



Annual Report 2017

Logan Country
Financial Services Ltd

ABN 38 120 853 545

Logan Village **Community Bank**[®] Branch
Jimboomba branch

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Chairwoman's report

For year ending 30 June 2017

The 2016/17 financial year has been a big one of change for Logan Country Financial Services Ltd.

New changes to our community sponsorship arrangements have seen a more streamlined and equitable approach to the distribution of our community funds. We celebrated our 10-year anniversary in November of last year, where we were able to reflect on the growth of our **Community Bank**[®] company in this time. In 10 years, over \$400,000 of community contributions have been made. This is quite an achievement for our company, and our company should be proud that it has been able to 'Be the Change' for these community groups.

The financial climate remains difficult with many push and pull factors constraining our growth. With this, community funding has become more conservative than in previous years, and we have had to come up with new and different ways to grow our business outside of the box. Pleasingly, as a result of these efforts, the business footings remain reasonably consistent, a true testament to our hard working team.

As a Board we continue to focus on growing business within South East Queensland's key high growth areas of Yarabillba and Flagstone. Our next goal will be to focus on strengthening our connections within these communities.

As shareholders, the biggest thing you can do to ensure the continued success and growth of our company is to continue to support us, more particularly, to bank with us. As long time shareholders many of you would be aware of the **Community Bank**[®] model where the profits we derive from our business means we can contribute more to our local community. We encourage you to help us 'Be the Change'.

I'd like to personally thank and acknowledge all of the Directors of the Board for their support and commitment for the last 12 months. All of our Directors are volunteers and their time and commitment to Logan Country Financial Services Ltd is greatly appreciated.

In particular I'd like to make special mention of Warren Rosen, Allan Pettigrew and Tery Hurst, for their many years of dedication to the Board. Each of these fellows have now resigned from the Board to pursue new and exciting adventures. Each has played a crucial role in the development of the company. Tery Hurst was a founding Director, and the valuable contributions of each of these past Directors have all been greatly appreciated. I wish them well with their future endeavours.

We have also welcomed new members to our Board committees. Their experience in various fields assists the Board and committees tremendously and it also provides an opportunity for committee members and the Board to consider if a future role as a Board Director is suitable. We encourage our shareholders to become more involved with our development. If you are interested, I encourage you to contact either myself or our Executive Assistant.

Continuing with the company update, in February Paul Casbolt stepped down as Chair, and I was appointed by my fellow Board members. I am honoured to have accepted this position and thank them for entrusting me with this role. I'd like to take this opportunity to thank Paul for his time and dedication as Chair.

I'd also like to welcome to the role as Executive Assistant, Maris Dirx. Maris has worked alongside other **Community Bank**[®] company boards and will provide invaluable experience that can only be considered an advantage for our company.

More changes in the Board set up sees Glenda Elgood accept appointment as not only the Vice Chair but also our Company Secretary. Margaret Whitfield will continue on as Treasurer and devote her time to this role. I would like to extend my thanks to these ladies for their continued support within these roles.

I would also like to extend an acknowledgement to Gary Hastings. Gary Hastings is a Founding Director who continues to serve on our Board. Gary is the glue that holds us all together. I truly appreciate his insight into the history of the company, and his ability to look to the future with such optimism.

Chairwoman's report (continued)

I would like to welcome our new staff at Logan Village - James Wilson, Julie Hayes, and Jo Ann Wynhoven. Your enthusiasm brings a new life to our hard working branch team. I would also like to acknowledge the continued efforts of our existing staff members including Sharon Norman, Lynne Kamp and Kerrie Burgess. Finally I would like to extend my personal congratulations to Kerry Menck, our Branch Manager. The last 12 months have not always been easy, but even under pressure, Kerry has remained a solid and dedicated face of our business.

Keep up the good work team, and I look forward to what we can achieve in the next 12 months. The Board, together with our staff, our partners Bendigo Bank, our community partners and our shareholders have all contributed to the success of our Bank. Your advocacy and continued support of our branches is invaluable and appreciated.



Jocelyne Berry-Sheppard
Chairwoman

Manager's report

For year ending 30 June 2017

The last year has just flown by. We have now contributed over \$400,000 to our local community through sponsorships and donations. We value the partnerships we have made within our local community.

Since opening Jimboomba branch in February 2016 as a full service branch, it has been pleasing to see the increase in customers coming through the doors, proving the community is aware we are there and can assist with all your banking, financial and insurance needs.

The branch staff and I have been working hard to identify business growth opportunities in the local areas and spread awareness of our two local branches.

The benefits of increasing our customer base and products per customer are evident in our ability to support more local community groups with sponsorships and donations each year thus assisting in their success. The key to the growth of our business is referrals. Please refer your friends, family, co-workers to our **Community Bank**[®] branches so we can continue to assist the local community and shareholders.

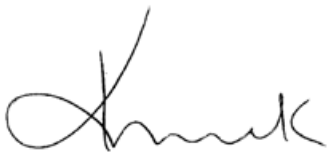
Have you liked us on Facebook yet? Please find us and like our page, you will find information on upcoming events, local stories and important information. It is a convenient way to keep in touch.

Some key community projects we have assisted with this year include the Jimboomba Relay for Life, the Logan Village Music and Heritage Festival, Jimboomba Redback's AFL club, Quota International of Jimboomba to name a few. We've also provided assistance to the Village Links Amateur Golf Day, the Logan Village Lions Club, and the Logan Village Men's shed.

I would like to thank our volunteer Board of Director's for their ongoing support and dedication to our **Community Bank**[®] company. I would also like to thank the staff for their continued dedication to their role, and the excellent service they provide to our customers.

The Directors and branch staff will continue networking and making connections with local businesses and community members to again assist in the growth of the business.

As shareholders, I thank you for your support, without you we wouldn't have a branch. We hope you continue your support and remember to call into our branches in Logan Village or Jimboomba for all your banking needs.



Kerry Menck
Branch Manager

Directors' report

For the financial year ended 30 June 2017

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

Directors

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

Jocelyne Naomi Berry-Sheppard

Chair

Occupation: Solicitor

Qualifications, experience and expertise: Jocelyne is a Principal Director of ACS Legal Solutions and holds a Bachelor of Law from QLD University of Technology. She was appointed to the role of Solicitor Supreme Court QLD on 19 March 2007 and the High Court on 27 September 2007. She has been a Cancer Council Jimboomba Volunteer since 2015 and was previously the Vice President and Fundraising co-ordinator for the Woodhill State School Parents & Citizens Association and a board member of Yarrabilba Community Association.

Special responsibilities: Governance Committee

Interest in shares: Nil

Glenda Kay Elgood

Deputy Chair, Company Secretary

Occupation: Accountant (CPA)

Qualifications, experience and expertise: Glenda's experience includes Director/Accountant - Public Practice Accounting Firm - CPA, Financial Controller - Commercial Business, Accountant - Public Practice Accounting Firm - CA. Glenda holds a Bachelor of Commerce and is a CPA Member. She is currently involved in the preparation of the financials for the 4118 Club and is the previous Treasurer of the Logan Lady Lion's Business Club and past Manager of a Junior Rugby League Team.

Special responsibilities: Governance Committee

Interest in shares: 500

Margaret Clare Whitfield

Treasurer

Occupation: BAS Agent

Qualifications, experience and expertise: BAS Agent and Business Improvement Specialist - MySOS. Past Treasurer Mustangs Brother JRLFC Inc. Past Treasurer of Canterbury College P&F.

Special responsibilities: Governance Committee

Interest in shares: 5,000

Paul Norman Casbolt

Director

Occupation: Retired

Qualifications, experience and expertise: Engineer with experience in the Telecommunications industry and as a Director of a consultancy business. Paul has Engineering and Financial Planning qualification and experience in managing a volunteer community group and was the Logan Citizen of the Year 2013.

Special responsibilities: Community Engagement Committee

Interest in shares: 5,401

Directors' report (continued)

Directors (continued)

Gary John Hastings

Director

Occupation: Air Conditioner Technician

Qualifications, experience and expertise: Director of Slipstream Air Pty Ltd. Director of Logan Village Developments.

Special responsibilities: Community Engagement Committee

Interest in shares: 12,688

Terence Hurst

Director (Resigned 27 July 2017)

Occupation: Retired

Qualifications, experience and expertise: Past proprietor, motor broking company

Special responsibilities: Nil

Interest in shares: 2,000

Allan Pettigrew

Director (Resigned 6 April 2017)

Occupation: Retired Chartered Engineer

Qualifications, experience and expertise: Retired Engineer, Chartered Professional Engineer, Fellow Institution of Engineers Australia. Previously the National President of Australia Water and Waste water Association, Australian Representative to Institute of Water Pollution Control of London, United Kingdom, director at Water Pollution Control Federation of U.S.A Washington and Environmental Technical Arbitrator for Coir Association of London.

Special responsibilities: Nil

Interest in shares: 4,000

Warren Lance Rosen

Director (Resigned 17 November 2016)

Occupation: Solicitor

Qualifications, experience and expertise: Solicitor for more than 45 years. Past President of Maybanks Inc, Sunshine Coast Law Association and Bayside Community Legal Services Inc.

Special responsibilities: Nil

Interest in shares: Nil

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

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

Company Secretary

The company secretary is Glenda Elgood. Glenda was appointed to the position of secretary on 2 February 2017. Margret Whitfield was the previous company secretary.

Margaret's qualifications, experience and expertise: BAS Agent and Business Improvement Specialist - MySOS. Past Treasurer Mustangs Brother JRLFC Inc. Past Treasurer of Canterbury College P&F.

Glenda's qualifications, experience and expertise: Glenda's experience includes Director/Accountant - Public Practice Accounting Firm - CPA, Financial Controller - Commercial Business, Accountant - Public Practice Accounting Firm - CA. Glenda holds a Bachelor of Commerce and is a CPA Member. She is currently involved in the preparation of the financials for the 4118 Club and is the previous Treasurer of the Logan Lady Lion's Business Club and past Manager of a Junior Rugby League Team.

Directors' report (continued)

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**[®] services under management rights to operate a franchised branch and sub-branch 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 loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
(30,297)	(36,774)

Dividends

	Year ended 30 June 2017	
	Cents	\$
Dividends paid in the year	3	18,738

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 18 and 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Directors' Meetings	
	Eligible	Attended
Jocelyne Naomi Berry-Sheppard	11	10
Paul Norman Casbolt	11	10
Margaret Clare Whitfield	11	10
Gary John Hastings	11	11
Glenda Kay Elgood	11	9
Terence Hurst (Resigned 27 July 2017)	11	8
Allan Pettigrew (Resigned 6 April 2017)	7	7
Warren Lance Rosen (Resigned 17 November 2016)	4	4

Proceedings on behalf of the company

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

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

Non audit services

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

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

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

Directors' report (continued)

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 10.

Signed in accordance with a resolution of the board of directors at Logan Village, Queensland on 8 September 2017.



**Jocelynn Naomi Berry-Sheppard,
Chair**

Auditor's independence declaration



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 Country Financial Services Ltd

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 8 September 2017

David Hutchings
Lead Auditor

Financial statements

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

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	835,052	749,154
Employee benefits expense		(505,908)	(451,476)
Charitable donations, sponsorship, advertising and promotion		(29,727)	(39,278)
Occupancy and associated costs		(114,516)	(101,444)
Systems costs		(42,914)	(21,554)
Depreciation and amortisation expense	5	(48,793)	(38,430)
Finance costs	5	(1,054)	(687)
General administration expenses		(122,437)	(133,059)
Loss before income tax credit		(30,297)	(36,774)
Income tax credit	6	-	-
Loss after income tax credit		(30,297)	(36,774)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(30,297)	(36,774)
Earnings per share		¢	¢
Basic earnings per share	21	(4.84)	(5.87)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	130,869	196,222
Trade and other receivables	8	22,364	27,602
Total Current Assets		153,233	223,824
Non-Current Assets			
Property, plant and equipment	9	191,014	211,478
Intangible assets	10	75,152	31,610
Total Non-Current Assets		266,166	243,088
Total Assets		419,399	466,912
LIABILITIES			
Current Liabilities			
Trade and other payables	11	51,428	92,445
Borrowings	12	4,319	4,319
Total Current Liabilities		55,747	96,764
Non-Current Liabilities			
Trade and other payables	11	45,803	-
Borrowings	12	15,579	18,843
Total Non-Current Liabilities		61,382	18,843
Total Liabilities		117,129	115,607
Net Assets		302,270	351,305
Equity			
Issued capital	13	626,108	626,108
Accumulated losses	14	(323,838)	(274,803)
Total Equity		302,270	351,305

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	626,108	(238,029)	388,079
Total comprehensive income for the year	-	(36,774)	(36,774)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	626,108	(274,803)	351,305
Balance at 1 July 2016	626,108	(274,803)	351,305
Total comprehensive income for the year	-	(30,297)	(30,297)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(18,738)	(18,738)
Balance at 30 June 2017	626,108	(323,838)	302,270

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		918,575	811,533
Payments to suppliers and employees		(870,147)	(805,583)
Interest received		1,728	3,366
Interest paid		(1,054)	(687)
Net cash provided by operating activities	15	49,102	8,629
Cash flows from investing activities			
Payments for property, plant and equipment		(78,573)	(19,428)
Payments for intangible assets		(13,880)	(30,000)
Net cash used in investing activities		(92,453)	(49,428)
Cash flows from financing activities			
Proceeds from borrowings		-	24,995
Repayment of borrowings		(3,264)	(1,833)
Dividends paid		(18,738)	-
Net cash provided by/(used in) financing activities		(22,002)	23,162
Net decrease in cash held		(65,353)	(17,637)
Cash and cash equivalents at the beginning of the financial year		196,222	213,859
Cash and cash equivalents at the end of the financial year	7(a)	130,869	196,222

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

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

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**[®] branch at Logan Village and sub-branch at Jimboomba, 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 and assistance in relation to:

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

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

b) Revenue

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

Revenue calculation

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

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.

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	564,323	460,772
- services commissions	137,136	142,928
- fee income	96,234	92,088
- market development fund	35,208	50,000
Total revenue from operating activities	832,901	745,788
Non-operating activities:		
- interest received	2,151	3,366
Total revenue from non-operating activities	2,151	3,366
Total revenues from ordinary activities	835,052	749,154

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	2,310	2,654
- leasehold improvements	20,103	14,925
- motor vehicle	2,769	2,820

Amortisation of non-current assets:

- franchise fee	10,000	4,167
- franchise renewal fee	13,611	13,864
	48,793	38,430

Finance costs:

- interest paid	1,054	687
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Bad debts	1,120	1,236
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Loss on disposal of asset	-	5,631
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Note 6. Income tax expense

The components of tax expense comprise:

- Future income tax benefit attributable to losses	(7,766)	(9,710)
- Movement in deferred tax	(556)	(770)
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	1,395
- Tax losses not brought to account	8,322	9,085
	-	-

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 6. Income tax expense (continued)		
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating loss	(30,297)	(36,774)
Prima facie tax on loss from ordinary activities at 27.5% (2016: 28.5%)	(8,332)	(10,480)
Add tax effect of:		
- non-deductible expenses	10	-
- timing difference expenses	556	770
	(7,766)	(9,710)
Movement in deferred tax	(556)	(770)
Adjustment to deferred tax to reflect change of tax rate in future periods	-	1,395
Tax losses not brought to account	8,322	9,085
	-	-
Income tax losses carried forward:		
Future income tax benefits arising from tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.		
Future income tax benefit carried forward is:	45,669	36,604

Note 7. Cash and cash equivalents

Cash at bank and on hand	58,968	126,037
Term deposits	71,901	70,185
	130,869	196,222

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	58,968	126,037
Term deposits	71,901	70,185
	130,869	196,222

Note 8. Trade and other receivables

Trade receivables	19,595	21,881
Prepayments	2,346	2,441
Other receivables and accruals	423	3,280
	22,364	27,602

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	293,914	291,056
Less accumulated depreciation	(133,268)	(113,165)
	160,646	177,891
Plant and equipment		
At cost	69,591	67,731
Less accumulated depreciation	(56,955)	(54,645)
	12,636	13,086
Motor vehicles		
At cost	22,155	22,155
Less accumulated depreciation	(4,423)	(1,654)
	17,732	20,501
Total written down amount	191,014	211,478
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	177,891	125,674
Additions	2,858	67,142
Disposals	-	-
Less: depreciation expense	(20,103)	(14,925)
Carrying amount at end	160,646	177,891
Plant and equipment		
Carrying amount at beginning	13,086	15,740
Additions	1,860	-
Disposals	-	-
Less: depreciation expense	(2,310)	(2,654)
Carrying amount at end	12,636	13,086
Motor vehicles		
Carrying amount at beginning	20,501	9,524
Additions	-	19,428
Disposals	-	(5,631)
Less: depreciation expense	(2,769)	(2,820)
Carrying amount at end	17,732	20,501
Total written down amount	191,014	211,478

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 10. Intangible assets		
Establishment fee		
At cost	165,602	165,602
Less: accumulated amortisation	(149,768)	(139,769)
	15,834	25,833
Renewal processing fee		
At cost	146,475	79,322
Less: accumulated amortisation	(87,157)	(73,545)
	59,318	5,777
Total written down amount	75,152	31,610

Note 11. Trade and other payables

Current:

Trade creditors	32,468	83,828
Other creditors and accruals	18,960	8,617
	51,428	92,445

Non-Current:

Trade creditors	45,803	
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Note 12. Borrowings

Current:

Chattel mortgage	16	4,319	4,319
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Non-Current:

Chattel mortgage	16	15,579	18,843
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Note 13. Contributed equity

626108 ordinary shares fully paid (2016: 626,108)	626,108	626,108
	626,108	626,108

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.

Notes to the financial statements (continued)

Note 13. Contributed equity (continued)

Rights attached to shares (continued)

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 160. As at the date of this report, the company had 163 shareholders.

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

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

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

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

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 14. Accumulated losses		
Balance at the beginning of the financial year	(274,803)	(238,029)
Net loss from ordinary activities after income tax	(30,297)	(36,774)
Dividends paid or provided for	(18,738)	-
Balance at the end of the financial year	(323,838)	(274,803)

Note 15. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities

Loss from ordinary activities after income tax	(30,297)	(36,774)
Non cash items:		
- depreciation	25,182	20,399
- amortisation	23,611	18,031
- loss on disposal of asset	-	5,631
Changes in assets and liabilities:		
- (increase)/decrease in receivables	5,238	27,893
- (increase)/decrease in other assets	-	5,103
- increase/(decrease) in payables	25,368	(31,654)
Net cash flows provided by operating activities	49,102	8,629

Note 16. Leases

Finance lease commitments

Payable - minimum lease payments:

- not later than 12 months	4,319	4,319
- between 12 months and 5 years	18,756	22,253
- greater than 5 years	-	-
Minimum lease payments	23,075	26,572
Less future finance charges	(3,177)	(3,410)
Present value of minimum lease payments	19,898	23,162

The finance lease for the motor vehicle, which commenced in December 2015, is a five year lease. Interest is recognised at an average rate of 4.86% over the term of lease. The lease is secured over the asset.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 16. Leases (continued)		
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	68,069	27,551
- between 12 months and 5 years	230,897	-
- greater than 5 years	-	-
	298,966	27,551

The Logan Village and Jimboomba property leases are each non-cancellable with a five-year term. Rent is payable monthly with CPI increases each year.

Note 17. Auditor's remuneration

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

- audit and review services	4,200	4,200
- share registry services	617	-
- non audit services	1,960	575
	6,777	4,775

Note 18. Director and related party disclosures

The names of directors who have held office during the financial year are:

Jocelyne Naomi Berry-Sheppard
 Paul Norman Casbolt
 Margaret Clare Whitfield
 Gary John Hastings
 Glenda Kay Elgood
 Terence Hurst (Resigned 27 July 2017)
 Allan Pettigrew (Resigned 6 April 2017)
 Warren Lance Rosen (Resigned 17 November 2016)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2017 \$	2016 \$
Transactions with related parties:		
The company engages MySOS for bookkeeping and BAS services of which Margaret Whitfield is an employee. During the year the company paid MySOS for various services.	595	675

Notes to the financial statements (continued)

	2017 \$	2016 \$
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Note 18. Director and related party disclosures (continued)

Transactions with related parties: (continued)

The company engages ACS Legal Solutions for legal advice of which Jocelynn Sheppard is an equity partner. During the year the company paid ACS Legal Solutions for advice regarding leases and renewal of the franchise agreement.	2,423	917
The company engages Slipstream Air Pty Ltd for the service and maintenance of all air conditioners in the branch of which Gary Hastings is the proprietor. During the year the company paid Slipstream Air Pty Ltd for various services.	3,085	2,818

	2017	2016
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Directors' Shareholdings

Jocelynn Naomi Berry-Sheppard	-	-
Paul Norman Casbolt	5,401	5,401
Margaret Clare Whitfield	5,000	-
Gary John Hastings	12,688	12,688
Glenda Kay Elgood	500	500
Terence Hurst (Resigned 27 July 2017)	2,000	2,000
Allan Pettigrew (Resigned 6 April 2017)	4,000	4,000
Warren Lance Rosen (Resigned 17 November 2016)	-	-

There was no movement in directors' shareholdings during the year.

	2017 \$	2016 \$
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Note 19. Dividends paid or provided

a. Dividends paid during the year

Prior year proposed final		
Unfranked dividend - 3 cents per share	18,738	-

Note 20. Key management personnel disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 21. Earnings per share		
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(30,297)	(36,774)
<hr/>		
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	626,108	626,108

Note 22. 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 23. 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 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in Logan Village, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. 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	Principal Place of Business
Shop 2 125 Wharf Street Logan Village QLD 4207	Shop 2 125 Wharf Street Logan Village QLD 4207

Note 26. 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.

Notes to the financial statements (continued)

Note 26. Financial instruments (continued)

Financial Instrument Composition and Maturity Analysis (continued)

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	58,968	126,037	71,901	70,185	-	-	-	-	-	-	1.59	1.75
Receivables	-	-	-	-	-	-	-	-	19,595	21,881	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	4,319	4,319	15,579	18,843	-	-	-	-	4.35	4.28
Payables	-	-	-	-	-	-	-	-	32,468	83,828	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.

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.

Notes to the financial statements (continued)

Note 26. Financial instruments (continued)

Sensitivity Analysis (continued)

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

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	1,110	1,731
Decrease in interest rate by 1%	(1,110)	(1,731)
Change in equity		
Increase in interest rate by 1%	1,110	1,731
Decrease in interest rate by 1%	(1,110)	(1,731)

Directors' declaration

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

In the opinion of the directors:

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

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



Jocelyne Naomi Berry-Sheppard,
Chair

Signed on the 8th of September 2017.

Independent audit report



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

Report on the audit of the financial statements

Our opinion

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

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

What we have audited

Logan Country Financial Services Ltd's (the company) financial report comprises the:

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

Basis for opinion

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

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

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

Other information

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

Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 8 September 2017



David Hutchings
Lead Auditor

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