

Annual Report 2019

Logan Community Financial Services Limited

Logan **Community Bank**® Group

ABN 89 101 148 430



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Chairman's report

For year ending 30 June 2019

This year has been our year to shine. Coming from a period where the financial services industry has continued to bear the brunt of intense scrutiny, our business and the model under which it functions has proven to be one that is worth believing in and trusting. In the wash up of the Royal Commission and much of the public scrutiny that has followed we have found ourselves to be the true winners in this passage of time, but in saying that we must thank you, our customers, family and friends for the loyalty and support you demonstrate.

The year has given us some big results, and many of them reflect significant turnarounds in the business. Our decision to make banking services more accessible through our Mobile Relationship Managers has been a great success. It was a big decision particularly off the back of our decision to integrate the Marsden business into our broader network. The proof has been in watching our customer numbers grow rather than seeing a runoff of customers as a result of this decision. What has been more telling however is best told in sheer numerical terms:

- 2017/18 business shrank by \$5 million and lending on our books was reduced by \$13.5 million overall
- 2018/19 business grew by \$41 million and lending increased by \$27 million.

Results worthy of a round of applause, but wait there's more:

- In 2017/18 we made a moderate profit (\$119,722), and much of this was driven by sheer fiscal responsibility in the face of trying conditions.
- 2018/19 and we can now report a profit of \$189,204.

In delivering the strong result that is here before you we have continued to make the bold decisions. The entire team of Logan Community Financial Services Limited was involved in the decision to relocate the Browns Plains premises in yet another critical date event. Not simply a relocation, this move has seen us build new premises that incorporate a Business Hub from which we are able to again better service for our community and customers.

In delivering this Annual Report it is hard not to focus on the business achievements, as they have been something long sought for and we are proud of the outcomes. It does inevitably lead back however to why we are all here and that is to deliver the success of these labours into community and shareholders. The story gets told time and again and we often have so many moving parts that it almost becomes too hard to remember them all. With that in mind we have produced this year more collateral around retelling our, and your story. Our affectionately named 'barbeque facts' document came to life so that it is easy to leave a visual record with those that wish to understand what it is we put back into the community at large, and a copy is available with the Annual Report. It is also included in your welcome documents when you take out a financial service with us.

To further tell our story we also joined this year with a number of the local businesses and organisations that we partner with to record a series of vignettes in a localised campaign of telling the 'Be the change' story. Aside from showing those here at the AGM, these will be featured on our soon to be released website and landing pages, so please keep an eye out for them as you may see some of your friends and family featured.

With \$2 million of reinvested profits in the Logan community we have been proudly supporting and working alongside:

- Logan Basketball, and we have renewed our stadium sponsorship into the coming year
- Logan Together – in funding assistance to Early Learning Scholarships a program that assists not just the children but also 'educates' parents on the importance of their child attending kindy in the formative years
- Defibrillators into local schools
- Smart Pups – dogs trained in task-specific skills, Smart Pups improve children's independence and quality of life

Chairman's report (continued)

- Cultural Community investments which have included Diwali, Brisbane - Indian community Bollywood event, Kshatriya Youth soccer club
- Our ongoing commitment to support the numerous smaller NFP groups in our local community that we have been associated with for many years i.e. Logan Rotary, Brigalow Country Club, Riverlakes Veterans Golf Club, Mt Warren Vets Golf, Neighbourhood Watch along with many other long-standing initiatives.

Additionally, we have continued with our commitment to building a future fund that aims at finding that legacy style project that our community needs us to help leverage. To achieve that we have maintained a healthy investment into the Community Enterprise Foundation™, and still have a total reserve of around \$100,000.

Bendigo and Adelaide Bank Limited, our corporate partner, leads the way in being an engaged corporate with great social responsibility. The corporate leadership team continues to evolve and with it so does the strategy and vision for the future. It must be said that 'culture counts' and we have one of the best in the business.

Your Board locally remains positive about how the business greets the current climate, albeit a challenging one with margins being squeezed to record lows. Our leadership team in the field is tight knit and focused. The road ahead is never a predictable one, but a cohesive team makes for a safer journey.



Jason Luckhardt
Chairman

Community investment

\$2 million

Returned in sponsorships, donations and grants.

Our community investment continues to shine and something the group is extremely proud of – now in excess of \$2 million returned by way of sponsorships, donations and grants. We strive to uphold the **Community Bank®** model, based on profit-with-purpose.

Some of the wonderful groups supported in 2019

Canefields Clubhouse – Walk for Wellness

Logan Men's Shed

Defibrillators in two local schools – Springwood Central SS and Eight Mile Plains SS

Griffith University – Logan Fun Run

Logan Together – Kindy Scholarships

FM 101 Logan's local community radio station

Soroptimist International Beenleigh Inc.

Khmer Buddhist Society of Qld Inc.

Kingston Park Raceway

Kshatriya Youth Club Inc.

Mt Warren Park Veterans Golfers Club

Rosedale State School – Lego Lab



Top: Canefields Clubhouse walk for wellness.

Middle: Rotary cheque presentation; Defib recipient Eight Mile Plains SS.

Bottom: Defib recipient Springwood Central SS; Lego Lab at Rosedale State School.



Directors' report

For the financial year ended 30 June 2019

Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

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

National Franchise Manager

Licensed Real Estate Agent. Licensed Auctioneer. Diploma of Business (Marketing). Member REIQ.

Board Chair, Member of Governance, Audit & Human Resources Committee.

Interests in shares: 4,000

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: 10,500

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

Directors' report (continued)

Directors (continued)

Kathleen Robyn Wakeling

Director

Senior Manager - Community

Kate has been in the Financial Services Industry for more than 25 years and holds a Diploma in Financial Planning from Deakin University. Kate is keen to encourage diversity in the workforce and is a member of Financial Executive Women & WoB Australia (Women on Boards).

Member of Governance, Audit and Human Resources Committees.

Interest in shares: Nil

David William Ekert

Director

Consultant

David is an experienced and flexible Senior Executive Consultant and Teacher with many years' experience in general management, IT and business project management, financial management and accounting, strategic planning and business analysis. He has successfully built business and achieved profit targets in commercial organisations. He has also managed very large project teams implementing financial and logistics systems with multi-million-dollar budgets. David has a special interest in innovation, combining system, process and business improvement to achieve better business outcomes and value. David is heavily involved in the Logan community. He has been a member of the Rotary Club of Logan since 2003, having served two terms as President and many other Club Board roles, as well as representing the Club in other community forums. He has also served on the Management Committee of Canefields Clubhouse and is a member of Griffith University's Logan Campus Development Advisory Board.

David holds a Bachelor degree in Accounting, an MBA specialising in Strategic Management and Marketing, is a Certified Practicing Accountant and an Associate Fellow of the Institute of Managers and Leaders.

Member of Governance, Audit and Human Resources Committees.

Interest in shares: 2,000

Lachlan Stewart

Director

Teacher & Personal Trainer

Lachlan holds a Bachelor of Secondary Education and a Certificate III & IV Fitness.

Chair of Marketing Committee and Chair of SEQ Collaborative Cluster Committee.

Interest in shares: Nil

Elvio John DiZane

Director

Sales Manager

Elvio has held several management positions throughout his career along with becoming a multi-site franchises holder of Shell Australia (Service Stations) and Barry's The Home Improvers. He was a past member of a variety of networking groups, sporting, body corporate and business committees and is a volunteer for Rosie's - Friends on the Street supporting homeless since 2004.

Member of Governance, Audit & Human Resources Committee.

Interest in shares: 1,000

Russell Peter Jenkins

Director (Resigned 12 November 2018)

Retired

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

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

Michael James Wardlaw

Director (Resigned 30 July 2018)

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

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 Brett Raguse. Brett was appointed to the position of secretary on 1 January 2017.

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'.

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 2019 \$	Year ended 30 June 2018 \$
189,204	119,722

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, 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.

Directors' report (continued)

Operating and financial review (continued)

At 30 June 2019 the level of business on the books was \$452M. This is an increase of \$36M. The product mix comprises lending of \$259M, deposits \$150.6M and other business \$42.9M.

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.

Financial position

Assets

Total assets have increased to \$3,147,329 during the financial year ended 30 June 2019.

Cash balances have increased by \$258,336 as a result of the following:

- Cash flows from operations \$470,270
- Net investment property plant and equipment (\$478,557)
- Payment of intangible assets (\$53,765)
- Payment of dividend (\$143,524)
- Proceeds from borrowings (\$481,326)
- Repayment of borrowings (\$17,414).

Liabilities

Total liabilities increased by \$468,351 primarily due to the borrowings taken out for the branch fit out at Brown Plains.

Equity

Equity has decreased by \$45,680.

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 \$500M. 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' report (continued)

Operating and financial review (continued)

Directors' remuneration

For the year ended 30 June 2019 the directors received total remuneration as follows:

	\$
Jason Paul Luckhardt	9,195
Brett Blair Raguse	6,860
Robert Leslie Herriott	4,800
Bridget Louise French	3,345
Kathleen Robyn Wakeling	-
David William Ekert	4,860
Lachlan Stewart	4,525
Elvio John DiZane	2,860
Russell Peter Jenkins (Resigned 12 November 2018)	-
Michael James Wardlaw (Resigned 30 July 2018)	-
	36,445

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	4,000
Brett Blair Raguse	500	10,000	10,500
Robert Leslie Herriott	2,000	-	2,000
Bridget Louise French	-	-	-
Kathleen Robyn Wakeling	-	-	-
David William Ekert	-	2,000	2,000
Lachlan Stewart	-	-	-
Elvio John DiZane	-	1,000	1,000
Russell Peter Jenkins (Resigned 12 November 2018)	-	-	-
Michael James Wardlaw (Resigned 30 July 2018)	-	-	-

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, 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 \$45 for the year ended 30 June 2019 (2018: \$197).

Directors' report (continued)

Dividends

	Year ended 30 June 2019	
	Cents	\$
Dividends paid in the year	4.5	143,524

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.

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 & Community Projects		Governance, Audit & Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Jason Paul Luckhardt	11	9	-	-	8	4
Brett Blair Raguse	11	10	-	-	8	7
Robert Leslie Herriott	11	9	11	7	8	7
Bridget Louise French	11	5	11	7	-	-
Kathleen Robyn Wakeling	11	6	-	-	8	6
David William Ekert	11	11	-	-	8	7
Lachlan Stewart	11	11	11	10	-	-
Elvio John Dizane	11	9	-	-	8	7
Russell Peter Jenkins (Resigned 12 November 2018)	5	-	-	-	-	-
Michael James Wardlaw (Resigned 30 July 2018)	1	-	-	-	-	-

Directors' report (continued)

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, 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*.

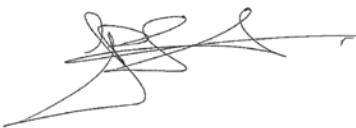
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- 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 12.

Signed in accordance with a resolution of the board of directors at Logan, Queensland on 12 September 2019.



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 2019, 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: 12 September 2019

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

Graeme Stewart
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue from ordinary activities	4	3,821,881	3,641,848
Employee benefits expense		(2,274,709)	(2,077,146)
Charitable donations, sponsorship, advertising and promotion		(132,732)	(235,703)
Occupancy and associated costs		(424,462)	(475,025)
Systems costs		(149,823)	(164,319)
Depreciation and amortisation expense	5	(131,747)	(161,617)
Finance costs	5	(1,726)	(1,863)
General administration expenses		(440,818)	(360,908)
Profit before income tax expense		265,864	165,267
Income tax expense	6	(76,660)	(45,545)
Profit after income tax expense		189,204	119,722
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		189,204	119,722
Earnings per share		¢	¢
Basic earnings per share	24	5.93	3.74

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,025,406	767,070
Trade and other receivables	8	84,461	120,179
Financial assets	9	7,000	7,000
Current tax asset	12	19,137	20,042
Total current assets		1,136,004	914,291
Non-current assets			
Property, plant and equipment	10	1,800,745	1,419,787
Intangible assets	11	210,580	264,345
Deferred tax asset	12	-	34,875
Total non-current assets		2,011,325	1,719,007
Total assets		3,147,329	2,633,298
LIABILITIES			
Current liabilities			
Trade and other payables	13	118,455	84,201
Borrowings	14	481,133	17,221
Provisions	15	24,256	18,366
Total current liabilities		623,844	119,788
Non-current liabilities			
Deferred tax liability	12	22,332	-
Trade and other payables	13	177,424	236,565
Provisions	15	1,823	719
Total non-current liabilities		201,579	237,284
Total liabilities		825,423	357,072
Net assets		2,321,906	2,276,226
EQUITY			
Issued capital	16	3,042,211	3,042,211
Accumulated losses	17	(720,305)	(765,985)
Total equity		2,321,906	2,276,226

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2019

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017		3,042,211	(757,707)	2,284,504
Total comprehensive income for the year		-	119,722	119,722
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	23	-	(128,000)	(128,000)
Balance at 30 June 2018		3,042,211	(765,985)	2,276,226
Balance at 1 July 2018		3,042,211	(765,985)	2,276,226
Total comprehensive income for the year		-	189,204	189,204
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	23	-	(143,524)	(143,524)
Balance at 30 June 2019		3,042,211	(720,305)	2,321,906

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		4,221,209	4,028,817
Payments to suppliers and employees		(3,744,076)	(3,698,678)
Interest received		11,685	5,374
Interest paid		-	(1,863)
Income taxes paid		(18,548)	(56,266)
Net cash provided by operating activities	18	470,270	277,384
Cash flows from investing activities			
Payments for property, plant and equipment		(478,557)	(30,522)
Payment of intangible assets		(53,765)	-
Net cash used in investing activities		(532,322)	(30,522)
Cash flows from financing activities			
Proceeds from borrowings		481,326	-
Repayment of borrowings		(17,414)	(61,418)
Dividends paid	23	(143,524)	(128,000)
Net cash provided by/(used in) financing activities		320,388	(189,418)
Net increase in cash held		258,336	57,444
Cash and cash equivalents at the beginning of the financial year		767,070	709,626
Cash and cash equivalents at the end of the financial year	7(a)	1,025,406	767,070

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2019

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 Board (AASB) 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 which 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 two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k).

There are also a number of accounting standards and interpretations issued by the 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 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 Leases and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its branches. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

No significant impact is expected for the company's finance leases.

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$1,983,113.

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, Springwood and Beenleigh, Queensland.

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)

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 arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

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 unrefundable).

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 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 gain from a bargain purchase.

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 5 - 15 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 (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

(i) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

Derecognition

(i) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment (continued)

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

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

Recognition of expected credit losses in financial statements

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

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

n) Issued capital

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

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.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The most recent credit rating provided by the ratings agencies is as follows:

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

Expected credit loss assessment for Bendigo and Adelaide Bank Limited (continued)

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo and Adelaide Bank Limited receivable as at 30 June 2019.

Expected credit loss assessment for other customers

The company has performed a historical assessment of the revenue collected from other customers and found no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2019.

(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.

(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 2019 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.

Notes to the financial statements (continued)

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 carried forward 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.

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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.

	2019 \$	2018 \$
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Note 4. Revenue from ordinary activities

Operating activities:

- gross margin	3,065,295	2,688,978
- services commissions	258,020	435,757
- fee income	332,715	347,959
- market development fund	104,166	165,833
Total revenue from operating activities	3,760,196	3,638,527

Non-operating activities:

- interest received	11,685	3,321
- other income	50,000	-
Total revenue from non-operating activities	61,685	3,321
Total revenues from ordinary activities	3,821,881	3,641,848

Notes to the financial statements (continued)

	2019 \$	2018 \$
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Note 5. Expenses

Depreciation of non-current assets:

- buildings	9,048	9,050
- plant and equipment	15,395	21,608
- leasehold improvements	31,682	41,192
- motor vehicles	21,857	21,835

Amortisation of non-current assets:

- franchise agreement	8,961	11,322
- franchise renewal fee	44,804	56,610
	131,747	161,617

Finance costs:

Interest paid	1,726	1,863
Bad debts	6,894	5,427
Loss on disposal of assets	19,617	17,077

Note 5a. Community Enterprise Foundation™

During the period the company contributed funds to the Community Enterprise Foundation™ (CEF), the philanthropic arm of the Bendigo and Adelaide Bank Group. These contributions form part of charitable donations and sponsorship expenditure included in the Statement of Profit or Loss and Other Comprehensive Income.

The funds contributed are held by the CEF in trust on behalf of the company and are available for distribution as grants to eligible applicants. The balance of funds held by the CEF as at 30 June 2019 is \$80,345 (2018: \$100,000).

	2019 \$	2018 \$
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Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	19,453	40,249
- Movement in deferred tax	57,207	5,296
	76,660	45,545

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

Operating profit	265,864	165,267
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	73,114	45,449

Notes to the financial statements (continued)

	Note	2019 \$	2018 \$
Note 6. Income tax expense (continued)			
Add tax effect of:			
- non-deductible expenses		8,942	4,792
- timing difference expenses		(31,472)	(5,080)
- other deductible expenses		(31,131)	(4,912)
		19,453	40,249
Movement in deferred tax		57,207	5,296
		76,660	45,545

Note 7. Cash and cash equivalents

Cash at bank and on hand		837,954	608,048
Term deposits		187,452	159,022
	7(a)	1,025,406	767,070

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		837,954	608,048
Term deposits		187,452	159,022
		1,025,406	767,070

Note 8. Trade and other receivables

Trade receivables		77,618	113,848
Prepayments		6,512	6,000
Other receivables and accruals		331	331
		84,461	120,179

Note 9. Financial Assets

Available-for-sale financial assets	9(a)	7,000	7,000
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Note 9.(a) Available-for-sale financial assets comprise:

Unlisted investments, at cost			
- Shares in unlisted corporations	19	7,000	7,000

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 10. Property, plant and equipment		
Buildings		
At cost	987,396	987,396
Less accumulated depreciation	(68,520)	(59,472)
	918,876	927,924
Leasehold improvements		
At cost	953,943	698,042
Less accumulated depreciation	(161,598)	(319,802)
	792,345	378,240
Plant and equipment		
At cost	255,670	347,729
Less accumulated depreciation	(206,668)	(296,485)
	49,002	51,244
Motor vehicles		
At cost	191,651	191,651
Less accumulated depreciation	(151,129)	(129,272)
	40,522	62,379
Total written down amount	1,800,745	1,419,787
Movements in carrying amounts:		
Buildings		
Carrying amount at beginning	927,924	936,974
Additions	-	-
Disposals	-	-
Less: depreciation expense	(9,048)	(9,050)
Carrying amount at end	918,876	927,924
Leasehold improvements		
Carrying amount at beginning	378,240	427,637
Additions	458,612	-
Disposals	(12,825)	(8,205)
Less: depreciation expense	(31,682)	(41,192)
Carrying amount at end	792,345	378,240

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 10. Property, plant and equipment (continued)		
Plant and equipment		
Carrying amount at beginning	51,244	76,730
Additions	19,944	4,994
Disposals	(6,791)	(8,872)
Less: depreciation expense	(15,395)	(21,608)
Carrying amount at end	49,002	51,244
Motor vehicles		
Carrying amount at beginning	62,379	58,686
Additions	-	25,528
Disposals	-	-
Less: depreciation expense	(21,857)	(21,835)
Carrying amount at end	40,522	62,379
Total written down amount	1,800,745	1,419,787

Note 11. Intangible assets

Franchise fee		
At cost	411,600	411,600
Less: accumulated amortisation	(376,503)	(367,542)
	35,097	44,058
Renewal processing fee		
At cost	758,013	758,013
Less: accumulated amortisation	(582,530)	(537,726)
	175,483	220,287
Total written down amount	210,580	264,345

Note 12. Tax

Current:

Income tax refundable	(19,137)	(20,042)
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Non-Current:

Deferred tax assets		
- accruals	956	1,299
- employee provisions	7,172	5,248
- property, plant and equipment	-	28,419
	8,128	34,966

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 12. Tax (continued)		
Deferred tax liability		
- accruals	91	91
- property, plant and equipment	30,369	-
	30,460	91
Net deferred tax asset/(liability)	(22,332)	34,875
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	57,207	5,296

Note 13. Trade and other payables

Current:

Trade creditors	38,855	16,337
Other creditors and accruals	79,600	67,864
	118,455	84,201

Non-current:

Other creditors and accruals	177,424	236,565
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Note 14. Borrowings

Current:

Bank loans	481,133	17,221
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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 4.90% (2018: 5.39%).

Note 15. Provisions

Current:

Provision for annual leave	10,996	6,073
Provision for long service leave	13,260	12,293
	24,256	18,366

Non-current:

Provision for long service leave	1,823	719
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Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 16. Issued capital		
3,200,010 ordinary shares fully paid (2018: 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®** branches 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 1,029. As at the date of this report, the company had 1,088 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.

Notes to the financial statements (continued)

Note 16. Issued capital (continued)

Prohibited shareholding interest (continued)

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.

	2019 \$	2018 \$
Note 17. Accumulated losses		
Balance at the beginning of the financial year	(765,985)	(757,707)
Net profit from ordinary activities after income tax	189,204	119,722
Dividends provided for or paid	(143,524)	(128,000)
Balance at the end of the financial year	(720,305)	(765,985)

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	189,204	119,722
Non cash items:		
- depreciation	77,982	93,685
- amortisation	53,765	67,932
- loss on disposal of assets	19,617	17,077
Changes in assets and liabilities:		
- (increase)/decrease in receivables	35,718	23,852
- (increase)/decrease in other assets	35,779	(10,721)
- increase/(decrease) in payables	28,878	(36,679)
- increase/(decrease) in provisions	6,994	2,516
- increase/(decrease) in current tax liabilities	22,333	-
Net cash flows provided by operating activities	470,270	277,384

Notes to the financial statements (continued)

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.

At 30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
FVTPL financial assets				
Unlisted investments:				
- shares in other corporations	7,000	-	-	7,000
	7,000	-	-	7,000

At 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
FVTPL financial assets				
Unlisted investments:				
- shares in other corporations	7,000	-	-	7,000
	7,000	-	-	7,000
Total assets at fair value	7,000	-	-	7,000

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 FVTPL 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.

	2019 \$	2018 \$
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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	248,660	252,438
- between 12 months and 5 years	907,085	323,203
	1,155,745	575,641

Notes to the financial statements (continued)

Note 20. Leases (continued)

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

	2019 \$	2018 \$
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Note 21. Auditor's remuneration

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

- audit and review services	6,800	6,750
- non audit services	4,025	3,654
	10,825	10,404

Note 22. Director and related party disclosures

Key Management Personnel Remuneration

Short-term employee benefits	36,445	37,027
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Detailed remuneration disclosures are provided in the remuneration report, included as part of the directors' report.

Transactions with Key Management Personnel

Elvio DiZane is a Sales Manager at Waterways Plus Pty Ltd and provided marketing material for a sponsored event.	-	320
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Key Management Personnel Shareholdings	2019	2018
Ordinary shares fully paid	19,500	4,500

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

Note 23. Dividends provided for or paid

a. Dividends declared and paid during the year

Current year dividend		
Fully franked dividend - 4.5 cents (2018: 4 cents) per share	143,524	128,000

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).

Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 23. Dividends provided for or paid (continued)		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	93,038	129,091
- franking debits that will arise from refund of income tax as at the end of the financial year	(19,138)	(20,221)
- 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:	73,900	108,870
- 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	73,900	108,870

Note 24. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	189,204	119,722
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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.

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, Springwood and Beenleigh, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

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					
	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 %	2018 %
Financial assets												
Cash and cash equivalents	837,675	607,946	187,452	159,022	-	-	-	-	279	102	1.57	1.17
Receivables	-	-	-	-	-	-	-	-	77,618	113,848	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	481,133	17,221	-	-	-	-	-	-	4.90	5.39
Payables	-	-	-	-	-	-	-	-	38,855	16,337	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.

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.

Notes to the financial statements (continued)

Note 29. Financial instruments (continued)

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 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019 \$	2018 \$
Change in profit/(loss)		
Increase in interest rate by 1%	5,440	7,497
Decrease in interest rate by 1%	(5,440)	(7,497)
Change in equity		
Increase in interest rate by 1%	5,440	7,497
Decrease in interest rate by 1%	(5,440)	(7,497)

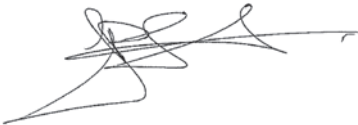
Directors' declaration

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 2019 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 12th of September 2019.

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 report

Our opinion

In our opinion, the accompanying 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 2019 and of its financial 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 company.

Basis for opinion

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

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *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 2019.

In our opinion, the Remuneration Report of Logan Community Financial Services Limited for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report 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 2019 audit.

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 12 September 2019



Graeme Stewart
Lead Auditor

NSX report

Units held	Number of investors	Total number of securities	Percentage of total issued
1 – 1,000	721	493,048	15.46%
1,001 – 5,000	284	811,937	25.46%
5,001 – 10,000	48	425,950	13.35%
10,001 – 100,000	30	824,852	25.86%
100,001 – and over	4	633,715	19.87%
Totals	1,087	3,189,502	100.00%

Ten largest shareholders

The following tables shows the 10 largest shareholders

Shareholder	Number of fully paid shares held	% of total
Bendigo and Adelaide Bank Limited	247,500	7.76%
Mr Warren Andrew Dicker	171,275	5.37%
Ezy Homes Super Fund A/C	112,440	3.53%
Central Plumbing Supplies Pty Ltd	102,500	3.21%
The Waring Family Superannuation Fund	66,000	2.07%
Carlton Super Fund Account	60,000	1.88%
Week Constructions Pty Ltd	57,000	1.79%
Winpar Holdings Limited	56,900	1.78%
Mrs Leonie Campbell <Leonie McCabe Super Fund A/c>	50,000	1.57%
The Miles Superannuation Fund	50,000	1.57%

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:

AFS & Associates
61 Bull Street,
Bendigo VIC 3550

NSX report (continued)

Company Secretary

The company secretary is Brett Raguse Brett was appointed to the role of Company Secretary on 1 January 2017.

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.

Five year summary of performance

		2015	2016	2017	2018	2019
Gross revenue	\$	3,818,565	3,757,180	3,798,588	3,641,848	3,821,881
Net profit before tax	\$	179,725	117,149	217,771	165,267	256,370
Total assets	\$	2,394,113	2,362,497	2,468,333	2,633,298	3,149,940
Total liabilities	\$	120,636	119,486	183,829	357,072	834,917
Total equity	\$	2,273,477	2,243,011	2,284,504	2,276,226	2,315,023

Logan **Community Bank**® Group | Loganholme
54 Bryants Road, Shailer Park QLD 4128
Phone: 3801 3600

Logan **Community Bank**® Group | Beenleigh
106 City Road, Beenleigh QLD 4207
Phone: 3801 8336

Logan **Community Bank**® Group | Browns Plains
Shops B & C 111 - 121 Grand Plaza Drive, Browns Plains QLD 4118
Phone: 3806 9777

Logan **Community Bank**® Group | Springwood
Centro Springwood, 34 Fitzgerald Avenue, Springwood QLD 4127
Phone: 3208 2611

Franchisee: Logan Community Financial Services Limited
54 Bryants Road, Shailer Park QLD 4128
Phone: 07 3806 4000
ABN: 89 101 148 430
Email: lcbadmin@logancommunityservices.com.au

Share Registry:
AFS & Associates
Share Registry Team
Office: 03 5443 0344
shareregistry@afsbendigo.com.au

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