

Logan Community Financial Services Limited

Financial Statements

as at

30 June 2013

Logan Community Financial Services Limited
ABN 88 101 148 430
Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

Directors

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

John Joseph McLaughlin

Director

(Resigned 26 March 2013)

Solicitor

LLB, Solicitor in Logan area for over 26 years, specialising in commercial, retail, leasing, conveyance and franchising.

Chairman Governance & Audit committee

Interests in shares: 7,501

Craig John Panagiris

Director *(Resigned 26 March 2013)*

Program Manager

Fellow of the Institute of Chartered Accountants, Graduate member of the Australian Institute of Company Directors. Past experience as a Chartered Accountant in the insurance, postal and electricity sectors. Previous board experience with Queensland Motorways Limited and Rivermount Education Limited. Director and Company Secretary of BRAKE Driver Awareness Limited.

Member of the Governance and Audit and Marketing and Community Projects committees.

Interests in shares: 2,000

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

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.

Interests in shares: Nil

Leonie Therese Deaves

Director *(Resigned 31 March 2013)*

Retail Centre Manager

Certificate II Accounting, Certificate III Business Administration, Real Estate Licence, 13 years of property management experience.

Interests in shares: Nil

Mark Anthony Lally

Director *(Alternate Director for Russell Peter Jenkins)*

Regional Manager Bendigo and Adelaide Bank Limited
Over 29 years banking experience in senior positions with Australian and European banking institutions.

Interests in shares: Nil

Michael James Wardlaw

Director/Deputy Chairman

Real Estate Agent

Fully licensed Real Estate Certificate for residential property for the past 16 years.

Co-Chairman of Marketing and Community Projects Committee

Interest in shares: 4,500

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

Sharon Maree Pullen

Director/Treasurer/Secretary

CPA Accountant

Bachelor of Business, CPA Accountant with DKM Group for 14 years operating in Beenleigh, providing business service and compliance assistance to wide client base including Logan and surrounding districts.

Interest in shares: Nil

Brett Blair Raguse

Director *(Appointed 24 June 2013)*

Community Engagement and Marketing Manager

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

Interest in shares: 500

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

Company Secretary

The company secretary is Sharon Pullen. Sharon was appointed to the role of company secretary on 25 February 2013. Sharon has worked as a CPA Accountant with DKM Group for 14 years. Sharon has significant experience in the provision of business service and compliance.

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Directors' Report

Principal Activities

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

There has 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 2013	Year ended 30 June 2012
\$	\$
428,368	490,350

Operating and Financial Review

Operations

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.

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 2013 the level of business on the books was \$370.2M up by 4.8% on prior year. This is an increase of \$17M. The product mix comprises lending of \$241.4M, deposits \$104.9M and other business \$23.9M.

The bank competitiveness on interest rate remains constant.

During the 2013 financial year Bendigo and Adelaide Bank Limited exercised its discretion and reduce 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. This is known as restoring the balance, the net result of this was \$114K reduction in the company's revenue.

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

Financial Position

Assets

Total assets have increased marginally to \$2,543,912 during the financial year ending 30 June 2013.

Cash balances have decreased by \$71,302 as a result of the following:

Cash flows from operations	615,691
Renewals of franchise fees	(346,105)
Net investment property plant and equipment	(52,888)
Payment of Dividend	(288,000)

Fixed assets increased marginally during the year due to the replacement of the company motor vehicle.

Intangibles - Franchise fees which were renewed during the financial year represents the majority of the increase in value for this asset. The franchise fee of \$346,105 will be amortised over the life of the franchise agreement.

Liabilities

Total liabilities decreased by \$24,937 primarily due to reduction in the trade creditors and payables offset by a small increase in provision for employee entitlements.

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Directors' Report

Operating and Financial Review (continued)

Equity

Equity has increased by \$140,368, 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 9 cents per share.

Business Strategies

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

The targeted growth over the next 1-2 years is to increase total business to \$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

(a) Directors' Fees

At an extraordinary general meeting held on the 5 May 2009 the shareholders agreed for the board to be authorised to pay by way of remuneration to directors an amount not exceeding the sum of \$45,000 in aggregate per annum. Distribution amongst the directors would be at the discretion of the board. The board resolved at their board meeting on the 28 March 2012 that the following annual amounts would be paid:

	<u>\$</u>
Chairman	6,000
Deputy Chairman	1,500
Company Secretary (if also a Director)	4,000
Treasurer (if also a Director)	1,500
Committee Chairs	1,250
Further, a fee would be paid for each meeting attended, as follows:	
	<u>\$</u>
Board Meeting	220
Committee Meeting	55

The fees payable are not related to performance of the company, but attendance and contribution to the meetings and the business of the company, as appropriate. With a full complement of directors permitted by the Constitution (10), including one Bendigo and Adelaide Bank Limited directors, the total payable in one year on the basis outlined above would be \$44,580. Payments to the directors are made twice yearly, in arrears.

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Directors' Report

	Year ended 30 June 2013	Year ended 30 June 2012
	\$	\$
John Joseph McLaughlin (<i>Resigned 26 March 2013</i>)	6,798	7,400
Craig John Panagiris (<i>Resigned 26 March 2013</i>)	6,142	7,805
Jason Paul Luckhardt	7,078	3,795
Russell Peter Jenkins	-	-
Leonie Therese Deaves (<i>Resigned 31 March 2013</i>)	1,925	4,290
Mark Anthony Lally	-	-
Michael James Wardlaw	5,405	3,650
Colin Albert Nelson (<i>Deceased 13 January 2012</i>)	-	4,870
Melissa Michelle Hockey	3,190	2,805
Sharon Maree Pullen	5,904	-
Brett Blair Raguse (<i>Appointed 24 June 2013</i>)	275	-
Total Payment	<u>36,717</u>	<u>34,615</u>

Remuneration Report (*continued*)

(b) 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, Beenleigh and the Agency at Greenbank. 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 2013 (2012: \$nil).

(c) Remuneration of Executives

Drue Hutchinson is seconded to Logan Community Financial Services Limited from Bendigo and Adelaide Bank Limited as Area Manager. Drue attends board meetings to give his performance report, but does not have voting rights. Drue resigned September 2012. The Area Manager position was reviewed by the Board and the Board decided the position was no longer required.

	Year Ended 30 June 2013
	Cents \$
Dividends	
Dividends declared and paid in the year:	
Fully franked dividend declared and paid during the	9 288,000

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.

Matters Subsequent to 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.

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Directors' Report

Directors' Benefits

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

Indemnification and Insurance of Directors and Officers

The company has indemnified all directors in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors 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		Committee Meetings Attended					
	Attended		GAH		Marketing		Community Projects	
	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>
John Joseph McLaughlin <i>(Resigned 26 March 2013)</i>	12	7	6	6	-	-	-	-
Craig John Panagiris <i>(Resigned 26 March 2013)</i>	12	8	6	5	11	6	-	-
Jason Paul Luckhardt	12	12	6	4	4	3	11	9
Russell Peter Jenkins	12	3	-	-	-	-	-	-
Leonie Therese Deaves <i>(Resigned 31 March 2013)</i>	12	8	-	-	-	-	8	3
Mark Anthony Lally <i>(Russell Jenkins Alternate)</i>	12	9	-	-	-	-	-	-
Michael James Wardlaw	12	12	-	-	11	11	-	-
Melissa Michelle Hockey	12	12	-	-	4	0	11	9
Sharon Maree Pullen	12	9	6	6	-	-	-	-
Brett Blair Raguse <i>(Appointed 24 June 2013)</i>	1	1	-	-	2	2	-	-

Non Audit Services

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

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

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

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the board of directors at Logan, Queensland on 27 September 2013.

Jason Luckhardt, Chairman

Sharon Pullen, Director

Auditor's Independence Declaration to be inserted here



TEMPLATE PAGE.

Auditor's Independence Declaration

As lead auditor for the audit of XXXXXXXXXX for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of XXXXXXXXXX.

**INSERT SIGN AND
SCANNED PDF PAGE
PROVIDED AT END OF
AUDIT.**

David Hutchings
Auditor Partner

Andrew Frewin & Stewart
Bendigo

Logan Community Financial Services Limited
ABN 88 101 148 430
Statement of Comprehensive Income
for the Year Ended 30 June 2013

	<u>Notes</u>	2013 \$	2012 \$
Revenues from ordinary activities	4	4,441,511	4,359,334
Employee benefits expense		(2,031,894)	(2,126,764)
Charitable donations, sponsorship, advertising and promotion		(278,570)	(176,713)
Occupancy and associated costs		(642,041)	(609,330)
Systems costs		(116,928)	(132,113)
Depreciation and amortisation expense	5	(235,250)	(235,124)
Finance costs	5	(193)	(7,818)
General administration expenses		(524,420)	(435,312)
Profit before income tax expense		612,215	636,160
Income tax expense	6	(183,847)	(145,810)
Profit after income tax expense		428,368	490,350
Total comprehensive income for the year		428,368	490,350
Earnings per share (cents per share)		<u>c</u>	<u>c</u>
- basic for profit for the year	23	13.39	15.32

The accompanying notes form part of these financial statements

Logan Community Financial Services Limited
ABN 88 101 148 430
Balance Sheet
as at 30 June 2013

	<u>Notes</u>	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	443,698	515,000
Trade and other receivables	8	219,638	215,060
Total Current Assets		<u>663,336</u>	<u>730,060</u>
Non-Current Assets			
Property, plant and equipment	9	1,493,396	1,601,866
Intangible assets	10	340,337	67,023
Deferred tax assets	11	46,843	29,532
Total Non-Current Assets		<u>1,880,576</u>	<u>1,698,421</u>
Total Assets		<u>2,543,912</u>	<u>2,428,481</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	37,156	64,607
Current tax liabilities	11	122,812	122,347
Borrowings	13	5,800	5,601
Provisions	14	10,536	10,911
Total Current Liabilities		<u>176,304</u>	<u>203,466</u>
Non-Current Liabilities			
Provisions	14	8,720	6,495
Total Non-Current Liabilities		<u>8,720</u>	<u>6,495</u>
Total Liabilities		<u>185,024</u>	<u>209,961</u>
Net Assets		<u>2,358,888</u>	<u>2,218,520</u>
Equity			
Issued capital	15	3,042,211	3,042,211
Accumulated losses	16	(683,323)	(823,691)
Total Equity		<u>2,358,888</u>	<u>2,218,520</u>

The accompanying notes form part of these financial statements

Logan Community Financial Services Limited
ABN 88 101 148 430
Statement of Changes in Equity
for the Year Ended 30 June 2013

	Issued Capital \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2011	<u>3,042,211</u>	<u>(1,058,041)</u>	<u>1,984,170</u>
Total comprehensive income for the year	<u>-</u>	<u>490,350</u>	<u>490,350</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(256,000)	(256,000)
	<u>-</u>	<u>(256,000)</u>	<u>(256,000)</u>
Balance at 30 June 2012	<u><u>3,042,211</u></u>	<u><u>(823,691)</u></u>	<u><u>2,218,520</u></u>
 Balance at 1 July 2012	 <u>3,042,211</u>	 <u>(823,691)</u>	 <u>2,218,520</u>
Total comprehensive income for the year	<u>-</u>	<u>428,368</u>	<u>428,368</u>
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)
	<u>-</u>	<u>(288,000)</u>	<u>(288,000)</u>
Balance at 30 June 2013	<u><u>3,042,211</u></u>	<u><u>(683,323)</u></u>	<u><u>2,358,888</u></u>

The accompanying notes form part of these financial statements

Logan Community Financial Services Limited
ABN 88 101 148 430
Statement of Cashflows
for the Year Ended 30 June 2013

	<u>Notes</u>	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		4,879,288	4,603,686
Payments to suppliers and employees		(4,085,841)	(3,884,770)
Interest received		22,937	51,030
Interest paid		-	(7,818)
Income taxes paid		(200,693)	-
Net cash provided by operating activities	17	<u>615,691</u>	<u>762,128</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(66,979)	(1,004,742)
Proceeds from disposal of property, plant and equipment		14,091	-
Payments for intangible assets		(346,105)	(19,048)
Net cash used in investing activities		<u>(398,993)</u>	<u>(1,023,790)</u>
Cash Flows From Financing Activities			
Proceeds from borrowings		-	600,000
Repayment of borrowings		-	(594,399)
Dividends paid		(288,000)	(256,000)
Net cash used in financing activities		<u>(288,000)</u>	<u>(250,399)</u>
Net increase/(decrease) in cash held		(71,302)	(512,061)
Cash and cash equivalents at the beginning of the financial year		515,000	1,027,061
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>443,698</u></u>	<u><u>515,000</u></u>

The accompanying notes form part of these financial statements

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 revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is 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 2012.

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 Sub-branch, Queensland.

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

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

Logan Community Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2013

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®** branch 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®** branch;
- training for the branch managers 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; and
- 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 benefit 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 a percentage 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 (ie '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, an equivalent percentage 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 (ie, 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.

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).

Note 1. Summary of Significant Accounting Policies (*continued*)

c) Income Tax (*continued*)

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 revenue 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.

Note 1. Summary of Significant Accounting Policies (*continued*)

g) Property, Plant and Equipment (*continued*)

Depreciation is provided on property, plant and equipment and motor vehicles, 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 is reviewed at the end of each annual reporting period.

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

- leasehold improvements	10 - 15 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years
- motor vehicles	4 - 15 years

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

Note 1. Summary of Significant Accounting Policies (*continued*)

k) Financial Instruments (*continued*)

(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 comprehensive income.

l) Leases

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

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

m) Provisions

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

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.

Note 1. Summary of Significant Accounting Policies (*continued*)

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.

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Notes to the Financial Statements
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Note 2. Financial Risk Management (*continued*)

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.

- (i) 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; and
- (ii) 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 2013 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.

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Notes to the Financial Statements
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Note 3. Critical Accounting Estimates and Judgements (continued)

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, hence there is 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.

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.

Note 4. Revenue from Ordinary Activities	2013	2012
	\$	\$
Operating activities:		
- services commissions	4,331,094	4,254,918
- other revenue	20,226	16,583
Total revenue from operating activities	<u>4,351,320</u>	<u>4,271,501</u>
Non-operating activities:		
- interest received	23,196	45,200
- rent received	66,995	42,633
Total revenue from non-operating activities	<u>90,191</u>	<u>87,833</u>
Total revenues from ordinary activities	<u><u>4,441,511</u></u>	<u><u>4,359,334</u></u>

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Notes to the Financial Statements
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Note 5. Expenses	2013 \$	2012 \$
Depreciation of non-current assets:		
- buildings	9,513	2,405
- plant and equipment	43,340	46,530
- leasehold improvements	90,042	90,056
- motor vehicles	19,564	20,663
Amortisation of non-current assets:		
- franchise agreement	12,131	10,524
- franchise renewal fee	60,660	52,623
- sub-branch fee	-	12,323
	<u>235,250</u>	<u>235,124</u>
Finance costs:		
- interest paid	<u>193</u>	<u>7,818</u>
Bad debts	<u>20,484</u>	<u>6,225</u>

Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax	201,158	171,101
- Movement in deferred tax	(17,311)	(20,824)
- Recoupment of prior year tax loss	-	44,287
- Adjustments to tax expense of prior periods	-	(48,754)
	<u>183,847</u>	<u>145,810</u>

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

Operating profit	612,216	636,160
Prima facie tax on profit from ordinary activities at 30%	183,665	190,848
Add tax effect of:		
- non-deductible expenses	21	3,697
- timing difference expenses	17,472	20,843
- other deductible expenses	-	-
	<u>201,158</u>	<u>215,388</u>
Movement in deferred tax	11 (17,311)	(20,824)
Adjustments to tax expense of prior periods	-	(48,754)
	<u>183,847</u>	<u>145,810</u>

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	88,296	176,496
Term deposits	355,402	338,504
	<u>443,698</u>	<u>515,000</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash

Cash at bank and on hand	88,296	176,496
Term deposits	355,402	338,504
	<u>443,698</u>	<u>515,000</u>

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Notes to the Financial Statements
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	2013 \$	2012 \$
Note 8. Trade and Other Receivables		
Trade receivables	190,049	208,320
Other receivables and accruals	24,640	2,156
Prepayments - Insurance	4,949	4,584
	<u>219,638</u>	<u>215,060</u>
 Note 9. Property, Plant and Equipment		
<u>Land and buildings</u>		
At cost	987,396	987,396
Less accumulated depreciation	(12,484)	(2,405)
	<u>974,912</u>	<u>984,991</u>
 <u>Plant and equipment</u>		
At cost	435,357	416,554
Less accumulated depreciation	(282,360)	(243,254)
	<u>152,997</u>	<u>173,300</u>
 <u>Leasehold improvements</u>		
At cost	589,251	588,538
Less accumulated depreciation	(339,408)	(258,294)
	<u>249,843</u>	<u>330,244</u>
 <u>Motor vehicles</u>		
At cost	142,799	152,193
Less accumulated depreciation	(27,155)	(38,862)
	<u>115,644</u>	<u>113,331</u>
Total written down amount	<u>1,493,396</u>	<u>1,601,866</u>
 Movements in carrying amounts:		
<u>Land and buildings</u>		
Carrying amount at beginning	984,991	-
Additions	-	987,396
Disposals	-	-
Less: depreciation expense	(10,079)	(2,405)
Carrying amount at end	<u>974,912</u>	<u>984,991</u>
 <u>Plant and equipment</u>		
Carrying amount at beginning	173,300	202,484
Additions	22,737	17,280
Disposals	(3,935)	-
Less: depreciation expense	(39,105)	(46,464)
Carrying amount at end	<u>152,997</u>	<u>173,300</u>
 <u>Leasehold improvements</u>		
Carrying amount at beginning	330,244	420,300
Additions	10,089	-
Disposals	(447)	-
Less: depreciation expense	(90,043)	(90,056)
Carrying amount at end	<u>249,843</u>	<u>330,244</u>
 <u>Motor vehicles</u>		
Carrying amount at beginning	113,331	133,994
Additions	34,154	-
Disposals	(12,543)	-
Less: depreciation expense	(19,298)	(20,663)
Carrying amount at end	<u>115,644</u>	<u>113,331</u>
Total written down amount	<u>1,493,396</u>	<u>1,601,866</u>

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Notes to the Financial Statements
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	2013 \$	2012 \$
Note 10. Intangible Assets		
<u>Franchise fee</u>		
At cost	366,796	309,111
Less: accumulated amortisation	(310,072)	(297,941)
	<u>56,724</u>	<u>11,170</u>
 <u>Renewal processing fee</u>		
At cost	533,993	245,573
Less: accumulated amortisation	(250,380)	(189,720)
	<u>283,613</u>	<u>55,853</u>
 Total written down amount	<u>340,337</u>	<u>67,023</u>

Note 11. Tax

Current:

Income tax payable	<u>122,812</u>	<u>122,347</u>
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Non-Current:

<u>Deferred tax assets</u>		
- employee provisions	5,777	5,222
- property, plant and equipment	41,791	24,957
	<u>47,568</u>	<u>30,179</u>
 <u>Deferred tax liability</u>		
- accruals	(725)	647
	<u>(725)</u>	<u>647</u>
 Net deferred tax asset	<u>48,293</u>	<u>29,532</u>
 Movement in deferred tax charged to statement of comprehensive income	<u>(18,761)</u>	<u>23,463</u>

Note 12. Trade and Other Payables

Trade creditors	24,859	55,509
Other creditors and accruals	12,297	9,098
	<u>37,156</u>	<u>64,607</u>

Note 13. Borrowings

Current:

Bank loans	<u>5,800</u>	<u>5,601</u>
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The bank loan is a Bendigo and Adelaide Bank Limited Mortgage Loan secured by First Registered Mortgages over the properties known as 1/54 Bryants Road, Shailer Park, Queensland and 2/54 Bryants Road, Shailer Park, Queensland. Interest is recognised at an average rate of 7.25%.

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Notes to the Financial Statements
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	2013 \$	2012 \$
Note 14. Provisions		
Current:		
Provision for annual leave	<u>10,536</u>	<u>10,911</u>
Non-Current:		
Provision for long service leave	<u>8,720</u>	<u>6,495</u>
 Note 15. Contributed Equity	 \$	 \$
3,200,000 Ordinary shares fully paid (2012: 3,200,000)	3,092,000	3,092,000
Less: equity raising expenses	(49,789)	(49,789)
	<u>3,042,211</u>	<u>3,042,211</u>

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.

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 1,159 shareholders.

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Notes to the Financial Statements
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Note 15. Contributed Equity (continued)

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

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

Prohibited shareholding interest (continued)

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

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

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

	2013 \$	2012 \$
Note 16. Accumulated Losses		
Balance at the beginning of the financial year	(823,691)	(1,058,041)
Net profit from ordinary activities after income tax	428,368	490,350
Dividends paid or provided for	(288,000)	(256,000)
Balance at the end of the financial year	<u>(683,323)</u>	<u>(823,691)</u>

Note 17. Statement of Cashflows

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

Profit from ordinary activities after income tax	428,368	490,350
Non cash items:		
- depreciation	162,459	159,654
- amortisation	72,791	75,470
- Loss on disposal of property, plant and equipment	(1,101)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(4,578)	(123,228)
- (increase)/decrease in other assets	(17,311)	23,463
- increase/(decrease) in payables	(27,252)	6,315
- increase/(decrease) in provisions	1,850	7,757
- increase/(decrease) in current tax liabilities	465	122,347
Net cashflows provided by operating activities	<u>615,691</u>	<u>762,128</u>

Note 18. Leases

Operating lease commitments

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

Payable - minimum lease payments		
- not later than 12 months	411,070	432,162
- between 12 months and 5 years	532,629	423,233
- greater than 5 years	-	-
	<u>943,699</u>	<u>855,395</u>

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

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Notes to the Financial Statements
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Note 19. Auditor's Remuneration	2013	2012
	\$	\$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	8,100	5,200
- non audit services	4,885	6,770
	<u>12,985</u>	<u>11,970</u>

Note 20. Director and Related Party Disclosures

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

John Joseph McLaughlin (*Resigned 26 March 2013*)

Craig John Panagiris (*Resigned 26 March 2013*)

Jason Paul Luckhardt

Russell Peter Jenkins

Leonie Therese Deaves (*Resigned 31 March 2013*)

Mark Anthony Lally (*Russell Jenkins Alternate*)

Michael James Wardlaw

Melissa Michelle Hockey

Sharon Maree Pullen

Brett Blair Raguse (*Appointed 24 June 2013*)

During the year Logan Community Financial Services Limited paid \$8,000 to Craig Panagiris for consultancy services.

During the year Logan Community Financial Services Limited paid \$514 (2012: \$11,288) to McLaughlin & Associates Lawyers. McLaughlin & Associates Lawyers are used as professional legal advisors for the company as required and is owned by Director John McLaughlin.

Logan Community Financial Services Limited has entered into a lease agreement with Lawgold Pty Ltd for the use of 11 Vanessa Boulevard, Springwood. Lawgold Pty Ltd is a company owned by director - John McLaughlin. The payments for rent and associated outgoings totalled \$47,702.72 (2012: \$47,694).

Directors' Shareholdings	2013	2012
John Joseph McLaughlin (<i>Resigned 26 March 2013</i>)	7,501	7,501
Craig John Panagiris (<i>Resigned 26 March 2013</i>)	2,000	2,000
Jason Paul Luckhardt	2,000	-
Russell Peter Jenkins	-	-
Leonie Therese Deaves (<i>Resigned 31 March 2013</i>)	-	-
Mark Anthony Lally (<i>Russell Jenkins Alternate</i>)	-	-
Michael James Wardlaw	4,500	4,500
Melissa Michelle Hockey	-	-
Sharon Maree Pullen	-	-
Brett Blair Raguse (<i>Appointed 24 June 2013</i>)	500	32,001

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Notes to the Financial Statements
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	2013 \$	2012 \$
Note 21. Dividends Paid or Provided		
a. Dividends paid during the year		
Franked dividend 9 cents - (2012: 8 cents) per share	<u>288,000</u>	<u>256,000</u>
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	77,265	-
- franking credits that will arise from payment of income tax payable as at the end of the financial year	122,812	122,347
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	<u>-</u>	<u>-</u>
Franking credits available for future financial reporting periods:	200,077	122,347
- 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	<u>-</u>	<u>-</u>
Net franking credits available	<u>200,077</u>	<u>122,347</u>

Note 22. Key Management Personnel Disclosures

At an extraordinary general meeting held on the 5th of May 2009 the shareholders agreed for the board to be authorised to pay by way of remuneration to directors an amount not exceeding the sum of \$45,000 in aggregate per annum. Distribution amongst the directors would be at the discretion of the board. The board resolved that the following annual amounts would be paid:

	\$
Chairman	6,000
Deputy Chairman	1,500
Company Secretary (if also a Director)	4,000
Treasurer (if also a Director)	1,500
Committee Chairs	1,250
Further, a fee would be paid for each meeting attended, as follows:	
Board Meeting	220
Committee Meeting	55

The fees payable are not related to performance of the company, but attendance and contribution to the meetings and the business of the company, as appropriate. With a full complement of directors permitted by the Constitution (10), including one Bendigo and Adelaide Bank Limited director, the total payable in one year on the basis outlined above would be \$44,580. Payments to the directors are made twice yearly, in arrears.

	2013 \$	2012 \$
John Joseph McLaughlin (<i>Resigned 26 March 2013</i>)	6,798	7,400
Craig John Panagiris (<i>Resigned 26 March 2013</i>)	6,142	7,805
Jason Paul Luckhardt	7,078	3,795
Russell Peter Jenkins	-	4,290
Leonie Therese Deaves (<i>Resigned 31 March 2013</i>)	1,925	3,650
Mark Anthony Lally	-	2,805
Michael James Wardlaw	5,405	4,870
Colin Albert Nelson (<i>Deceased 13 January 2012</i>)	-	-
Melissa Michelle Hockey	3,190	-
Sharon Maree Pullen	5,904	-
Brett Blair Raguse (<i>Appointed 24 June 2013</i>)	275	-
Total Payment	<u>36,717</u>	<u>34,615</u>

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Notes to the Financial Statements
for the Year Ended 30 June 2013

Note 22. Key Management Personnel Disclosures (continued)

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, Beenleigh and the Agency at Greenbank. 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 2013 (2012: \$nil).

Note 23. Earnings Per Share	2013	2012
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	428,368	490,350
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	3,200,000	3,200,000

Note 24. Events Occurring After the Balance Sheet Date

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

Note 25. Contingent Liabilities

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

Note 26. Segment Reporting

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

Note 27. Registered Office/Principal Place of Business

The registered office and principal place of business is:

<u>Registered Office</u>	<u>Principal Place of Business</u>
11 Vanessa Boulevard Springwood QLD 4127	11 Vanessa Boulevard Springwood QLD 4127

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Notes to the Financial Statements for the Year Ended 30 June 2013

Note 28. Financial Instruments

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

Financial instrument	Floating interest rate 2013 \$ 2012 \$	Fixed interest rate maturing in				Non interest bearing		Weighted average effective interest rate	
		1 year or less		Over 1 to 5 years		Over 5 years			
		2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets									
Cash and cash equivalents	88,190	355,402	338,504	-	-	-	106	337	4.47
Receivables	-	-	-	-	-	-	212,274	208,320	N/A
Financial Liabilities									
Payables	-	-	-	-	-	-	31,906	60,875	N/A

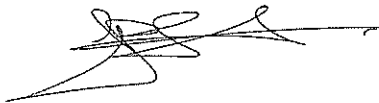
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Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 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 Luckhardt, Chairman



Sharon Pullen, Director

Signed on the 27th of September 2013.