Logan Community Financial Services Limited

ABN 88 101 148 430

annual report 2011

Logan **Community Bank®** Group

Contents

Chairman’s report

For year ending 30 June 2011

It is my pleasure to present Logan Community Financial Services Limited’s eighth annual report. I can confidently say that we are in a strong financial position having weathered the past and current economic pressures. We have managed to achieve acceptable profits together with satisfying growth activity; these results have been achieved even after paying our shareholders an eight cent per share dividend in November 2010 and continuing to support the many and varied community groups throughout Logan City.

Great community relations are no accident; it takes continuous and positive communication by our Company Directors, Branch Managers and staff to develop personal relationships with their entire community. Simply stated, building community relations is good practice and good business.

Over the past eight years we have maintained and developed strong relationships within our community and we are now able to enhance these associations in our capacity to offer greater assistance, not only in monetary ways. Earlier this year we provided the Logan City PCYC with a much needed, new 24 seat bus to be used for the safe transportation of the youth of our city.

Our **Community Bank®** branches look forward to continuing their community commitment and are constantly looking at ways in which we can contribute and make a difference to our special community of Logan.

We remain focused on employing locally in our five branches and develop our people within, we believe this allows us to maintain a stronger focus on community involvement and ensures that we consider the many diverse groups and cultures within Logan.

We are extremely grateful for the continued support of our partners Bendigo and Adelaide Bank Ltd and the supportive foundation they provide to the **Community Bank®** branch network. Thanks to the State Support Team and our Regional Manager, Mark Lally for his professionalism and assistance over the past year.

Our branches continue to achieve results with the expert leadership of our Area Manager, Drue Hutchinson, his dedication and enthusiasm to the role ensures that our Managers are provided with the appropriate mentoring and guidance to sustain the growth of our branches.

Reaching yet another milestone saw myself and fellow Directors becoming the custodians of a now $340 million Company, this remarkable group of community-minded men and women are always ready to give their time and support to achieve the goals and objectives necessary to ensure our Company’s success.

My thanks to our Administration Manager, Michelle Todd, and Donna Duncan recently appointed as our Community and Investment Co-ordinator.

The past year has seen two Directors retire; Sherry Heath and Brett Raguse I thank both Sherry and Brett for their tremendous contributions made during their time on the Board. We welcome to our Board two new Directors, Michael Wardlaw and Melissa Hockey, they both bring to our Company many years of corporate experience.

I personally as your Chairman now for the past eight years still feel a great sense of pride in being a part of such a successful banking group. I believe having achieved consistent profit together with our community investments, sponsorships, donations and dividend payments we are now in a position to offer our community greater rewards that flow from our success.

Thank you to our shareholders who remain supportive both through continuing to bank and engage with us during the past year. I feel privileged and humbled to be the leader of such a proficient Company and I look forward to the continued success your Company deserves.

Colin Nelson
Chairman

Area Manager's report

For year ending 30 June 2011

Here we are at the end of our eighth full year of trading as a **Community Bank®** Company in Logan and it is with great pleasure that I am able to report on a vastly matured and highly successful business when compared with our conversion on 1 June 2003.

Business growth

As was reported at last year's Annual General Meeting, we set out this financial year with some very ambitious growth targets.

When these targets were established for the new financial year there was no comprehension of the global financial crisis that has affected the Australian economy over this last financial year. However, Logan **Community Bank®** Group can report that we grew our funds under management (business) by $45 million this financial year, exceeding the $34 million expectations set by the bank and industry standards. Total banking business for the Company at the end of the financial year was $336.2 million, which equates to growth of 15.4%.

Previously there has been a reliance on home lending in recent years and with the known volatility of that market, our Managers have maintained a greater focus on small to medium business lending, as well as ensuring that branch staff are more focused on alternative products that the bank offers. This process is about educating our customer base that Bendigo and Adelaide Bank Ltd offers a wide range of banking products and services at a local level including financial planning and insurance needs.

For the current financial year we have budgeted on very similar growth levels and we see this growth tracking well early on.

Community engagement

Community engagement is an ongoing focus of our entire team this year. The Logan **Community Bank®** Group is proud of its wide and varied contribution to community groups in the wider Logan area and the financials obviously attest to this.

Let's not forget also that our engagement with community gives our Company a far more positive conversation to be having with those looking to do business with us. As the economy contracts and enters a period of unknown more and more customers will look for local solutions to their financial needs, as the Logan **Community Bank®** branches are proud supporters of many varied groups. The Logan **Community Bank®** Group is in the prime position of our message getting out into the wider community and beyond.

Some of the notable involvements of our teams this year have been in events such as:

- Logan **Community Bank®** branches' Big Day Out for People with Disabilities
- Major Sponsorship of Logan and Beenleigh PCYC's, which also included the purchase of a bus to be used by the community
- Mater Little Miracles Appeal
- Rochedale Rovers
- Various multi cultural groups & projects
- Browns Plains Rugby League

Area Manager's report continued

- Springwood Pumas
- Park Ridge Pirates
- Loganholme Soccer Club
- Various schools across the city

Community engagement will continue to be a key driver in everything our teams do and we will see the above list expand in the coming years.

Business expansion

The Beenleigh sub branch that commenced trading in August 2009 after an extensive campaign continues to perform well and had $27 million of business footings as at the end of the financial year. We have also seen a significant increase in contact points through our ATM network now populating 14 locations across the city.

We will continue to source feasible opportunities to provide enhanced banking services to the greater Logan area.

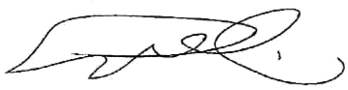
Summary

The 2010/11 financial year has been an excellent consolidated year for our business. We are now operating in clear profit and we have a management and business writing team driving growth significantly above expectations and industry standards.

I would personally like to thank our Chairman Colin Nelson and the Board of Directors for their support and confidence in my ability to manage our business forward over the past year. I applaud their vision and proactive approach to decision making which makes the role all the more enjoyable. I would also like to thank Mark Lally and the Bendigo and Adelaide Bank Ltd team for their ongoing support and partnership contribution.

Last, but by no means least, I would like to thank our fantastic and enthusiastic staff for the valuable contribution they continue to make in supporting myself and the management team delivering a high level of service to our customers and engaging themselves in the greater Logan community.

The past financial year has not been without its challenges however our **Community Bank®** branches have met these challenges well. With an easing of economic conditions to occur over the next 12 months, future success should be achieved.



Drue Hutchinson
Area Manager

Directors' report

For the financial year ended 30 June 2011

Your directors submit the financial statements of the company for the financial year ended 30 June 2011.

Directors

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

Colin Albert Nelson
Chairman
Age: 64
Company Director
Diploma Marketing & Business Practice. Business owner for over 20 years.
Interests in shares: 32,001

Craig John Panagiris
Director\Secretary
Age: 47
Program Manager
Fellow of the Institute of Chartered Accounts, 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.
Interests in shares: Nil

John Joseph McLaughlin
Director
Age: 49
Solicitor
LLB, Solicitor in Logan area for over 22 years, specialising in commercial, retail, leasing, conveyance and franchising.
Vice Chairman, Chairman - Governance & Audit committee member.
Interests in shares: 7,501

Russell Peter Jenkins
Director
Age: 49
Executive Customer & Community Bendigo and Adelaide Bank Limited
A qualified Chemical Engineer, headed the **Community Bank®** concept since its inception in 1998.
Interests in shares: Nil

Jason Paul Luckhardt
Director
Age: 41
Property Sales & Development
Studying towards a Diploma of Business (Marketing), Past Rotarian and former mayoral candidate.
Interests in shares: Nil

Mark Anthony Lally
Director (Alternate Director for Russell Peter Jenkins)
Age: 44
Bank Executive, Bendigo & Adelaide Bank Limited
Over 25 years banking experience in senior positions with Australian and European banking institutions.
Interests in shares: Nil

Directors' report continued

Leonie Therese Deaves
Director\Treasurer
Age: 41
Property Manager
Certificate 11 Accounting, Certificate 111 Business Administration, Real Estate Licence, 12 years of property management experience.
Interests in shares: Nil

Melissa Michelle Hockey
Director (Appointed 25 July 2011)
Age: 25
Public Servant
Bachelor of Arts in Politics & Government. Certificate IV in Project Management.
Interest in shares: Nil

Michael James Wardlaw
Director (Appointed 27 June 2011)
Age: 37
Real Estate Agent
Fully licensed Real Estate Certificate for residential property for the past 16 years
Interest in shares: 1,000

Brett Blair Raguse
Director (Appointed 9 November 2010, Resigned 11 July 2011)

Sherolyn Lesley Heath
Director (Resigned 31 January 2011)

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

Company Secretary

The company secretary is Craig Panagiris. Craig was appointed to the position of company secretary on 1 April 2010. Craig has past experience as a Chartered Accountant in the insurance, postal and electricity sectors. Previous board experience with Queensland Motorways Limited and Rivermount Education Limited.

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 2011 $	Year ended 30 June 2010 $
	278,508	119,586

Remuneration Report

(a) Directors Fees

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	5,000	5,000
Deputy Chairman	1,000	1,000
Company Secretary (if also a Director)	3,000	3,000
Treasurer (if also a Director)	1,000	1,000

Further, a fee would be paid for each meeting attended, as follows:

	$	**$**
Board Meeting	200	200
Committee Meeting	50	50

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 two Bendigo and Adelaide Bank Limited directors, the total payable in one year on the basis outlined above would be $38,000. Payments to the directors are made twice yearly, in arrears.

	Year ended 30 June 2011 $	**Year ended 30 June 2010 $**
Colin Albert Nelson	8,536	8,800
John Joseph McLaughlin	3,700	4,000
Jason Paul Luckhardt	3,200	3,300
Leonie Therese Deaves	3,350	3,200
Craig John Panagiris	6,400	2,450
Brett Blair Raguse	1,722	-
Sherolyn Lesley Heath	1,350	3,200
Total Payment	**28,258**	**24,950**

(b) 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.

Dividends	Year Ended 30 June 2011 Cents	$
Dividends paid in the year:		
Unfranked dividend declared and paid during the period:	8	256,000

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.

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 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			GAH		Marketing		Major Projects	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Colin Albert Nelson	11	10	10	8	11	6	8	5
Craig John Panagiris	11	10	10	10	-	-	4	4
John Joseph McLaughlin	11	8	10	10	-	-	-	-
Jason Paul Luckhardt	11	8	5	3	6	6	8	8
Russell Peter Jenkins (Alternate – Mark Lally)	11	3	-	-	-	-	-	-
Leonie Therese Deaves	11	9	4	4	-	-	8	8
Mark Anthony Lally (Russell Jenkins Alternate)	11	9	-	-	-	-	-	-
Michael James Wardlaw (Appointed 27 June 2011)	1	1	-	-	-	-	-	-
Melissa Michelle Hockey (Appointed 25 July 2011)	-	-	-	-	-	-	-	-
Sherolyn Lesley Heath (Resigned 31 January 2011)	5	3	-	-	6	3	6	4
Brett Blair Raguse (Appointed 9 November 2010, Resigned 11 July 2011)	6	5	-	-	7	5	-	-

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 12.

Signed in accordance with a resolution of the board of directors at Logan, Queensland on 9 September 2011.

Colin Albert Nelson, Chairman	**Craig John Panagris, Director**

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, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

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

GRAEME STEWART
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

9th September 2011

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 2011

	Note	2011 $	2010 $
Revenues from ordinary activities	4	3,956,274	3,495,287
Employee benefits expense		(2,026,933)	(1,781,257)
Charitable donations, sponsorship, advertising and promotion		(181,996)	(120,636)
Occupancy and associated costs		(542,811)	(558,135)
Systems costs		(138,723)	(140,569)
Depreciation and amortisation expense	5	(160,393)	(125,224)
Finance costs	5	(11)	(7)
General administration expenses		(482,196)	(578,545)
Profit before income tax expense		**423,211**	**190,914**
Income tax expense	6	(144,703)	(71,328)
Profit after income tax expense		**278,508**	**119,586**
Total comprehensive income for the year		**278,508**	**119,586**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	22	8.70	3.74

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2011

	Note	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,027,061	724,519
Trade and other receivables	8	91,832	161,478
Total Current Assets		**1,118,893**	**885,997**
Non-Current Assets			
Property, plant and equipment	9	756,778	738,495
Intangible assets	10	123,445	184,572
Deferred tax assets	11	52,995	197,698
Total Non-Current Assets		**933,218**	**1,120,765**
Total Assets		**2,052,111**	**2,006,762**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	58,292	37,494
Provisions	13	6,093	5,419
Total Current Liabilities		**64,385**	**42,913**
Non-Current Liabilities			
Provisions	13	3,556	2,187
Total Non-Current Liabilities		**3,556**	**2,187**
Total Liabilities		**67,941**	**45,100**
Net Assets		**1,984,170**	**1,961,662**
Equity			
Issued capital	14	3,042,211	3,042,211
Accumulated losses	15	(1,058,041)	(1,080,549)
Total Equity		**1,984,170**	**1,961,662**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2011

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2009	**3,042,211**	**(1,200,135)**	**1,842,076**
Total comprehensive income for the year	**-**	**119,586**	**119,586**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2010	**3,042,211**	**(1,080,549)**	**1,961,662**
Balance at 1 July 2010	**3,042,211**	**(1,080,549)**	**1,961,662**
Total comprehensive income for the year	**-**	**278,508**	**278,508**
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)
Balance at 30 June 2011	**3,042,211**	**(1,058,041)**	**1,984,170**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Cash Flows From Operating Activities			
Receipts from customers		4,002,400	3,494,283
Payments to suppliers and employees		(3,363,533)	(3,182,785)
Interest received		37,235	15,881
Interest paid		(11)	(7)
Net cash provided by operating activities	**16**	**676,091**	**327,372**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(117,549)	(193,608)
Payments for intangible assets		-	(20,000)
Net cash used in investing activities		**(117,549)**	**(213,608)**
Cash Flows From Financing Activities			
Dividends paid		(256,000)	-
Net cash used in financing activities		**(256,000)**	**-**
Net increase in cash held		**302,542**	**113,764**
Cash and cash equivalents at the beginning of the financial year		724,519	610,755
Cash and cash equivalents at the end of the financial year	**7(a)**	**1,027,061**	**724,519**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

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

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.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

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

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Adoption of new and revised Accounting Standards (continued)

- AASB 101 Presentation of Financial Statements

  In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

- Disclosure impact

  Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

  Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

  Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

  The company's financial statements contain a single statement of comprehensive income.

  Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

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.

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).

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

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 (ie ‘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 be exercised on several occasions previously. For example in February 2011 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).

Deferred tax

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax (continued)

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Note 1. Summary of Significant Accounting Policies (continued)

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 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	40 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

<u>Recognition and initial measurement</u>

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

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Recognition and initial measurement (continued)

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

Note 1. Summary of Significant Accounting Policies (continued)

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.

Note 2. Financial Risk Management (continued)

(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 2011 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, 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.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Note 3. Critical Accounting Estimates and Judgements (continued)

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

	2011 $	2010 $
Operating activities:		
- services commissions	3,899,553	3,461,517
- other revenue	18,866	13,420
Total revenue from operating activities	**3,918,419**	**3,474,937**
Non-operating activities:		
- interest received	37,855	20,350
Total revenue from non-operating activities	**37,855**	**20,350**
Total revenues from ordinary activities	**3,956,274**	**3,495,287**

Notes to the financial statements continued

	Note	2011 $	2010 $

Note 5. Expenses

	Note	2011 $	2010 $
Depreciation of non-current assets:			
- plant and equipment		30,728	40,277
- leasehold improvements		53,400	25,082
- motor vehicles		15,139	3,060
Amortisation of non-current assets:			
- franchise agreement		9,187	9,187
- franchise renewal fee		44,272	47,618
- sub-branch fee		7,667	-
		160,393	**125,224**
Finance costs:			
- interest paid		**11**	**7**
Bad debts		**31,654**	**38,777**
Loss on disposal of assets		**-**	**7,243**

Note 6. Income Tax Expense

	Note	2011 $	2010 $
The components of tax expense comprise:			
- Movement in deferred tax		(8,637)	(2,324)
- Recoup of prior year tax loss		153,340	73,652
		144,703	**71,328**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		423,211	190,914
Prima facie tax on profit from ordinary activities at 30%		126,965	57,273
Add tax effect of:			
- non-deductible expenses		17,738	17,042
- timing difference expenses		8,637	2,324
- other deductible expenses		-	(2,987)
		153,340	**73,652**
Movement in deferred tax	11	(8,637)	(2,324)
		144,703	**71,328**

	2011 $	2010 $

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	708,461	424,519
Term deposits	318,600	300,000
	1,027,061	**724,519**

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	708,461	424,519
Term deposits	318,600	300,000
	1,027,061	**724,519**

Note 8. Trade and Other Receivables

Trade receivables	78,846	142,096
Other receivables and accruals	7,986	8,066
Prepayments	5,000	11,316
	91,832	**161,478**

Note 9. Property, Plant and Equipment

Plant and equipment		
At cost	399,274	390,370
Less accumulated depreciation	(196,790)	(165,987)
	202,484	**224,383**
Leasehold improvements		
At cost	588,538	588,537
Less accumulated depreciation	(168,238)	(114,912)
	420,300	**473,625**
Motor vehicles		
At cost	152,193	43,547
Less accumulated depreciation	(18,199)	(3,060)
	133,994	**40,487**
Total written down amount	**756,778**	**738,495**

	2011 $	2010 $

Note 9. Property, Plant and Equipment (continued)

Movements in carrying amounts:

Plant and equipment		
Carrying amount at beginning	224,383	182,143
Additions	8,904	89,760
Disposals	-	(7,243)
Less: depreciation expense	(30,803)	(40,277)
Carrying amount at end	**202,484**	**224,383**
Leasehold improvements		
Carrying amount at beginning	473,625	438,406
Additions	-	60,301
Less: depreciation expense	(53,325)	(25,082)
Carrying amount at end	**420,300**	**473,625**
Motor vehicles		
Carrying amount at beginning	40,487	-
Additions	108,646	43,547
Less: depreciation expense	(15,139)	(3,060)
Carrying amount at end	**133,994**	**40,487**
Total written down amount	**756,778**	**738,495**

Note 10. Intangible Assets

Franchise fee		
At cost	285,936	285,936
Less: accumulated amortisation	(267,417)	(258,230)
	18,519	**27,706**
Renewal processing fee		
At cost	229,700	249,700
Less: accumulated amortisation	(137,097)	(92,834)
	92,603	**156,866**

	2011 $	2010 $
Note 10. Intangible Assets (continued)		
Sub-branch fee		
At cost	20,000	-
Less: accumulated amortisation	(7,677)	-
	12,323	**-**
Total written down amount	**123,445**	**184,572**

Note 11. Tax

Deferred tax assets		
- employee provisions	2,894	2,284
- tax losses carried forward	44,287	197,624
- fixed assets	8,210	-
	55,391	**199,908**
Deferred tax liability		
- accruals	2,396	2,210
- deductible prepayments	-	-
	2,396	**2,210**
Net deferred tax asset	**52,995**	**197,698**
Movement in deferred tax charged to statement of comprehensive income	**(8,637)**	**(71,328)**

Note 12. Trade and Other Payables

Trade creditors	52,194	25,843
Other creditors and accruals	6,098	11,651
	58,292	**37,494**

Note 13. Provisions

Current:		
Provision for annual leave	**6,093**	**5,419**

	2011 $	2010 $
Note 13. Provisions (continued)		
Non-Current:		
Provision for long service leave	**3,556**	**2,187**
Number of employees at year end	2	2

Note 14. Contributed Equity

3,200,000 Ordinary shares fully paid (2010: 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®** 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.

Note 14. 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 1,172 shareholders.

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

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

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

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

Note 15. Accumulated Losses

	2011 $	2010 $
Balance at the beginning of the financial year	(1,080,549)	(1,200,135)
Net profit from ordinary activities after income tax	278,508	119,586
Dividends paid or provided for	(256,000)	-
Balance at the end of the financial year	**(1,058,041)**	**(1,080,549)**

	2011 $	2010 $

Note 16. 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	278,508	119,586
Non cash items:		
- depreciation	99,266	68,419
- amortisation	61,127	56,805
- loss on disposal of assets	-	7,243
Changes in assets and liabilities:		
- decrease in receivables	69,646	6,919
- decrease in other assets	144,703	71,328
- increase/(decrease) in payables	20,798	(6,326)
- increase in provisions	2,043	3,398
Net cashflows provided by operating activities	**676,091**	**327,372**

Note 17. 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	431,581	430,869
- between 12 months and 5 years	801,691	981,956
- greater than 5 years	-	-
	1,233,271	**1,412,825**

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

	2011 $	2010 $

Note 18. Auditors' Remuneration

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

	2011 $	2010 $
- audit and review services	5,400	5,500
- non audit services	4,441	4,252
	9,841	**9,752**

Note 19. Director and Related Party Disclosures

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

Colin Albert Nelson

Craig John Panagiris

John Joseph McLaughlin

Jason Paul Luckhardt

Russell Peter Jenkins

Leonie Therese Deaves

Mark Anthony Lally (Russell Juenkins Alternate)

Michael James Wardlaw (Appointed 27 June 2011)

Melissa Michelle Hockey (Appointed 25 July 2011)

Brett Blair Raguse (Appointed 9 November 2010, Resigned 11 July 2011)

Sherolyn Lesley Heath (Resigned 31 January 2011)

During the year Logan Community Financial Services Limited received $16,927.00 (2010: $14,055.39) from Aussie Outdoor Imports and Exports for rent. Director Colin Nelson is the owner of Aussie Outdoor Imports and Exports.

Sherry Heath is a partner in Jamtoast which provided design services to the company. The expense to the company for these services were $Nil (2010: $1,237.50).

During the year Logan Community Financial Services Limited paid $6,167.00 (2010: $7,376.10) to McLaughlin & Associates Lawyers. McLaughlin & Associates Lawyers are used as professional legal advisors for the entity when and where required and is a company 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. The entity is a company owned by director - John McLaughlin. The payments for rent and associated outgoings totalled $45,153.00 (2010: $52,147.53).

Notes to the financial statements continued

Note 19. Director and Related Party Disclosures (continued)

Directors Shareholdings	**2011**	**2010**
Colin Albert Nelson	32,001	32,001
Craig John Panagiris	-	-
John Joseph McLaughlin	7,501	7,501
Jason Paul Luckhardt	-	-
Russell Peter Jenkins	-	-
Leonie Therese Deaves	-	-
Mark Anthony Lally (Russell Juenkins Alternate)	-	-
Michael James Wardlaw (Appointed 27 June 2011)	500	-
Melissa Michelle Hockey (Appointed 25 July 2011)	-	-
Brett Blair Raguse (Appointed 9 November 2010, Resigned 11 July 2011)	1,000	-
Sherolyn Lesley Heath (Resigned 31 January 2011)	1,000	1,000

	2011 $	**2010 $**

Note 20. Dividends Paid or Provided

a. Dividends paid during the year

Unfranked dividend 8 cents - (2010: Nil cents) per share	**256,000**	**-**

Note 21. 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	5,000	5,000
Deputy Chairman	1,000	1,000
Company Secretary (if also a Director)	3,000	3,000
Treasurer (if also a Director)	1,000	1,000

	2011 $	2010 $

Note 21. Key Management Personnel Disclosures (continued)

Further, a fee would be paid for each meeting attended, as follows:

	2011 $	2010 $
Board Meeting	200	200
Committee Meeting	50	50

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 two Bendigo and Adelaide Bank Limited directors, the total payable in one year on the basis outlined above would be $38,000. Payments to the directors are made twice yearly, in arrears.

	2011 $	2010 $
Colin Albert Nelson	8,536	8,800
John Joseph McLaughlin	3,700	4,000
Jason Paul Luckhardt	3,200	3,300
Leonie Therese Deaves	3,350	3,200
Craig John Panagiris	6,400	2,450
Brett Blair Raguse	1,722	-
Sherolyn Lesley Heath	1,350	3,200
Total Payment	**28,258**	**24,950**

Note 22. Earnings Per Share

	2011 $	2010 $
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	278,508	119,586
	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 Balance Sheet Date

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

Note 24. Contingent Liabilities

There were no contingent liabilities 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 Beenleigh, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

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

Note 27. 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		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					
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 %	2010 %
Financial Assets												
Cash and cash equivalents	708,461	424,519	318,600	300,000	-	-	-	-	-	-	4.99	3.65
Receivables	-	-	-	-	-	-	-	-	78,846	142,096	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	54,244	25,843	N/A	N/A

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 2011 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.

Colin Albert Nelson, Chairman

Craig John Panagiris, Director

Signed on the 9th of September 2011.

Independent audit report

Partners in success

Chartered Accountants

Independent Auditor's Report To The Members Of Logan Community Financial Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Logan Community Financial Services Limited, which comprises the balance sheet as at 30 June 2011, 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

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

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

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

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

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

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 our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Logan Community Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Logan Community Financial Services Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

GRAEME STEWART
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

9th September 2011

BSX report

Additional Information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. This information is current as at 12 September 2011

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

Range of shares held	Total holders	Units
1 – 1,000	757	521,948
1,001 – 5,000	326	937,437
5,001 – 10,000	130	497,450
10,001 – 100,000	32	882,667
100,001 and over	2	350,000
Total shareholders	**1,247**	

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

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

There are 3 shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

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

The following table shows the 10 largest shareholders

No. of shares	% Held	Shareholder
247500	7.77	Bendigo & Adelaide Bank Limited
102500	3.22	Central Plumbing Supplies Pty Ltd
73000	2.29	Mr Peter McErlane
56900	1.79	Winpar Holdings Limited
54060	1.70	Mr Warren Dicker
50000	1.57	Astonlee Pty
50000	1.57	The Miles Superannuation Fund
45215	1.42	Week Constructions Pty Ltd
45000	1.41	Mr Richard Craig Campbell & Mrs Haydee Elba Campbell
43001	1.35	Global Effect Pty Ltd Superannuation Fund

BSX report continued

Registered office and principal administrative office

The registered office of the Company is located at:
11 Vanessa Blvd
Springwood QLD 4127
Phone: (07) 3808 1011

The principal administrative office of the Company is located at
11 Vanessa Blvd
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

Other information

The Company exercises its Corporate Governance responsibilities in a number of ways including the oversight of important functions of the Company through regular Board reporting, the establishment and ongoing review of policies and procedures, and the operation of the following three Board committees:

- Governance, Audit and Human Resource Committee
- Marketing Committee
- Major Projects Committee

Please refer to the Directors report, within the annual report, for details of the Company Secretary and main corporate governance practices of the entity.

There are no material difference between the information in the Company's Annexure 3A and the information in the financial documents in this annual report.

Logan **Community Bank®** Group

Loganholme
Logan Hyperdome Bryants Road, Loganholme QLD 4129
Phone: (07) 3801 3600 Fax: (07) 3801 4997
E-mail: loganholmemailbox@bendigobank.com.au

Marsden
Shop 21, Marsden Park Shopping Centre,
55-77 Chambers Flat Road, Marsden QLD 4132
Phone: (07) 3299 7740 Fax: (07) 3299 7870
E-mail: marsdenmailbox@bendigobank.com.au

Springwood
Shop 40/41, Centro Springwood,
34 Fitzgerald Avenue, Springwood QLD 4127
Phone: (07) 3208 2611 Fax: (07) 3208 3611
E-mail: springwoodmailbox@bendigobank.com.au

Browns Plains
Shop 17-18, Westpoint Shopping Centre,
8-24 Browns Plains Road, Browns Plains QLD 4118
Phone: (07) 3806 9777 Fax: (07) 3806 9500
E-mail: brownsplainsmailbox@bendigobank.com.au

Beenleigh branch
106 City Road, Beenleigh QLD 4207
Phone: (07) 3801 8336 Fax: (07) 3801 8314
E-mail: beenleighmailbox@bendigobank.com.au

Franchisee: Logan Community Financial Services Limited
11 Vanessa Boulevard, Springwood QLD 4127
Phone: 07 3808 1011 Fax: 07 3808 1392
ABN: 88 101 148 430

www.bendigobank.com.au/logan
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11041) (07/11)

Bendigo Bank