Annual Report 2014

Logan Community Financial Services Limited

ABN 88 101 148 430

Logan **Community Bank**® Group

Contents

Chairman's report

For year ending 30 June 2014

Now that the Logan community is well into a double-digit age bracket it is obvious that as each year rolls on there will increasingly be much to report upon. It was of little doubt that the tough economic conditions we all had been experiencing were set to continue, but in how we handled them was a primary focus of the year we have just had. As a local company we are very proud of the team that we have and acknowledge the efforts to steer the company to a moderate profit this year of $127,000.

This profit posting comes after a year in which numerous premises saw leases increased as a result of term expiry, some capital refurbishment costs and beyond all our control the ongoing effect of the continued record low margins in financial products. As part of our constant vigil towards delivering the best possible outcomes we now report on some more major elements of change.

The past year saw us take the step of closing the Greenbank agency which, despite our best efforts, continued to trade at a level that could not warrant its ongoing maintenance. A number of ATM sites also were reviewed and in locations that demonstrated higher levels of alternate free services or extremely low usage we looked at the opportunity to renew leases as more of an opportunity to remove overheads. Our decision to purchase premises to relocate our Loganholme premises sees us now enter the fit out stage towards an end of October opening date. It is anticipated that the relocation of our administration office will follow shortly after the branch opening. This will take another large capital injection, but one for which we are well budgeted for. The projected longer term benefits both in a community sense, and from a financial return, are set to be highly significant.

It is with great confidence that we stride forward into the next few years having made these key decisions over the past few years to ensure that we find ourselves both re-engaged in our local markets, and financially sound through such forward planning.

As the largest **Community Bank**® Group In the state, we find ourselves at the centre of many of the new initiatives and perform a strategic leadership role in this area. It is acknowledged that increased spending in a number of marketing and community-based initiatives has been required not just by Logan **Community Bank**® group, but across the **Community Bank**® network Australia-wide. The entire group's commitment to its shareholders, stakeholders and communities has seen over $120 million given back to the communities over the last 15 years.

Beyond simply marketing initiatives, Bendigo Bank continues to develop and release a suite of new products and engagement tools that aim to appeal to a wide range of personal and business banking markets.

Continuing from the past few years broad market economic summary, growth in the residential loan market and in the area of deposits demonstrates continued tight conditions with the ever present margin issue still dominating. The forecasts are looking forward to a market that regains some momentum. Business banking continues to strengthen its resolve in our local area and its support through the region is appreciated, with each deal being hard fought for.

Operationally the Board has enjoyed a great year of stability, and welcomes the addition of Robert (Rob) Herriott. Rob joins the Board following a long career in the financial services sector and is already establishing his great value to the Board by taking on the Company Secretary role. In providing this level of support, Rob has enabled Sharon Pullen our Treasurer to drill down into the company's financials and assist in providing us with our most stringent budget guidelines and in depth understanding of performance.

Looking forward, much focus will be given to how we invest and engage in our area, continuing to educate new and existing customers and the public at large to the extensive product and services range in which the bank is so strong. With this we continue to commit our resources investing in important community projects.

In this area, the Marketing Committee is led so strongly by our deputy Chairman, Michael Wardlaw and in this committee he is well supported by the efforts by a number of our other Directors.

Chairman's report (continued)

Brett Raguse continues to underpin much of our strategy in the west of our city and works particularly closely with our Browns Plains team, who still preside over the largest portion of our book.

The youth and education elements of our strategy are also highly important Factors given our city's demographic profile and for this Melissa Hockey continues to take ownership of initiatives here.

The corporate representation on our Board from both Russell Jenkins and Mark Lally shows the ongoing strength of relationship that we enjoy.

Contributions and involvement continues for us with key profiles around:

- Griffith University Scholarships
- Logan Rotary Arts Festival
- Youth driver Education Programs
- PCYC- Across greater Logan
- Quota Beenleigh Logan Eisteddfod ,and
- Many of our finest sporting organisations both junior and senior.

In the area of branch staffing and management, we have for many years prided ourselves on the family-like environment that has kept staff turnover low. Through a range of factors, the majority of which have been positive, such as corporate advancement, we have seen a considerable amount of new faces join the team this year, along with some exciting promotions across the group. The branches, as a combined group, now meet in a quarterly engagement setting and enjoy a greater degree of understanding across our large and diverse city and portfolio. Our staff continue to reflect on our culture of being community driven, but we have also seen a growing desire to be product aware and sell our message of being **Bigger than a bank**, and we thank them for their continued support. Behind the scenes fantastic work continues be done by Michelle Todd who steers our administration.

As always, the final thank you must be reserved for those that invest and believe in the company. We thank you one and all and trust we have your ongoing support. Can I encourage those that have not had a recent branch visit to make some time to call in and look at some of the exciting new products that the bank is launching, and in particular come and see our new premises at Loganholme?

Jason Luckhardt
Chairman

Directors' report

For the financial year ended 30 June 2014

Your directors submit the financial statements of the company for the financial year ended 30 June 2014.

Directors

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

Jason Paul Luckhardt
Chairman
Commercial Property Sales and Management
Licensed Real Estate Agent and Auctioneer and member of the Real Estate Institute of Queensland. Holds a Diploma of Business (Marketing) and is Chairman of the St Matthews Catholic School Board.
Co-Chairman Marketing and Community Projects committee, member of the Governance and Audit committee
Interests in shares: 2,000

Sharon Maree Pullen
Director/Treasurer
CPA Accountant
Bachelor of Business, CPA Accountant with DKM Group for 15 years operating in Beenleigh, providing business service and compliance assistance to wide client base including Logan and surrounding districts.
Interest in shares: 2,000

Russell Peter Jenkins
Director
Executive Assistant Customer & Community Bendigo and Adelaide Bank Limited
A qualified Chemical Engineer, headed the **Community Bank**® concept since its inception in 1998, with 30 years experience in banking, finance and business.
Chairman Lead On Australia and Director Bank of Cyprus Australia.
Interest in shares: Nil

Michael James Wardlaw
Director/Deputy Chairman
Real Estate Agent
Fully licensed Real Estate Certificate for residential property for the past 17 years.
Co-Chairman of Marketing and Community Projects Committee
Interest in shares: 5,500

Melissa Michelle Hockey
Director
Media Advisor
Bachelor of Arts in Politics & Government, Certificate IV in Project Management, Prince2 Accreditation.
Member of Marketing and Community Projects Committee
Interest in shares: Nil

Mark Anthony Lally
Director (Alternate Director for Russell Peter Jenkins)
Regional Manager Bendigo and Adelaide Bank Limited
MBA (University of New England). Over 30 year's experience in the banking industry, including 12 years with Bendigo Bank
Interest in shares: Nil

Directors (continued)

Brett Blair Raguse
Director
Community Engagement and Marketing Manager
BA AdvocT (Hons); Cert IV Real Estate Practice; JP (Qual);Former Member of Parliament of Australia; Chair of Federal Parliamentary Standing Committee on Parliamentary Privilege and Members Interests; Former President of two Chambers of Commerce; Past President and Executive Member of multiple community organisations; Former State and Federal Government Ministerial Adviser; Business Adviser, Teacher; Lecturer.
Interest in shares: 500

Robert Leslie Herriot
Director/Secretary (Appointed 25 November 2013)
Retired
Retired from 30+ years in the financial services & commercial banking sector. Last 20 years in various management positions within Metway and Suncorp Commercial Banking including past Director of Suncorp Subsidiary "Medical Commercial Finance" MCF. Rotarian - 15 + years Rotary Club of Logan, including 2 years as President also holding various other board positions including Treasurer, International Services and Vocational Services
Interest in shares: 2,000

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 Robert Herriot, he was appointed on 25 November 2013, taking over from Sharon Pullen who had been in the role of company secretary from 25 February 2013.

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

Principal Activities

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

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

Operating results

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

Year ended 30 June 2014 $	Year ended 30 June 2013 $
127,068	428,368

Operating and financial review

The company continues to operate in line with franchise agreement with Bendigo and Adelaide Bank Limited which governs the management of the **Community Bank**® branches at Loganholme, Browns Plains, Marsden, Springwood and Beenleigh. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Ltd however all transactions with customers are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

Operating and financial review (continued)

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

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

At 30 June 2014 the level of business on the books was $367.4M. This is a decrease of $2.8M. The product mix comprises lending of $238M, deposits $105M and other business $24.4M.

The bank competitiveness on interest rate remains constant.

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

A review of the Greenbank Agency led to the decision to close this Agency in June 2014 due to poor financial viability.

The bad debt expense includes an insurance excess on a claim against fraudulent activity.

During the 2014/15 year there are two premises leases due to expire. The intention is to move both of these operations to the freehold premises owned by this company. There will be an initial cost for fit out required for this freehold property which will be offset by the future rent savings.

Financial Position

Assets

Total assets have decreased to $2,344,420 during the financial year ending 30 June 2014.

Cash balances have increased by $146 as a result of the following:

- Cash flows from operations 258,838
- Net investment property plant and equipment (35,074)
- Proceeds from borrowings 382
- Payment of Dividend (224,000)

Fixed assets decreased marginally during the year due to the depreciation and amortisation of assets.

Liabilities

Total liabilities decreased by $102,560 primarily due to reduction in the trade creditors and payables offset by a small decrease in provision for employee entitlements.

Equity

Equity has decreased by $96,932, primarily due to the net profit after tax of $428,368, offset by dividends paid.

Dividends

During the financial year the Company paid a full franked final dividend of 7 cents per share.

Operating and financial review (continued)

Business Strategies

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

The targeted growth over the next 1-2 years is to increase total business to $400M. Striving for a greater market share will deliver a return to the company shareholders and the re-investment in the community.

The company is committed to the investment in the local community and raising the profile of the Bendigo and Adelaide Bank Ltd and its community partners. Continuing to promote the "Bendigo Story" and filling voids left by the competitors is one the company's key drivers.

Prospects

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

Remuneration report

Directors' remuneration

For the year ended 30 June 2014 the directors received total remuneration including superannuation, as follows:

	$
Jason Paul Luckhardt	12,815
Sharon Maree Pullen	7,284
Russell Peter Jenkins	-
Michael James Wardlaw	7,092
Melissa Michelle Hockey	3,919
Mark Anthony Lally	-
Brett Blair Raguse	2,270
Robert Leslie Herriot (Appointed 25 November 2013)	4,423
	37,803

Remuneration report (continued)

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Jason Paul Luckhardt	2,000	-	2,000
Sharon Maree Pullen	-	2,000	2,000
Russell Peter Jenkins	-	-	-
Michael James Wardlaw	4,500	1,000	5,500
Melissa Michelle Hockey	-	-	-
Mark Anthony Lally	-	-	-
Brett Blair Raguse	500	-	500
Robert Leslie Herriot (Appointed 25 November 2013)	2,000	-	2,000

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branches at Loganholme, Browns Plains, Marsden, Springwood and Beenleigh. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the Directors from the Directors' Privilege Package are $nil for the year ended 30 June 2014 (2013: $nil).

Dividends

	Year ended 30 June 2014	
	Cents	$
Dividends paid in the year:	7	224,000

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

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	
	Eligible	Attended
Jason Paul Luckhardt	11	11
Sharon Maree Pullen	11	8
Russell Peter Jenkins	11	2
Michael James Wardlaw	11	11
Melissa Michelle Hockey	11	11
Mark Anthony Lally	11	8
Brett Blair Raguse	11	9
Robert Leslie Herriot (Appointed 25 November 2013)	7	6

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.

Directors' report (continued)

Non audit services (continued)

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

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

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Logan, Queensland on 30 September 2014.

Jason Paul Luckhardt,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 30 September 2014

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from ordinary activities	4	4,120,546	4,441,511
Employee benefits expense		(2,065,017)	(2,031,894)
Charitable donations, sponsorship, advertising and marketing		(323,214)	(278,570)
Occupancy and associated costs		(665,049)	(642,041)
Systems costs		(115,996)	(116,928)
Depreciation and amortisation expense	5	(228,750)	(235,250)
Finance costs	5	(407)	(193)
General administration expenses		(540,587)	(524,420)
Profit before income tax expense		**181,526**	**612,215**
Income tax expense	6	(54,458)	(183,847)
Profit after income tax expense		**127,068**	**428,368**
Total comprehensive income for the year		**127,068**	**428,368**
Earnings per share for loss attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	22	3.97	13.39

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	443,844	443,698
Trade and other receivables	8	161,237	219,638
Current tax asset	11	36,446	-
Total Current Assets		**641,527**	**663,336**
Non-Current Assets			
Property, plant and equipment	9	1,368,941	1,493,396
Intangible assets	10	271,116	340,337
Deferred tax assets	11	62,836	46,843
Total Non-Current Assets		**1,702,893**	**1,880,576**
Total Assets		**2,344,420**	**2,543,912**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	62,654	37,156
Current tax liabilities	11	-	122,812
Borrowings	13	6,182	5,800
Provisions	14	6,423	10,536
Total Current Liabilities		**75,259**	**176,304**
Non-Current Liabilities			
Provisions	14	7,205	8,720
Total Non-Current Liabilities		**7,205**	**8,720**
Total Liabilities		**82,464**	**185,024**
Net Assets		**2,261,956**	**2,358,888**
Equity			
Issued capital	15	3,042,211	3,042,211
Accumulated losses	16	(780,255)	(683,323)
Total Equity		**2,261,956**	**2,358,888**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2014

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012	**3,042,211**	**(823,691)**	**2,218,520**
Total comprehensive income for the year	**-**	**428,368**	**428,368**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(288,000)	(288,000)
Balance at 30 June 2013	**3,042,211**	**(683,323)**	**2,358,888**
Balance at 1 July 2013	**3,042,211**	**(683,323)**	**2,358,888**
Total comprehensive income for the year	**-**	**127,068**	**127,068**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(224,000)	(224,000)
Balance at 30 June 2014	**3,042,211**	**(780,255)**	**2,261,956**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		4,384,488	4,879,288
Payments to suppliers and employees		(3,906,336)	(4,085,841)
Interest received		10,802	22,937
Interest paid		(407)	-
Income taxes paid		(229,709)	(200,693)
Net cash provided by operating activities	**17**	**258,838**	**615,691**
Cash flows from investing activities			
Payments for property, plant and equipment		(35,074)	(66,979)
Proceeds from disposal of property, plant and equipment		-	14,091
Payments for intangible assets		-	(346,105)
Net cash used in investing activities		**(35,074)**	**(398,993)**
Cash flows from financing activities			
Repayment/proceeds from borrowing		382	-
Dividends paid		(224,000)	(288,000)
Net cash used in financing activities		**(223,618)**	**(288,000)**
Net increase/(decrease) in cash held		**146**	**(71,302)**
Cash and cash equivalents at the beginning of the financial year		443,698	515,000
Cash and cash equivalents at the end of the financial year	**7(a)**	**443,844**	**443,698**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors' report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

Economic dependency - Bendigo and Adelaide Bank Limited

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

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.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

b) Revenue

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

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable on various specified products and services, 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 (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (i.e. what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

Note 1. Summary of significant accounting policies (continued)

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.

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 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.

Note 1. Summary of significant accounting policies (continued)

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
- furniture and fittings	4 - 40 years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

Note 1. Summary of significant accounting policies (continued)

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) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of 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.

(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 2014 can be seen in the statement of comprehensive income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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.

	2014 $	2013 $

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	4,077,733	4,331,094
- other revenue	20,059	18,678
Total revenue from operating activities	**4,097,792**	**4,349,772**
Non-operating activities:		
- interest received	10,802	23,196
- rental revenue	11,952	66,995
- profit on disposal of non current asset	-	1,548
Total revenue from non-operating activities	**22,754**	**91,739**
Total revenues from ordinary activities	**4,120,546**	**4,441,511**

Note 5. Expenses

Depreciation of non-current assets:		
- buildings	9,513	9,513
- plant and equipment	44,523	43,340
- leasehold improvements	86,943	90,042
- motor vehicles	18,550	19,564

	Note	2014 $	2013 $

Note 5. Expenses (continued)

	Note	2014 $	2013 $
Amortisation of non-current assets:			
- franchise agreement		11,537	12,131
- franchise renewal fee		57,684	60,660
		228,750	**235,250**
Finance costs:			
- interest paid		**407**	**193**
Bad debts		**53,744**	**20,484**

Note 6. Income tax expense

	Note	2014 $	2013 $
The components of tax expense comprise:			
- Current tax		70,451	201,158
- Movement in deferred tax		(15,993)	(17,311)
		54,458	**183,847**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		181,526	612,215
Prima facie tax on profit from ordinary activities at 30%		54,458	183,665
Add tax effect of:			
- non-deductible expenses		-	21
- timing difference expenses		15,993	17,472
		70,451	**201,158**
Movement in deferred tax	11	(15,993)	(17,311)
		54,458	**183,847**

Note 7. Cash and cash equivalents

	Note	2014 $	2013 $
Cash at bank and on hand		301,725	88,296
Term deposits		142,119	355,402
		443,844	**443,698**

	2014 $	2013 $
Note 7. Cash and cash equivalents (continued)		
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	301,725	88,296
Term deposits	142,119	355,402
	443,844	**443,698**

Note 8. Trade and other receivables

	2014 $	2013 $
Trade receivables	157,067	190,049
Other receivables and accruals	456	24,640
Prepayments	3,714	4,949
	161,237	**219,638**

Note 9. Property, plant and equipment

	2014 $	2013 $
Land and Buildings		
At cost	987,396	987,396
Less accumulated depreciation	(21,997)	(12,484)
	965,399	**974,912**
Plant and equipment		
At cost	470,431	435,357
Less accumulated depreciation	(326,883)	(282,360)
	143,548	**152,997**
Leasehold improvements		
At cost	589,251	589,251
Less accumulated depreciation	(426,351)	(339,408)
	162,900	**249,843**
Motor vehicles		
At cost	142,799	142,799
Less accumulated depreciation	(45,705)	(27,155)
	97,094	**115,644**
Total written down amount	**1,368,941**	**1,493,396**

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts:

	2014 $	2013 $
Land and buildings		
Carrying amount at beginning	974,912	984,991
Additions	-	-
Disposals	-	-
Less: depreciation expense	(9,513)	(10,079)
Carrying amount at end	**965,399**	**974,912**
Plant and equipment		
Carrying amount at beginning	152,997	173,300
Additions	35,074	22,737
Disposals	-	(3,935)
Less: depreciation expense	(44,523)	(39,105)
Carrying amount at end	**143,548**	**152,997**
Leasehold improvements		
Carrying amount at beginning	249,843	330,244
Additions	-	10,089
Disposals	-	(447)
Less: depreciation expense	(86,943)	(90,043)
Carrying amount at end	**162,900**	**249,843**
Motor vehicles		
Carrying amount at beginning	115,644	113,331
Additions	-	34,154
Disposals	-	(12,543)
Less: depreciation expense	(18,550)	(19,298)
Carrying amount at end	**97,094**	**115,644**
Total written down amount	**1,368,941**	**1,493,396**

Note 10. Intangible assets

Franchise fee

	2014 $	2013 $
At cost	366,796	366,796
Less: accumulated amortisation	(321,609)	(310,072)
	45,187	**56,724**

	2014 $	2013 $
Note 10. Intangible assets (continued)		
Renewal processing fee		
At cost	533,993	533,993
Less: accumulated amortisation	(308,064)	(250,380)
	225,929	**283,613**
Total written down amount	**271,116**	**340,337**

Note 11. Tax

Current:		
Income tax payable/(refundable)	**(36,446)**	**122,812**
Non-Current:		
Deferred tax assets		
- employee provisions	4,357	5,777
- property, plant and equipment	58,616	41,791
	62,973	**47,568**
Deferred tax liability		
- accruals	137	725
	137	**725**
Net deferred tax asset	**62,836**	**46,843**
Movement in deferred tax charged to statement of comprehensive income	**(15,993)**	**(18,761)**

Note 12. Trade and other payables

Trade creditors	27,291	24,859
Other creditors and accruals	35,363	12,297
	62,654	**37,156**

Note 13. Borrowings

Current:		
Bank loans	**6,182**	**5,800**

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

	2014 $	2013 $

Note 14. Provisions

	2014 $	2013 $
Current:		
Provision for annual leave	**6,423**	**10,536**
Non-Current:		
Provision for long service leave	**7,205**	**8,720**

Note 15. Contributed equity

	2014 $	2013 $
3,200,000 ordinary shares fully paid (2013: 3,200,000)	3,092,000	3,092,000
Less: equity raising expenses	(49,789)	(49,789)
	3,042,211	**3,042,211**

Rights attached to shares

(a) Voting rights

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

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

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

Note 15. Contributed equity (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 1,229. As at the date of this report, the company had 1143 shareholders.

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

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

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

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

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

Note 16. Accumulated losses

	2014 $	2013 $
Balance at the beginning of the financial year	(683,323)	(823,691)
Net profit from ordinary activities after income tax	127,068	428,368
Dividends paid or provided for	(224,000)	(288,000)
Balance at the end of the financial year	**(780,255)**	**(683,323)**

Note 17. Statement of cash flows

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

	2014 $	2013 $
Profit from ordinary activities after income tax	127,068	428,368
Non cash items:		
- depreciation	159,529	162,459
- amortisation	69,221	72,791
- loss on disposal of property, plant and equipment	-	(1,101)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	58,401	(4,578)
- increase in other assets	(68,280)	(17,311)
- increase/(decrease) in payables	25,498	(27,252)
- increase/(decrease) in provisions	(5,628)	1,850
- increase/(decrease) in current tax liabilities	(106,971)	465
Net cash flows provided by operating activities	**258,838**	**615,691**

Note 18. Leases

Operating lease commitments

	2014 $	2013 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	474,365	411,070
- between 12 months and 5 years	1,271,182	532,629
- greater than 5 years	-	-
	1,745,547	**943,699**

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

Note 19. Auditor's remuneration

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

	2014 $	2013 $
- audit and review services	6,400	8,100
- non audit services	3,339	4,885
	9,739	**12,985**

	2014 $	2013 $

Note 20. Director and related party disclosures

Key Management Personnel Remuneration

Short-term employee benefits	37,803	36,717
Post-employment benefits	-	-
Long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	37,803	**36,717**

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

Note 21. Dividends paid or provided

a. Dividends paid during the year		
Current year dividend		
100% (2013: 100%) franked dividend - 7 cents (2013: 9 cents) per share	**224,000**	**288,000**
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	158,687	36,071
- franking credits that will arise from payment of income tax payable as at the end of the financial year	(36,446)	164,005
- 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:	**122,241**	**200,076**
- 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	**122,241**	**200,076**

Note 22. Earnings per share

		2014 $	2013 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	127,068	428,368
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	3,200,000	3,200,000

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

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

Note 26. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
11 Vanessa Boulevard Springwood QLD 4127	11 Vanessa Boulevard Springwood QLD 4127

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

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					
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial assets												
Cash and cash equivalents	229,391	88,190	250,380	355,402	-	-	-	-	106	106	2.25	3.07
Receivables	-	-	-	-	-	-	-	-	234,963	212,274	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	6,007	5,799	-	-	-	-	-	-	6.78	3.33
Payables	-	-	-	-	-	-	-	-	59,696	31,906	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.

Note 27. 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 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2014 $	**2013 $**
Change in profit/(loss)		
Increase in interest rate by 1%	2,294	882
Decrease in interest rate by 1%	2,294	882
Change in equity		
Increase in interest rate by 1%	2,294	882
Decrease in interest rate by 1%	2,294	882

Directors' declaration

In accordance with a resolution of the directors of Logan Community Finacial 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 2014 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 30th of September 2014.

Independent audit report

Partners in success

Chartered Accountants

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

Report on the financial report

I have audited the accompanying financial report of Logan Community Financial Services Limited, which comprises the balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Independence

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

Auditor's opinion on the financial report

In my opinion:

1. The financial report of Logan Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

I have audited the remuneration report included in the directors' report for the year ended 30 June 2014. 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*. My responsibility is to express an opinion on the remuneration report, based on the audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In my opinion, the remuneration report of Logan Community Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 30 September 2014

NSX report

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

Shareholding

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

Range of shares held	Total holders	Unite
1 to 1,000	746	513,448
1,001 to 5,000	310	900,437
5,001 to 10,000	54	481,950
10,001 to 100,000	30	777,392
100,001 and over	3	516,275
Total shareholders	**1,143**	

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

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

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

There are no restricted securities on issue.

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

Ten largest shareholders

The following table shows the 10 largest shareholders

Shareholder	Number of fully paid shares held	Percentage of issued capital
Bendigo and Adelaide Bank Limited	247,500	7.76
Mr Warren Dicker	166,275	5.21
Central Plumbing Supplies Pty Ltd	102,500	3.21
Week Constructions Pty Ltd	57,000	1.79
Winpar Holdings Limited	56,900	1.78
Astonlee Pty	50,000	1.57
The Miles Superannuation Fund	50,000	1.57
Mr Richard Craig Campbell and Mrs Haydee Elba Campbell	45,000	1.41
Global Effect Pty Ltd Superannuation Fund	43,001	1.35
Mr James Vincent Carlton & Mrs Beverley Grace Mercer	35,540	1.11

Registered office and principal administrative office

The registered office of the Company is located at:

11 Vanessa Boulevard,
Springwood QLD 4127
Phone: (07) 3808 1011

The principal administrative office of the Company is located at

11 Vanessa Boulevard,
Springwood QLD 4127
Phone: (07) 3808 1011

Security register

The security register (share register) is kept at:

ShareData Pty Ltd
52 Angove Park Drive,
Tea Tree Gully SA 5091

Company Secretary

The Company Secretary is Robert Herriott. Robert was appointed to the role of company secretary on 25 November 2013, taking over the role from Sharon Pullen.

Corporate governance

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

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

b) Ongoing Director training and;

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

Annexure 3

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

5-Year summary of performance

	2009 $	2010 $	2011 $	2012 $	2013 $
Gross revenue	3,495,287	3,956,274	4,359,334	4,441,511	4,120,546
Net profit before tax	190,914	423,211	636,160	612,215	181,526
Total assets	2,006,762	2,052,111	2,428,481	2,543,912	2,344,420
Total liabilities	45,100	67,941	209,961	185,024	82,464
Total equity	1,961,662	1,984,170	2,218,520	2,358,888	2,261,956

Logan **Community Bank**® Group

Browns Plains
Shop 17-18, Westpoint Shopping Centre,
8-24 Browns Plains Road, Browns Plains QLD 4118
Phone: (07) 3806 9777

Loganholme
Logan Hyperdome Bryants Road, Loganholme QLD 4129
Phone: (07) 3801 3600

Marsden
Shop 21, Marsden Park Shopping Centre,
55-77 Chambers Flat Road, Marsden QLD 4132
Phone: (07) 3299 7740

Springwood
Shop 40/41, Centro Springwood, 34 Fitzgerald Avenue,
Springwood QLD 4127
Phone: (07) 3208 2611

Beenleigh
106 City Road, Beenleigh QLD 4207
Phone: (07) 3801 8336

Franchisee: Logan Community Financial Services Limited
11 Vanessa Boulevard, Springwood QLD 4127
Phone: (07) 3808 1011
ABN: 88 101 148 430

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