 and the information in the financial documents in its Annual Report.

5 Year summary of performance

		2012	2013	2014	2015	2016
Gross revenue	$	4,359,334	4,441,511	4,120,546	3,818,565	3,757,180
Net profit before tax	$	636,160	612,215	181,526	179,725	117,149
Total assets	$	2,428,481	2,543,912	2,344,420	2,394,113	2,362,497
Total liabilities	$	209,961	185,024	82,464	120,636	119,486
Total equity	$	2,218,520	2,358,888	2,261,956	2,273,477	2,243,011

Logan **Community Bank**® Group

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Shop 17-18, Westpoint Shopping Centre,
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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
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