



annual report **2012**

Logan Community
Financial Services Limited

ABN 88 101 148 430

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Chairman's report

For year ending 30 June 2012



It is my pleasure to present the Logan Community Financial Services Limited ninth annual report. For the year ending 30 June 2012 we posted a net profit of \$490,350 (an approximate increase of 76% on the previous year) which, given the prevailing tough economic conditions in which we are operating in is, I believe a more than satisfactory and solid result.

Our company now boasts five branches throughout Logan namely Springwood, Loganholme, Marsden, Browns Plains, and Beenleigh. Earlier this year we celebrated the opening of an agency at Greenbank;

located in the Greenbank Plaza Newagency. I would like to thank Mr and Mrs Burrows owners of the Newagency for their support in aiding us in our long term goal of providing banking services throughout the whole of Logan City.

Our company has a twofold purpose firstly to provide a solid investment and return to our shareholders and secondly to aid and support the community of Logan City.

I am pleased to say that with another 8c per share dividend paid during 2011/12 that we are delivering on our first commitment. This follows returns of 8, 7 and 3 cents across the previous 4 years. I thank shareholders for their patience in the early years when the company was getting on its feet. Our shareholders held faith in our vision and that faith is now being rewarded.

On our second commitment to aid and support our community we have again been busy this past year. We have during 2011/12 provided approximately \$175,000 back to the community via sponsorships to sporting associations stretching from Beenleigh Sporting Club through to Pumas Football Club at

Springwood. We have also provided sponsorship support to numerous other sporting and local community groups including the 3 PCYC's within Logan City, Tall Trees Tanah Merah, BRAKE Youth Driver Education Program, Eden's Landing Rugby League, Shailer Park and Daisy Hill Netball Clubs, Loganholme FC, Chamber Pines Veteran Golf Club, Park Ridge Pirates, Browns Plains Little Athletics to name a few. We were again proud hosts of the annual Big Day Out an event for people with disabilities held this year in May.



As this is my first year as Chairman I would like to share with you my vision and goals for the company during my term. Firstly, I want to connect more and more with our communities at a grass roots level. We are striving for each of our **Community Bank®** branches to connect with its own backyard and to engage with their local people and provide feedback to us as to how best we can aid these local communities.

Chairman's report (continued)

Secondly we wish to develop and maintain a strong Board. With no disrespect to the Boards of the past, I believe our current Board to be one of the best Boards that this company has had as it possesses a diversity of backgrounds, experience and skill sets.

Another goal is to provide support and ongoing education for all our staff and Board members so that they are better equipped to perform their roles within our organisation. And finally our emphasis is on the youth of our city particularly those between 14 years to their early 20's as this is the future of our city, which is where the future leaders of industry, commerce, and political life lay. It is they who over the next 10 to 20 years will shape Logan. To that end we are in the early stages of exploring ways we can partner with Griffith University Logan Campus and the local high schools to determine how best we can collaborate with these organisations to nurture, encourage and support our future leaders and citizens of Logan City.

I would also like to take this opportunity to thank all our staff across the branches from our Area Manager, Mr Drue Hutchinson through to our Branch Managers and their team in the branches who provide such great service to our customers.

I would also like to thank our administration team of Mrs Michelle Todd and Ms Donna Duncan who work tirelessly behind the scenes keeping the wheels turning.

This time last year our dear and beloved former Chairman, Colin Nelson gave his last Chairman's report. Unfortunately Col passed away in January of this year after a long battle with cancer. I would like to acknowledge the great work Col did in his years as Chairman of our company and thank him for having left the company in such great shape.

And finally to you our shareholders, thank you for your ongoing support. I encourage each and every one of you to be strong advocates for our company, to get out there and encourage your friends and family to bank with us, to make use of all our services and keep telling the story of how banking with Logan **Community Bank®** Group is not only good for business but good for you and good for the community in which you live.



John McLaughlin
Chairman

Area Manager's report

For year ending 30 June 2012



Completing our ninth full year of trading, as Area Manager I am pleased to report again on the successful achievements of Logan Community Financial Services Limited (LCFSL) for the 2011/12 financial year.

We saw some significant economic factors and an exceptionally competitive market throughout this period but our consistent delivery of excellent customer service and community engagement I feel has contributed to our success.

Achieving a \$16.9 million increase or 5% in our business size now totaling \$353.2 million is a great accomplishment, some of this increase can be attributed to our team's greater focus on insurance and financial planning which have driven good results to our bottom line; our Manager's continue to concentrate on fee income and cost management to continue this trend in our business growth.

Our total number of customers is sitting at 15,111 with a total number of accounts held at 22,457. We continue to encourage and remind our shareholders that you're on-going support as customers remains invaluable in ensuring our future success, as you know it's this support and banking activity that ultimately determines the level of return to the local Logan community.

Returning profits to the local community is a core philosophy of the **Community Bank®** network and here at Logan we are no exception. Contributions of \$80 million from the national **Community Bank®** network have touched the lives of thousands of "local" Australians. I am happy to advise that LCFSL has contributed back to the Logan City community in excess of \$1 million through donations, investments, sponsorships, grants and shareholder dividends since its inception in 2003, which helps to improve the economic and social prospects of the recipient clubs and organisations.

Our Marketing Committee and Community Projects Committee continue to look for opportunities that could be undertaken with the aid of funds generated by the Logan **Community Bank®** branches. Projects may be small, large, one-off or ongoing and may also be carried out with other community groups, local, state or federal government. Selected projects will help make Logan a stronger, more sustainable and resilient community.

LCFSL's major achievement was the recent purchase of two properties located at 54 Bryants Road,

Shailer Park. The plan is to relocate our Loganholme branch at the end of its current Hyperdome lease; we look forward to establishing a new state of the art 'Branch of the Future' and look forward to its opening in 2014.

Another area of expansion, as our Chairman has mentioned in his report is the Bendigo Bank Agency located in the Greenbank Plaza Newsagency; this agency is already exceeding expectations, we are now, as always looking for other areas within Logan that this type of structure may suit to ensure our customers are provided with convenient banking facilities in their local area without the need to travel to neighbouring suburbs.

The financial year has seen some changes to our management team; Springwood, Loganholme and Marsden branches have all seen new Managers come on board. Peter Wild, John Worboyes and Matthew Harris (respectively) join the company; all of these gentlemen have many years in the banking industry and bring a wealth of knowledge to our company, we welcome them all and look forward to their progression with the Logan **Community Bank®** group.

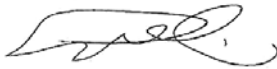


Area Manager's report (continued)

I would personally like to thank each and everyone one of our dedicated staff members in all five branches for their continued efforts and contributions in delivering the **Community Bank®** point of difference and for delivering an exceptional standard of service to our customers. To our management team I thank you for your continued commitment to your roles in ensuring that we achieve our priorities; I would also like to thank new Chairman John McLaughlin for his renewed focus and the Board of Directors for their continued confidence and support in my abilities to lead the Logan **Community Bank®** Group.

Also I need to thank our Regional Manager, Mark Lally and the Bendigo and Adelaide Bank State Support team for their ongoing assistance and partnership contribution.

Moving forward I am sure there will continue to be challenges; however I am confident that if we continue to focus on our connections with the Logan community and by continuing to help our customers achieve their financial goals and aspirations 2012/13 will be an even greater year.



Drue Hutchinson
Area Manager

Directors' report

For the financial year ended 30 June 2012

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

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

Chairman

Age: 50

Solicitor

LLB, Solicitor in Logan area for over 25 years, specialising in commercial, retail, leasing, conveyance and franchising.

Chairman Governance & Audit committee

Interests in shares: 7,501



Craig John Panagiris

Director\Secretary

Age: 48

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.

Deputy Chairman, member of the Governance & Audit and Marketing committees

Interests in shares: 2,000



Jason Paul Luckhardt

Director

Age: 42

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.

Chairman Community Projects committee, member of the Governance & Audit committee

Interests in shares: Nil



Russell Peter Jenkins

Director

Age: 50

Executive Assistant Customer & Community Bendigo and Adelaide Bank Limited

A qualified Chemical Engineer, headed the **Community Bank®** concept since its inception in 1998, with 29 years experience in banking, finance and business.

Chairman Lead On Australia and Director Bank of Cyprus Australia.

Interests in shares: Nil

Directors' report (continued)

Directors (continued)



Leonie Therese Deaves

Director

Age: 42

Property 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)

Age: 45

Regional Manager Bendigo and Adelaide Bank Limited

Over 25 years banking experience in senior positions with Australian and European banking institutions.

Interests in shares: Nil



Michael James Wardlaw

Director

Age: 38

Real Estate Agent

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

Chairman of Marketing Committee

Interest in shares: 4,500



Melissa Michelle Hockey

Director (Appointed 25 July 2011)

Age: 26

Media Advisor

Bachelor of Arts in Politics & Government, Certificate IV in Project Management, Prince2 Accreditation.

Member of Community Projects Committee

Interest in shares: Nil



Sharon Maree Pullen

Director/Treasurer (Appointed 30 April 2012)

Age: 51

Accountant

Director - Client Services, Business Advisory Services. Certified Practicing Accountant and Bachelor of Business.

Member of Governance & Audit Committee

Interests in shares: Nil



Colin Albert Nelson

Director (Deceased 13 January 2012)

Age: 64

Company Director

Diploma Marketing and Business Practice. Business owner for over 20 years.

Interests in shares: 32,001

Directors' report (continued)

Directors (continued)

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 2012 \$	Year ended 30 June 2011 \$
	490,350	278,508

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:

	\$
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

Directors' report (continued)

Remuneration Report (continued)

(a) Directors' Fees (continued)

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.

	Year ended 30 June 2012 \$	Year ended 30 June 2011 \$
John Joseph McLaughlin	7,400	3,700
Craig John Panagiris	7,805	6,400
Jason Paul Luckhardt	3,795	3,200
Leonie Therese Deaves	4,290	3,350
Michael James Wardlaw	3,650	-
Melissa Michelle Hockey (Appointed 25 July 2011)	2,805	-
Colin Albert Nelson (Deceased 13 January 2012)	4,870	8,536
Brett Blair Raguse (Resigned 11 July 2011)	-	1,722
Sherolyn Lesley Heath (Resigned 31 January 2011)	-	1,350
Total Payment	34,615	28,258

(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 and Beenleigh sub-branch. 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 2012.

(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.

Dividends	Year Ended 30 June 2012	
	Cents	\$
Dividends declared and paid in the year:		
Unfranked dividend declared and paid during the period:	8	256,000

Directors' report (continued)

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

Indemnification and Insurance of Directors and Officers

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

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

Directors' Meetings

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

Director	Board Meetings Attended		Committee Meetings Attended					
			GAH		Marketing		Community Projects	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
John Joseph McLaughlin	11	10	11	10	-	-	-	-
Craig John Panagiris	11	10	11	9	1	1	-	-
Jason Paul Luckhardt	11	11	11	9	-	-	9	8
Russell Peter Jenkins	11	2	-	-	-	-	-	-
Leonie Therese Deaves	11	8	-	-	-	-	9	7

Directors' report (continued)

Directors' Meetings (continued)

Director	Board Meetings Attended		Committee Meetings Attended					
			GAH		Marketing		Community Projects	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mark Anthony Lally (Russell Jenkins Alternate)	11	5	-	-	-	-	-	-
Michael James Wardlaw	11	11	-	-	11	11	-	-
Melissa Michelle Hockey	11	10	-	-	-	-	9	5
Sharon Maree Pullen	2	-	2	2	-	-	-	-
Colin Albert Nelson	5	4	5	4	5	3	4	-

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 24 September 2012.



John Joseph McLaughlin, Chairman



Craig John Panagiris, Director

Auditor's independence declaration



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 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

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

Graeme Stewart
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 24 September 2012

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

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Revenues from ordinary activities	4	4,359,334	3,956,274
Employee benefits expense		(2,126,764)	(2,026,933)
Charitable donations, sponsorship, advertising and promotion		(176,713)	(203,662)
Occupancy and associated costs		(609,330)	(542,811)
Systems costs		(132,113)	(138,723)
Depreciation and amortisation expense	5	(235,124)	(160,393)
Finance costs	5	(7,818)	(11)
General administration expenses		(435,312)	(460,530)
Profit before income tax expense		636,160	423,211
Income tax expense	6	(145,810)	(144,703)
Profit after income tax expense		490,350	278,508
Total comprehensive income for the year		490,350	278,508
Earnings per share (cents per share)		c	c
- basic for profit for the year	23	15.32	8.70

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	515,000	1,027,061
Trade and other receivables	8	215,060	91,832
Total Current Assets		730,060	1,118,893
Non-Current Assets			
Property, plant and equipment	9	1,601,866	756,778
Intangible assets	10	67,023	123,445
Deferred tax assets	11	29,532	52,995
Total Non-Current Assets		1,698,421	933,218
Total Assets		2,428,481	2,052,111
LIABILITIES			
Current Liabilities			
Trade and other payables	12	64,607	58,292
Current tax liabilities	11	122,347	-
Borrowings	13	5,601	-
Provisions	14	10,911	6,093
Total Current Liabilities		203,466	64,385
Non-Current Liabilities			
Provisions	14	6,495	3,556
Total Non-Current Liabilities		6,495	3,556
Total Liabilities		209,961	67,941
Net Assets		2,218,520	1,984,170
Equity			
Issued capital	15	3,042,211	3,042,211
Accumulated losses	16	(823,691)	(1,058,041)
Total Equity		2,218,520	1,984,170

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2012

	Issued Capital \$	Retained Earnings \$	Total Equity \$
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
Balance at 1 July 2011	3,042,211	(1,058,041)	1,984,170
Total comprehensive income for the year	-	490,350	490,350
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 2012	3,042,211	(823,691)	2,218,520

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Cash Flows From Operating Activities			
Receipts from customers		4,603,686	4,002,400
Payments to suppliers and employees		(3,884,770)	(3,363,533)
Interest received		51,030	37,235
Interest paid		(7,818)	(11)
Net cash provided by operating activities	17	762,128	676,091
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(1,004,742)	(117,549)
Payments for intangible assets		(19,048)	-
Net cash used in investing activities		(1,023,790)	(117,549)
Cash Flows From Financing Activities			
Proceeds from borrowings		600,000	-
Repayment of borrowings		(594,399)	-
Dividends paid		(256,000)	(256,000)
Net cash used in financing activities		(250,399)	(256,000)
Net increase/(decrease) in cash held		(512,061)	302,542
Cash and cash equivalents at the beginning of the financial year		1,027,061	724,519
Cash and cash equivalents at the end of the financial year	7(a)	515,000	1,027,061

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

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 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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 been 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.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

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.

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

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

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

m) Provisions

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

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

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.

Notes to the financial statements (continued)

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

(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%.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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 2012 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.

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.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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.

	2012 \$	2011 \$
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Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	4,254,918	3,899,553
- other revenue	16,583	18,866
Total revenue from operating activities	4,271,501	3,918,419

Non-operating activities:

- interest received	45,200	37,855
- rent received	42,633	-
Total revenue from non-operating activities	87,833	37,855
Total revenues from ordinary activities	4,359,334	3,956,274

Note 5. Expenses

Depreciation of non-current assets:

- buildings	2,405	-
- plant and equipment	46,530	30,728
- leasehold improvements	90,056	53,400
- motor vehicles	20,663	15,139

Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
Note 5. Expenses (continued)			
Amortisation of non-current assets:			
- franchise agreement		10,524	9,187
- franchise renewal fee		52,623	44,272
- sub-branch fee		12,323	7,667
		235,124	160,393
Finance costs:			
- interest paid		7,818	11
Bad debts		6,225	31,654

Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax		171,101	-
- Movement in deferred tax		(20,824)	(8,637)
- Recoupment of prior year tax loss		44,287	153,340
- Adjustments to tax expense of prior periods		(48,754)	-
		145,810	144,703

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

Operating profit		636,160	423,211
Prima facie tax on profit from ordinary activities at 30%		190,848	126,965
Add tax effect of:			
- non-deductible expenses		3,697	17,738
- timing difference expenses		20,843	8,637
- other deductible expenses		-	-
		215,388	153,340
Movement in deferred tax	11	(20,824)	(8,637)
Adjustments to tax expense of prior periods		(48,754)	-
		145,810	144,703

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	176,496	708,461
Term deposits	338,504	318,600
	515,000	1,027,061

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	176,496	708,461
Term deposits	338,504	318,600
	515,000	1,027,061

Note 8. Trade and Other Receivables

Trade receivables	208,320	78,846
Other receivables and accruals	2,156	7,986
Prepayments	4,584	5,000
	215,060	91,832

Note 9. Property, Plant and Equipment

Land and buildings

At cost	987,396	-
Less accumulated depreciation	(2,405)	-
	984,991	-

Plant and equipment

At cost	416,554	399,274
Less accumulated depreciation	(243,254)	(196,790)
	173,300	202,484

Leasehold improvements

At cost	588,538	588,538
Less accumulated depreciation	(258,294)	(168,238)
	330,244	420,300

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 9. Property, Plant and Equipment (continued)		
Motor vehicles		
At cost	152,193	152,193
Less accumulated depreciation	(38,862)	(18,199)
	113,331	133,994
Total written down amount	1,601,866	756,778
Movements in carrying amounts:		
Land and buildings		
Carrying amount at beginning	-	-
Additions	987,396	-
Disposals	-	-
Less: depreciation expense	(2,405)	-
Carrying amount at end	984,991	-
Plant and equipment		
Carrying amount at beginning	202,484	224,383
Additions	17,280	8,904
Disposals	-	-
Less: depreciation expense	(46,464)	(30,803)
Carrying amount at end	173,300	202,484
Leasehold improvements		
Carrying amount at beginning	420,300	473,625
Additions	-	-
Disposals	-	-
Less: depreciation expense	(90,056)	(53,325)
Carrying amount at end	330,244	420,300
Motor vehicles		
Carrying amount at beginning	133,994	40,487
Additions	-	108,646
Disposals	-	-
Less: depreciation expense	(20,663)	(15,139)
Carrying amount at end	113,331	133,994
Total written down amount	1,601,866	756,778

Notes to the financial statements (continued)

Note 9. Property, Plant and Equipment (continued)

Change in accounting estimate

During the year the remaining effective useful lives of the company's property, plant and equipment assets were reviewed in accordance with the requirements of Australian Accounting Standard AASB 116. As a result of this review the depreciation rates applied to a number of assets were modified to reflect the revised effective useful lives, increasing overall depreciation expense for the year. The effect on the written down value of property, plant and equipment and depreciation expense for the year ended 30 June 2012 is as follows:

	2012	
	Revised \$	Previous \$
Land and buildings	984,991	984,991
Plant and equipment	173,300	191,602
Leasehold improvements	330,244	366,967
Motor vehicles	113,331	116,949
Total written down amount	1,601,866	1,660,509
Depreciation expense	159,654	101,011

As a result of the revised effective lives of property, plant and equipment assets the effect on depreciation expense will continue in future periods, gradually reducing until the applicable assets are completely written down or replaced.

	2012 \$	2011 \$
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Note 10. Intangible Assets

Franchise fee

At cost	289,111	285,936
Less: accumulated amortisation	(277,941)	(267,417)
	11,170	18,519

Renewal processing fee

At cost	245,573	229,700
Less: accumulated amortisation	(189,720)	(137,097)
	55,853	92,603

Sub-branch fee

At cost	20,000	20,000
Less: accumulated amortisation	(20,000)	(7,677)
	-	12,323
Total written down amount	67,023	123,445

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 11. Tax		
Current:		
Income tax payable	122,347	-
Non-Current:		
Deferred tax assets		
- employee provisions	5,222	2,894
- property, plant and equipment	24,957	8,210
- tax losses carried forward	-	44,287
	30,179	55,391
Deferred tax liability		
- accruals	647	2,396
	647	2,396
Net deferred tax asset	29,532	52,995
Movement in deferred tax charged to statement of comprehensive income	23,463	(8,637)

Note 12. Trade and Other Payables

Trade creditors	55,509	52,194
Other creditors and accruals	9,098	6,098
	64,607	58,292

Note 13. Borrowings

Current:

Bank loans	5,601	-
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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%.

Note 14. Provisions

Current:

Provision for annual leave	10,911	6,093
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Non-Current:

Provision for long service leave	6,495	3,556
Number of employees at year end	2	2

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 15. Contributed Equity		
3,200,000 Ordinary shares fully paid (2011: 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.

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.

Notes to the financial statements (continued)

Note 15. Contributed Equity (continued)

Prohibited shareholding interest (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.

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.

	2012 \$	2011 \$
Note 16. Accumulated Losses		
Balance at the beginning of the financial year	(1,058,041)	(1,080,549)
Net profit from ordinary activities after income tax	490,350	278,508
Dividends paid or provided for	(256,000)	(256,000)
Balance at the end of the financial year	(823,691)	(1,058,041)

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	490,350	278,508
Non cash items:		
- depreciation	159,654	99,266
- amortisation	75,470	61,127

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 17. Statement of Cashflows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(123,228)	69,646
- (increase)/decrease in other assets	23,463	144,703
- increase/(decrease) in payables	6,315	20,798
- increase/(decrease) in provisions	7,757	2,043
- increase/(decrease) in current tax liabilities	122,347	-
Net cashflows provided by operating activities	762,128	676,091

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	432,162	431,581
- between 12 months and 5 years	423,233	801,691
- greater than 5 years	-	-
	855,395	1,233,271

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

Note 19. Auditor's Remuneration

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

- audit and review services	5,200	5,400
- non audit services	6,770	4,441
	11,970	9,841

Notes to the financial statements (continued)

Note 20. Director and Related Party Disclosures

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

John Joseph McLaughlin
Craig John Panagiris
Jason Paul Luckhardt
Russell Peter Jenkins
Leonie Therese Deaves
Mark Anthony Lally (Russell Jenkins Alternate)
Michael James Wardlaw
Melissa Michelle Hockey (Appointed 25 July 2011)
Sharon Maree Pullen (Appointed 30 April 2012)
Colin Albert Nelson (Deceased 13 January 2012)

During the year Logan Community Financial Services Limited received \$16,566 (2011: \$16,927) from Aussie Outdoor Imports and Exports for rent. Former Director Colin Nelson was the owner of Aussie Outdoor Imports and Exports.

During the year Logan Community Financial Services Limited paid \$11,288 (2011: \$6,167) 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 \$47,694 (2011: \$45,153).

Directors' Shareholdings	2012	2011
John Joseph McLaughlin	7,501	7,501
Craig John Panagiris	2,000	-
Jason Paul Luckhardt	-	-
Russell Peter Jenkins	-	-
Leonie Therese Deaves	-	-
Mark Anthony Lally (Russell Jenkins Alternate)	-	-
Michael James Wardlaw	4,500	500
Melissa Michelle Hockey (Appointed 25 July 2011)	-	-
Sharon Maree Pullen (Appointed 30 April 2012)	-	-
Colin Albert Nelson (Deceased 13 January 2012)	32,001	32,001

Notes to the financial statements (continued)

	2012 \$	2011 \$
--	------------	------------

Note 21. Dividends Paid or Provided

a. Dividends paid during the year

Unfranked dividend 8 cents - (2011: 8 cents) per share	256,000	256,000
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b. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	-	-
- franking credits that will arise from payment of income tax payable as at the end of the financial year	122,347	-
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	122,347	-
- 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	-	-
Net franking credits available	122,347	-

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 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.

Notes to the financial statements (continued)

Note 22. Key Management Personnel Disclosures (continued)

	Year ended 30 June 2012 \$	Year ended 30 June 2011 \$
John Joseph McLaughlin	7,400	3,700
Craig John Panagiris	7,805	6,400
Jason Paul Luckhardt	3,795	3,200
Leonie Therese Deaves	4,290	3,350
Michael James Wardlaw	3,650	-
Melissa Michelle Hockey (Appointed 25 July 2011)	2,805	-
Colin Albert Nelson (Deceased 13 January 2012)	4,870	8,536
Brett Blair Raguse (Resigned 11 July 2011)	-	1,722
Sherolyn Lesley Heath (Resigned 31 January 2011)	-	1,350
Total Payment	34,615	28,258

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branches at Loganholme, Browns Plains, Marsden, Springwood and Beenleigh sub-branch. 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 2012.

	2012 \$	2011 \$
--	------------	------------

Note 23. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	490,350	278,508
	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 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.

Notes to the financial statements (continued)

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:

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

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		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					
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 %	2011 %
Financial Assets												
Cash and cash equivalents	176,159	708,281	338,504	318,600	-	-	-	-	337	180	4.47	4.99
Receivables	-	-	-	-	-	-	-	-		78,846	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-		54,244	N/A	N/A

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 2012 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.



John Joseph McLaughlin, Chairman



Craig John Panagiris, Director

Signed on the 24th of September 2012.

Independent audit report



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 2012, 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.

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Independent audit report (continued)

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 2012 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 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.



Graeme Stewart
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 24 September 2012

NSX report

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

Shareholding

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

Number of shares held	Number of shareholders	Number of shares held
1 to 1,000	752	528,946
1,001 to 5,000	319	924,937
5,001 to 10,000	56	498,950
10,001 to 100,000	30	897,167
100,001 and over	2	350,000
Total shareholders	1,159	3,200,000

Equity securities

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

There are no substantial shareholders (holding more than 5% of 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.

Ten largest shareholders

The following table shows the 10 largest shareholders.

Shareholder	Number of fully paid shares held	Percentage of issued capital
Bendigo & Adelaide Bank Ltd	247,500	7.76
Central Plumbing Supplies Pty Ltd	102,500	3.21
Mr Warren Dicker	98,560	3.09
Mr Peter McErlane	73,000	2.29
Winpar Holdings Limited	56,900	1.78
Astonless Pty Ltd	50,000	1.57
The Miles Superannuation Fund	50,000	1.57
Week Constructions Pty Ltd	45,215	1.42
Mr Richard Craig Campbell & Mrs Haydee Elba Campbell	45,000	1.41
Global Effect Pty Ltd Superannuation Fund	43,001	1.35
	811,676	25

NSX report (continued)

Registered office and principal administrative office

The registered office of the company is located at:

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

The principal administrative office of the company is located at:

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

Security register

The security register (share register) is kept at:

ShareData Pty Ltd
52 Angove Park Drive,
Tea Tree Gully SA 5091
Phone: (08) 8395 2308

Company Secretary

Craig Panagiris has been the Company Secretary of Logan Community Financial Services Limited for two years. Craig's qualifications and experience include Chartered Accountant in the insurance, postal & electricity sectors. Previous board experience with Qld Motorways Ltd & Rivermount Education Ltd.

Corporate governance

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

- (a) The establishment of an audit committee. Members of the audit committee are John McLaughlin, Craig Panagiris, Jason Luckhardt, Sharon Pullen, Drue Hutchinson
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3

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

5 Year summary of performance

	2008 \$	2009 \$	2010 \$	2011 \$	2012 \$
Gross revenue	2,915,273	3,226,316	3,495,287	3,956,274	4,359,334
Net profit before tax	197,644	499,306	190,914	423,211	636,160
Total assets	1,757,054	1,890,104	2,006,762	2,052,111	2,428,481
Total liabilities	27,756	48,028	45,100	67,941	209,961
Total equity	1,729,298	1,842,076	1,961,662	1,984,170	2,218,520



Logan **Community Bank®** Group

Browns Plains

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

Loganholme

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

Marsden

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

Springwood

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

Beenleigh

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

Bendigo Bank agency

Greenbank Plaza News, Greenbank Plaza, Pub Lane,
Greenbank QLD 4124
Phone: (07) 3297 6222



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