

2006 annual report

Browns Plains

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Loganholme

Logan Hyperdome, Bryants Road, Loganholme, QLD 4129
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Marsden

Shop 21, Marsden Park Shopping Centre, 55-77 Chambers Flat Road, Marsden, QLD 4132
Phone: (07) 3299 7740 Fax: (07) 3299 7870

Springwood

Shop 40/41 Centro Springwood, 34 Fitzgerald Avenue, Springwood, QLD 4127
Phone: (07) 3208 2611 Fax: (07) 3208 3611

Franchisee: Logan Community Financial Services Limited

11 Vanessa Boulevard, Springwood, QLD 4217
Phone: 1300 366 636 Fax: (07) 3808 1392
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Bendigo, VIC 3550 ABN 11 068 049 178. AFSL 237879 (BMPAR3003) (08/06)

Logan
Community Bank® Branch **Bendigo Bank**



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Chairman's report

For year ending 30 June 2006



Vision, mission and values

'Logan Community Financial Services Limited's vision is to provide the Logan community with a level of community involvement that directly benefits customers and the wider community through the purchase of everyday services.'

This states clearly and simply why we are in business, and I am very pleased to be able to report to you, our shareholders, that we are now beginning to reach our goals in seeing benefits of this focus. Major events, key initiatives and critical staff decisions discussed in this report are leading us further towards achieving our vision.

The triple bottom line

People

During this financial year we have made some significant changes to take our Company forward and I am pleased to report that we now have a solid foundation of staff at all four branches. Due to a Management position becoming available at Browns Plains, it gave us the opportunity to move our Marsden Branch Manager (Drue Hutchinson) to Browns Plains and promote our Customer Service Manager from Loganholme (Donna Lawrence) into the Branch Management role at Marsden.

Due to our growth we felt it necessary to create a role of Area Manager to oversee all of the four branches day to day operations, as well as develop our business and community engagement opportunities. This position was offered to, and accepted by, Darren Cahill, previously the Loganholme Branch Manager. In making this appointment it created the necessity to appoint a new Branch Manager at Loganholme and we are pleased to welcome Morris Fowlke to our team. Morris brings varied experience in banking and Credit Union management, together with his past involvement with community organisations it offers a good blend of previous experience.

I firmly believe these changes have added stability and strength to our future business direction and this has evolved with productive results that are being achieved this year.

The past year has seen some Director changes, with one of our founding Directors, Cathleen Wallis resigning to pursue her business interests. Also at other stages throughout the year both Patrick Simonis and David Manfield resigned, I thank all three past Directors for their dedication and input and wish them the best in their future endeavors, in particular Cathleen Wallis and Patrick Simonis who had been on our Board since the inception of the Company.

Obviously the Board felt the need to replace these Directors and I am pleased to welcome Ian Pynor who has assumed the position of Company Secretary. Ian brings a wealth of experience to our Board, extensive knowledge in Senior Management and consultancy positions with large Australian companies. At this stage we are in discussions with several other potential Directors.

Chairman's report continued

Profit

As a follow on towards the end of the previous year the property market has continued to slow. This combined with other significant economic factors such as interest rate increases, fuel prices etc, it has presented a challenge for our business growth. The aforementioned changes in our structure have enabled us to have a proactive approach to developing and increasing our business in order to achieve a respectable outcome. I am pleased to report a total book growth for the past financial year of \$31,453,000 million (up 33% from last year). This combined with an increased solid customer account growth, provides us with a strong and viable base in order to have continuity in moving forward during the 2006 – 2007 financial year.

This has been achieved with the help of the many shareholders, who have participated and supported our request from last year by becoming customers of their own Company, I thank you for your contribution. May I remind the number of remaining shareholders to once again consider supporting our Company in taking it to the next level.

This year has seen a significant decline in shares being traded on the BSX, hence showing signs of a stable balanced shareholder base. I see this as a clear sign of your confidence and the obvious ability to foresee future rewards.

Planet

The community of Logan City has seen a significant improved performance of the Company and this has shown a benefit in a number of ways, being.

- Local sponsorship of sporting teams.
- Support of schools and youth programs.
- Several high profile community engagement events.

The Board made a strategic decision to engage our community through several high profile events, these being.

- Logan's League of Little Heroes, where we invited 30 seriously ill and disadvantaged young people of our city to become ambassadors and enjoy a fun filled day at Movie World.
- Logan's Big Day Out was held at Gould Adams Park, for people with disabilities throughout our city and it involved some 300 children and adults to participate in a mini Olympic style day.

It is part of our strategic plan to continue with these styles of events throughout the 2006 -2007 year having seen the significant rewards reaped by all.

As mentioned in several of your shareholder newsletters throughout the year, another important part of our growth was by way of the installation of ATM's, and we are pleased to announce that this has been achieved both at Logan Central and Meadowbrook. These machines are performing above our expectations, at this early stage our intentions are to seek further sites throughout the forthcoming year.

As an interesting statistic for our shareholders there are now in excess of 190 **Community Bank®** Branches throughout Australia with Queensland being one of the major contributors of this growth.

Chairman's report continued

As a partner with Logan Community Financial Services Limited, Bendigo Bank is a key component and active supporter of the aims for our community. With a philosophy of – 'successful customers and successful communities create successful banks – in that order', I feel confident in going forward with Bendigo Bank as a partner for the long term.

I would like to thank all the business owners and other entities who have assisted and helped in whatever capacity they could throughout the year. I would also like to extend my gratitude, appreciation and thanks to all of our Directors (with the understanding that they all work on a voluntary basis), to our Branch Managers and Staff who have shown their community spirit and worked tirelessly throughout the year.

Finally to the most important group within our Company, our shareholders, who have encouraged, supported and banked with us during the year. This certainly has helped us achieve our goals for our branches and the community. Your vision, commitment and enthusiasm make it all worth while.

As your Chairman I feel privileged to be a part of this long and rewarding association with you.



Colin Nelson

Chairman

Area Manager's report



For year ending 30 June 2006

The 2005/2006 financial year saw many changes in our branch network and it is my strong belief that these were all necessary and for the overall betterment of our Company. I would like to take this opportunity to run through some background on these and give some insight for you as shareholders into the 'day to day' operations of the business.

Although I personally have been in the caretaker role of 'Area Manager' for approximately 18 months now, it became apparent to the Board and management that the impact of this role was being lost whilst having the dual role of also managing one branch (Loganholme). Early in the financial year, we had made a proactive move to bring on Board a Customer Service Manager at Loganholme to not only ensure that we maintained sufficient business growth at Loganholme, but to also stand the Company in good stead for our next management role vacancy. This worked wonderfully, as in March 2006 the Manager of Browns Plains (Gavin Pingel) chose to move on.

With this change in March 2006 it gave the opportunity to move my role into its own right and although it is early days, we are already seeing the benefits of this move for the Company. My role is to oversee the operations of the branch network, manage a portfolio of larger relationship clients and be responsible for the strategic planning of our business including business initiatives and expansion.

As mentioned, there have been some other changes in the network and I would take this opportunity to run you through these 'branch by branch'.

Browns Plains

In March 2006 the Manager chose to move on to other interests and left us with a vital decision to make. Having noted that the Browns Plains branch had been slightly under budget expected growth targets, we knew we had to place an experienced and proven performer into the branch to lessen the impact of management change over. The decision was made to move Drue Hutchinson from Marsden branch across and we are already seeing the benefits of this decision with the Browns Plains branch tracking very well to budget in the 06/07 year.

The team made up of Rachel Lintern (on Maternity leave), Kerry Menck, Tracey Brown, Karen Fendle and our newest recruit Tony Jensen form the basis of an excellent team to assist Drue in taking Browns Plains branch to the next level.

Marsden

With the move of Drue to Browns Plains branch, this gave us the perfect opportunity to promote from within for a Manager at Marsden branch and as such, the decision was made to move Donna Lawrence from her role as Customer Service Manager at Loganholme branch into her first management posting in its own right. Donna has a wealth of experience in Bendigo Bank and lives locally.

Donna is already cementing herself as a proven performer at Marsden branch and with the team of Lisa Simmons, Rachel Burns, Shana Leggett and Liz Armstrong behind her I am sure they will continue to prosper.

Area Manager's report continued

Loganholme

In June 2006, having already moved the Customer Service Manager (CSM) to Marsden branch, a decision was made to move my role into an area role and take the CSM role out of the structure. This then allows us to move back to a more traditional structure at Loganholme branch of a 'singly focused' Branch Manager.

I take great pleasure in introducing Morris Fowke to our management team. Morris is very community minded and also possesses a very solid background in banking and credit unions.

The added benefit for Morris is that he has a very experienced team in Colleen Wiggins, Leanne Daw, Narelle Blakeley, Wilma Sones and Miranda Findley to help him step into the shoes of what is generally seen as our largest branch. As such, Loganholme branch is continuing on its winning way.

Springwood

Springwood branch has had the least amount of change in the year which clearly shows in its excellent results. Heather Scofield has built and strengthened her team in recent months and was able to bring an extra person into the team which has easily been justified by the aforementioned results.

Wendy Truter, Kylie Beyer, Teresa Waris, Ash Kumar and more recently Glenda Chaffey are proving to be a formidable team and continue to set some benchmarks for the local network.

Financial performance

The financial year to June 2006 saw a good improvement with our overall book growing at \$31,453,000 and bringing our total Funds under Management to \$177,712,000 as at 30/6/06. To quantify/clarify this growth figure, it is important to understand that a great deal of this was achieved at Loganholme and Springwood branches. Marsden also had a reasonable result considering the fact that Drue only came on Board in October 2005 and then we changed to Donna in March 2006. Browns Plains branch performed slightly under expectations and as mentioned, we are now seeing this turn around being that the branch is on budget year to date in 06/07.

During the financial year we also saw some significant economic factor affecting our business not the least of which being the slowing housing market and fuel costs. Our competitors in the market were very hungry and I believe our good performance is testament to the superior customer service and relationships we provide to customers, not necessarily the pricing. That being said, Bendigo Bank have been extremely helpful in ensuring our products are always competitively priced in the market.

Our business has had to diversify and it is a credit to our teams that there has been a greater focus on the Insurance and Financial Planning which have driven good revenues to our bottom line to counteract any slowing and margin squeeze.

Fee income and cost management have also been paramount to the bottom line and our Managers have ensured these have been kept in line.

Area Manager's report continued

Building our network and brand

Some significant work has been done this year in building our network and brand throughout the community.

By far the most cost effective way to build our network has been by the installation of offsite ATM's at strategic positions throughout the city. We now have two offsite ATM's (Woodridge and Meadowbrook), both of which are performing extremely well and not only adding small profits to our bottom line but are also proving invaluable in raising our profile. We believe that a greater level of the community is banking with us now that we are building a bigger network of services for them to be able to bank with across the city.

The year has also seen us placing some significant effort and time into some major events within the community which are once again proving to be invaluable in raising our profile and building our brand in the community. Two of these events have been 'Logan's Little Heroes' and 'Big Day Out for People with Disabilities'.

Little heroes was an event where we took a group of very sick children and their families to Movieworld for the day. This event assisted us in 'showing' the community some of our deeds and received excellent media coverage, which unashamedly is helping bring people to our door who will do business with us based on this significant point of difference that sets us apart from the competition.

Big Day Out was a mini-olympic styled day held at Gould Adams Park where we had in excess of 300 people with disabilities attend a great fun filled day and once again, show the community we care and are doing something about it.

We have been able to form significant partnerships with other like minded community organisations from these events and we are now clearly seen as the 'Leader' in our field. These partnerships are already showing rewards to our Company and will be an integral part of our success moving forward.

Summary

2005/2006 was a challenging but rewarding year for our people and the overall Company giving us a solid foundation to move forward. I firmly believe with my leadership and the management team we have in place, the 06/07 year will provide great results.

I take this opportunity to sincerely thank our Staff, our Customers, our Board and most importantly, you our shareholders. Without support from this entire mix, none of what we are achieving would be possible.



Darren Cahill
Area Manager

Bendigo Bank Ltd report

For year ending 30 June 2006

Eleven years since bank conversion (and eight years since introducing **Community Bank®**) it has been extremely pleasing to announce a further improvement in our profit performance – and to demonstrate how we are able to focus on enhancing the prospects for all stakeholders and produce solid returns for Shareholders.

It has taken considerable commitment and effort by the Bank and its partners, but we have built a credible Australian banking alternative which is now producing improved outcomes for customers, for communities, and for other stakeholders associated with the Bendigo Group.

Our F06 result has shown the market that we have been able to sustainably improve profit performance while also undertaking substantial investments over the past eleven years. We have done so with a consistent strategy – and, while the \$100 million net profit is a milestone for us, the market continues to remind us that this is well under that being produced by the majors. We accept this, but we are making good progress.

Our ROE (excluding significant item) was 14.2% – where the majors are currently delivering higher returns. However, we are producing improved results year-on-year, and the prospects for our Group and our partners are even greater than when we started the strategy. Therefore we have not used up our credits, taken customers and communities for granted, or cut our cost base to produce our improved Shareholder returns. This gives us greater opportunity to continue our progress.

The **Community Bank®** contribution has steadily improved. It is also helping to convince the financial markets that the model has merit, and that communities across Australia are able to respond to the challenge our model ascribes to our local partners. I have maintained my consistent message – that we have great partners and have never doubted the ability of communities to respond to this difficult task.

Community Bank® branches have now produced 27% of the Group's business footings and are contributing around 13% of our profit. As individual sites mature, I would expect the profit contribution to move closer to the overall business volumes serviced through the **Community Bank®** network.

In the past year Bendigo Bank has paid \$76 million to **Community Bank®** sites as their share in revenue, and the majority of this revenue now stays in the local community and its economy.

Many earlier **Community Bank®** sites are now generating solid surpluses and making distributions – not only to local Shareholders but to local community projects and support services. We are now also able to leverage the sustainable revenue these communities are generating to multiply the money available for community activities.

Our Community Enterprise Foundation enables gifting to be undertaken tax-effectively, and the work we have been undertaking with the various governments is also enabling us to assist in seeking match-funding to further improve the amount of money available to direct to local projects. It is most pleasing to see this occur, and I expect many new strategic initiatives and projects will be undertaken in the coming decade.

Bendigo Bank Ltd report continued

I am extremely proud of all of the communities who have undertaken the difficult task of launching their own **Community Bank®** branch. I also fully understand the contribution made by the local leaders who are involved in the Community Banking network for and on behalf of their communities.

It is particularly pleasing that the market is now acknowledging the strength of this model – although they are still expressing some doubt concerning our joint ability to remain united as a strong collaborative force – or whether the model will be as effective if we experience less buoyant economic times. Of course, we believe we will be able to maintain our joint commitment in whatever economic environment emerges.

We are convinced – even if this model is not being used anywhere else in the world – that the benefits for all stakeholders will be substantial and that the relationships developed in this Business & Community Partnership will be enduring.

I am confident we can remain united and committed to improve the prospects of communities – and this in turn will improve the local support for each **Community Bank®** site and strengthen the connection we have with customers and communities around Australia. This has to be good for our business – and I think the recent result is proving this.

At the Bendigo we are convinced it is possible to produce Triple Bottom Line outcomes on a sustainable basis – if the outcomes for the broader stakeholder base are a result of the particular strategy and business model rather than something pursued independently.

As our **Community Bank®** partners – and as representatives for your local communities – you are truly the local champions who are making this happen. I know how difficult it is to create a new business of any kind – let alone a new publicly-owned business shaped like the Community Enterprise that is **Community Bank®**.

I can confirm that Bendigo Bank, your business partner, is committed to the building of more prosperous local economies. If together we can build a sustainable local enterprise, we will have built a source of reliable local revenue that can be directed to the ongoing improvement of your local marketplace for many years to come.

When we built the **Community Bank®** business model we did so with great faith in community and its role in the future marketplace. Today we hold that same view – but also an ever-increasing belief that community has so much to offer in the development of the communities of the future.

We also believe that many of the things that challenge us can be addressed at the local level. I understand there is still much to be done to improve the financial outcomes for communities and for the Bendigo Group and we look forward to working with you on activities to secure our respective futures.

We will continue our efforts to identify and assist you to address many of these challenges and – on behalf of the Board and Management at Bendigo Bank – I thank you for the effort you have expended over the years on behalf of your community. We feel confident your community will profit from this effort for many years to come.

Bendigo Bank Ltd report continued

We have always held the belief that banks were originally formed (back in the 1400s) to help build a more prosperous village. We are confident our **Community Bank®** Business & Community Partnership is working to that same objective and that we will all benefit greatly from this joint commitment.

I wish you well in the future and pledge our ongoing support to help ensure your Community Enterprise develops into a sustainable entity and a lasting contributor to your local market.

Thanks for your efforts in F06 and for your ongoing commitment.

Rob Hunt
Managing Director
Bendigo Bank Group

18 August 2006

Treasurer's report

For year ending 30 June 2006



I have great pleasure in submitting the Independent Auditors Report and the Statement of Financial Position for the Logan Community Financial Services Ltd for the financial year ended 30 June 2006.

Period focus and prospectus projections

For this report, I would draw your attention to the fact that the Company has been trading for three years and one month as at the date of this report. Accordingly, when comparing the financial results to the prospectus projections, it is more appropriate to look at the projections for year three in the prospectus, as these assume three full years of trading, including the addition of Marsden branch. A comparison of projected to actual results is tabled below.

Prospectus projections 80% modified forecast including Marsden year 3		Actual result	Adjustments for one off or non recurring expenses	Actual adjusted result
	Projection			
Revenue from ordinary activities (before Tax)	\$2,187,707	\$2,024,391	The Company has been affected by a lesser Book Value of business, that is 31.4% below original projections, which has resulted in reduced Revenue.	Not adjusted
Expenses (before tax)	\$1,677,807	\$2,266,389	Prepayment of Management Advisory Fee \$300,000 for 2006/07	\$1,966,389
Estimated profit (loss)	(\$106,374)	(\$241,998)		\$58,002

Profit and loss report

The Statement of Financial Position for the year ended 30 June 2006 is a positive result showing some excellent trends for the Company. Sales revenue is up from the previous year, and expected losses and expenses are down, a better result than projected in the prospectus. Additionally, the decision to prepay the 2006/07 management expense should result in the Company being cash flow and net profit positive for this new year. The Company still enjoys a strong cash position and expects this to be maintained this financial year due to increases in sales revenue and the completion of all current branch upgrades/fit outs – costs for which impacted results last year.

It has always been our intention to ensure that the best possible staff are recruited and retained, however sometimes family and other circumstances intervene. We welcome our new team members and look forward to even better productivity in the 2006/07 year, now that their training and induction has been completed which has seen several of them out of their branches for about three months each this year.

Treasurer's report continued

Investment value

The value of shareholders investment in the Company has improved in line with the increases in revenue and reductions in expenses. As projected the Company will not pay a dividend based upon this just completed 2006 financial year due to the financial position. The improvement in the earnings per share is pleasing to note, and we expect this trend to continue as the Company further improves its financial position in the coming period.

Item	Year ended 30 June 2005	Year ended 30 June 2006	% change
Revenue	\$1,710,443	\$2,024,391	18%
Adjusted expenses	\$1,817,177	\$1,966,389	-8%

Share pricing and BSX

The share price as listed on the BSX is the value at which any individual shareholder is willing to buy or sell their shares, and is not related to the earnings per share as disclosed in the Statement of Financial Position. The share price as determined by the open market can vary from day to day. Please visit www.bsx.com.au to access share trading information.

Business growth

The value of business under management by the Company has grown by 20.6% in the reporting period. The growth of the business was affected by the general downturn in new housing approvals, particularly in the second half of the financial year.



Alan Gough

Treasurer

Directors' report

For year ending 30 June 2006

Your Directors submit the financial report of the Company for the financial year ended 30 June 2006.

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 59

Company Director

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

Interests in shares: 29,001 Ordinary Shares

Ian Edward Pynor

Secretary (Appointed 6 February 2006)

Age 58

Project Manager

ARMIT (Civil Engineering), Commissioner of Declarations

Company Secretary

Interests in shares: 20,000 Ordinary Shares

Alan Leslie Gough

Treasurer

Age 52

Accountant

B.Bus-Accounting, PNA, NTAA, 30 years accounting experience, own Tax accounting business 14 years.

Treasurer, Chairman: Governance & Audit

Interests in shares: 5,001 Ordinary Shares

John Joseph McLaughlin

Director

Age 44

Solicitor

LLB, Solicitor in Logan area for over 15 years, specialising in commercial, retail, leasing, conveyancing and franchising.

Vice Chairman and Governance & Audit committee member

Interests in shares: 7,501 Ordinary Shares

Stephen John Simpson

Director

Age 48

Bank Executive

Over 20 years banking experience in senior positions with Australian banking institutions.

Interests in shares: Nil Ordinary Shares

Richard Saad

Director

Age 47

Business Owner

Extensive management and sales experience in major organisations. Owns and runs two Logan businesses.

Marketing committee member

Interests in shares: Nil Ordinary Shares

Directors' report continued

Russell Peter Jenkins

Director

Age 44

Bank Executive

Qualified Chemical Engineer, Head of Bendigo Bank Community Banking since 1998.

Interests in shares: Nil Ordinary Shares

Jennifer Elizabeth Townend

Director (Appointed 11 August 2005)

Age 47

Manager

Justice of the Peace

Interests in shares: 1,000 Ordinary Shares

Patrick Simonis

Director (Resigned 1 December 2005)

Age 52

IT Specialist/Managing Director

Specialist in Marketing, Management, PR and IT.

Past President of Logan Chamber of Commerce.

Interests in shares: 20,001 Ordinary Shares

Drazen Zen Knezevic

Director (Resigned 9 February 2006)

Age 38

Business Consultant

Self employed business consultant for over 15 years.

International sportsman and coach and hotel Manager.

Interests in shares: 4,001 Ordinary Shares

Cathleen Margaret Wallis

Director (Resigned 13 March 2006)

Age 48

Management Consultant

Qualified Real Estate Agent and C.dec,

Founding Director of LCFSL, previous Company

Directorship in real estate.

Interests in shares: 4,001 Ordinary Shares

David Michael Manfield

Director (Resigned 7 July 2005)

Age 59

Real Estate Agent

Former Australian Police force, Real Estate Agent and business owner.

Interests in shares: 2,500 Ordinary Shares

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

No Directors have material interests in contracts or proposed contracts with the Company.

Company Secretary

The Company Secretary is Ian Pynor. Ian was appointed to the position of Secretary on 16 March 2006.

Principal activities

The principal activities of the Company during the course of the financial year were in providing community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

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

Directors' report continued

Operating results

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

Year ended 30 June 2006	Year ended 30 June 2005
\$	\$
(180,876)	(89,368)

Remuneration report

(a) Remuneration of Directors

All Directors of the Company are on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Executives

Previous Company Secretary, Ms Cathleen Wallis was paid for Company secretarial duties at the rate of \$50 p.h. plus GST. General administrative work was remunerated by the Company at the rate of \$25 p.h. plus GST, and was performed by the Company Secretary. Payments made to Ms Wallis in 2005/2006 totalled \$25,556.

The current Company Secretary, Ian Pynor is not remunerated for his duties.

(c) Remuneration of Area and Branch Managers

The Company aims to provide market competitive compensation by offering a package of fixed pay and benefits.

All staff are seconded from Bendigo Bank. As such, the Company is guided by Bendigo Bank in determining the remuneration payable. All staff have the opportunity to participate in a bonus scheme operated by Bendigo Bank, where:

- a) the amount of any bonus payment is tied to the outcome of annual performance reviews, such reviews measuring performance against defined objectives noted in the position description, and
- b) the amount of any bonus payment is not directly tied to the Company's performance, and
- c) the annual review process has been provided by Bendigo Bank, and
- d) the annual review process does not involve a comparison with factors external to the Company

The Company has in place a further bonus scheme for the area Manager that is:

- a) policy developed by the Governance committee and approved by the Board, and
- b) tied to the Company's performance such that the maximum bonus achievable is 15% of salary p.a. subject to the Company reaching and/or exceeding its profit KPI's, and

Directors' report continued

- c) driven by the triple bottom line of 'People, Profit and Planet', such focus being adopted by the Board as appropriate for a business focussed on customers and community, and
- d) measured by KPI's derived from the position description for the role.

There were no payments made to the Area Manager under this scheme as at 30 June 2006.

The payments made to Area and Branch Managers in the reporting period total:

Name	Title	Within a range of (\$)	Bonus paid
Darren Cahill - Loganholme:	Area/Branch Manager	80,000 - 90,000	3,440
Drew Hutchinson - Browns Plains:	Branch Manager	60,000 - 70,000	Nil
Donna Lawrence - Marsden:	Branch Manager	50,000 - 60,000	2,560
Heather Scofield - Springwood:	Branch Manager	60,000 - 70,000	Nil
Gavin Pingel	Resigned 16 March 2006	60,000 - 70,000	Nil
Simon Reeves	Resigned 26 May 2006	60,000 - 70,000	2,400

Dividends

No dividends were declared or paid for the previous year and the Directors recommend that no dividend be paid for the current year.

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 report.

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 providing banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' report continued

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. 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 Managers 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:

	Number of Board meetings	
	eligible to attend	Number attended
Colin Albert Nelson (Chairman)	11	11
Ian Edward Pynor (Secretary)(Appointed 6 February 2006)	5	5
Alan Leslie Gough (Treasurer)	11	8
John Joseph McLaughlin	11	8
Stephen John Simpson	11	9
Russell Peter Jenkins #	11	5
Richard Saad	11	9
Cathleen Margaret Wallis (Resigned 13 March 2006)	8	8
Drazen Zen Knezevic (Resigned 9 February 2006)	5	1
Patrick Simonis (Resigned 1 December 2005)	6	5
Jennifer Elizabeth Townend (Appointed 11 August 2005)	9	8
David Michael Manfield (Resigned 7 July 2005)	1	1

Four of the meetings were attended by alternative Director Tammy White)

Directors' report continued

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 Professional Statement F1, 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 39.

Signed in accordance with a resolution of the Board of Directors at Logan, Queensland on 14 August 2006.



Colin Albert Nelson
Chairman



Ian Edward Pynor
Secretary

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 \$	2005 \$
Revenues from ordinary activities	3	2,024,391	1,710,443
Salaries and employee benefits expense		(1,085,974)	(1,031,541)
Management advisory fee		(300,000)	-
Advertising and promotion		(7,431)	(12,112)
Occupancy and associated costs		(347,495)	(271,881)
Systems costs		(100,731)	(107,993)
Depreciation and amortisation expense	4	(90,299)	(75,839)
General administration expenses		(334,459)	(317,811)
Loss from ordinary activities before income tax credit		(241,998)	(106,734)
Income tax credit	5	61,122	17,366
Loss from ordinary activities after income tax credit		(180,876)	(89,368)
Loss attributable to members of Logan Community Financial Services Limited		(180,876)	(89,368)
Earnings per share (cents per share)			
- basic for profit for the year		(5.65)	(2.79)
- diluted for profit for the year		(5.65)	(2.79)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
Current assets			
Cash assets	6	149,816	625,430
Trade and other receivables	7	375,693	65,380
Total current assets		525,509	690,810
Non-current assets			
Property, plant and equipment	8	725,481	751,132
Intangibles	9	97,225	145,225
Deferred tax assets	10	469,923	408,801
Total non-current assets		1,292,629	1,305,158
Total assets		1,818,138	1,995,968
Current liabilities			
Trade and other payables	11	5,230	3,247
Provisions	12	1,063	-
Total current liabilities		6,293	3,247
Total liabilities		6,293	3,247
Net assets		1,811,845	1,992,721
Equity			
Contributed equity	13	3,042,211	3,042,211
Retained profits/(accumulated losses)	14	(1,230,366)	(1,049,490)
Total equity		1,811,845	1,992,721

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2006

	Note	2006 \$	2005 \$
Total equity at the beginning of the financial year		1,992,721	2,082,089
Net profit/(loss) for the year		(180,876)	(89,368)
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		-	-
Shares issued during period		-	-
Total equity at the end of the financial year		1,811,845	1,992,721

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

	Note	2006 \$	2005 \$
Cash flows from operating activities			
Cash received from customers		1,983,364	1,657,259
Cash paid to suppliers and employees		(2,463,378)	(1,801,187)
Interest received		21,049	45,598
Net outflows from operating activities	15(b)	(458,965)	(98,330)
Cash flows from investing activities			
Payments for property plant and equipment		(16,649)	(459,401)
Net cash outflows investing activities		(16,649)	(459,401)
Net decrease in cash held		(475,614)	(557,731)
Cash at the beginning of the financial year		625,430	1,183,161
Cash at the end of the financial year	15(a)	149,816	625,430

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

These financial statements are the first Logan Community Financial Services Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

The Financial Statements of Logan Community Financial Services Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Logan Community Financial Services Limited's 2006 financial statements, management amended certain accounting and valuation methods that are applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRSs on the Company equity and its net income are given in note 19.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). 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.

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 tax 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).

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of 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 they related to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current 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 income statement, 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.

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 for 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 ATO are classified as operation cash flows.

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

Employee entitlements

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

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.

Comparative figures

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

Property, plant and equipment

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

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

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets 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. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

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.

Payment terms

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

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.

Borrowings

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

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

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.

Contributed capital

Issued and paid up capital is 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.

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 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 Bank Limited mitigates this risk significantly.

Notes to financial statements continued

Note 2: Financial risk management continued

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo 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 Bank Limited mitigates this risk significantly.

	2006	2005
	\$	\$

Note 3: Revenue from ordinary activities

Operating activities:

- services commissions	1,991,843	1,662,587
- other revenue	11,499	2,258
Total revenue from operating activities	2,003,342	1,664,845

Non-operating activities:

- interest received	21,049	45,598
Total revenue from non-operating activities	21,049	45,598
Total revenues from ordinary activities	2,024,391	1,710,443

Note 4: Expenses

Depreciation of non-current assets:

- plant and equipment	24,193	16,386
- leasehold improvements	18,106	11,453

Amortisation of non-current assets:

- franchise agreement	48,000	48,000
	90,299	75,839

Notes to financial statements continued

	2006	2005
	\$	\$

Note 5: Income tax expense

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

Operating loss	(241,998)	(106,734)
Prima facie tax on loss from ordinary activities at 30%	(72,599)	(32,020)
Add tax effect of:		
- non-deductible expenses	11,477	14,654
Income tax credit on operating loss	(61,122)	(17,366)

Note 6: Cash assets

Cash at bank and on hand	149,816	625,430
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Note 7: Trade and other receivables

Trade receivables	75,693	65,380
Prepayments	300,000	-
	375,693	65,380

Note 8: Property, plant and equipment

Plant and equipment

At cost	282,267	265,618
Less accumulated depreciation	(48,612)	(24,418)
	233,655	241,200

Leasehold improvements

At cost	527,228	527,228
Less accumulated depreciation	(35,402)	(17,296)
	491,826	509,932
Total written down amount	725,481	751,132

Notes to financial statements continued

	2006	2005
	\$	\$

Note 8: Property, plant and equipment continued

Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	241,200	134,354
Additions	16,649	123,232
Disposals	-	-
Less: depreciation expense	(24,194)	(16,386)
Carrying amount at end	233,655	241,200

Leasehold improvements

Carrying amount at beginning	509,932	185,216
Additions	-	336,169
Disposals	-	-
Less: depreciation expense	(18,106)	(11,453)
Carrying amount at end	491,826	509,932
Total written down amount	725,481	751,132

Note 9: Intangible assets

Franchise fee

At cost	240,000	240,000
Less: accumulated amortisation	(142,775)	(94,775)
	97,225	145,225

Note 10: Deferred tax benefit

Future income tax benefit

Tax losses - revenue	469,923	408,801
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Notes to financial statements continued

	2006	2005
	\$	\$

Note 11: Trade and other payables

Trade creditors	5,230	3,247
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Note 12: Provisions

Employee provisions	1,063	-
Number of employees at year end	1	1

Note 13: Contributed equity

3,200,000 Ordinary shares fully paid of \$1 each (2005: 3,200,000)	3,092,000	3,092,000
Less: equity raising expenses	(49,789)	(49,789)
	3,042,211	3,042,211

Note 14: Retained earnings/ Accumulated losses

Balance at the beginning of the financial year	(1,049,490)	(960,122)
Net loss from ordinary activities after income tax	(180,876)	(89,368)
Balance at the end of the financial year	(1,230,366)	(1,049,490)

Note 15: Statement of cash flows

(a) Reconciliation of cash

Cash at bank and on hand	149,816	625,430
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(b) Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities

Loss from ordinary activities after income tax	(180,876)	(89,368)
Non cash items:		
- depreciation	42,299	27,839
- amortisation	48,000	48,000

Notes to financial statements continued

	2006 \$	2005 \$
Note 15: Statement of cash flows continued		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(310,312)	(19,302)
- (increase)/decrease in other assets	(61,122)	(17,365)
- increase/(decrease) in payables	1,983	(48,134)
- increase/(decrease) in other liabilities	1,063	-
Net cashflows used in operating activities	(458,965)	(98,330)

Note 16: Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit & review services	3,500	3,300
- other services in relation to the Company	1,400	460
	4,900	3,760

Note 17: Director and related party disclosures

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

Colin Albert Nelson (Chairman)
 Ian Edward Pynor (Secretary)(Appointed 6 February 2006)
 Alan Leslie Gough (Treasurer)
 John Joseph McLaughlin
 Stephen John Simpson
 Russell Peter Jenkins
 Richard Saad
 Cathleen Margaret Wallis (Resigned 13 March 2006)
 Drazen Zen Knezevic (Resigned 9 February 2006)
 Patrick Simonis (Resigned 1 December 2005)
 Jennifer Elizabeth Townend (Appointed 11 August 2005)
 David Michael Manfield (Resigned 7 July 2005)

No Directors' remuneration has been paid as the positions are held on a voluntary basis.

Logan Community Financial Services Limited uses Simcom Enterprises for computer systems, maintenance and repairs. The entity is majority owned by ex-Director - Patrick Simonis. During the financial year the entity spent \$3,012.73 with Simcom Enterprises.

Notes to financial statements continued

Note 17: Director and related party disclosures continued

During the financial year management consulting services were provided by retired Director - Cathleen Wallis. Cathleen was paid \$26,556.28 for her consulting services and \$2,000 for sale of furniture.

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 \$31,933.50.

McLaughlin & Associates Lawyers are used as professional legal advisors for the entity when and where required. McLaughlin & Associates Lawyers is a Company owned by Director - John McLaughlin.

Directors shareholdings	2006	2005
Colin Albert Nelson (Chairman)	29,001	29,001
Ian Edward Pynor (Secretary)(Appointed 6 February 2006)	20,000	20,000
Alan Leslie Gough (Treasurer)	5,001	5,001
John Joseph McLaughlin	7,501	7,501
Stephen John Simpson	-	-
Russell Peter Jenkins	-	-
Richard Saad	-	-
Cathleen Margaret Wallis (Resigned 13 March 2006)	4,001	4,001
Drazen Zen Knezevic (Resigned 9 February 2006)	4,001	4,001
Patrick Simonis (Resigned 1 December 2005)	20,001	20,001
Jennifer Elizabeth Townend (Appointed 11 August 2005)	1,000	1,000
David Michael Manfield (Resigned 7 July 2005)	2,500	2,500

There was no movement in Directors shareholdings during the year. Each share held is valued at \$1 and is fully paid.

Notes to financial statements continued

	2006	2005
	¢	¢
Note 18: Earnings per Share		
Losses per share for the financial year were:	(5)	(3)

Note 19: Reconciliation and equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS would be made, retrospectively, against opening retained earnings as at 1 July 2004.

In the Company's opinion, there have been no material impacts in relation to the financial report for the year ended 30 June 2006. There are no impacts to be disclosed.

Impact on the income statement Nil.

Impact on the balance sheet Nil.

Note 20: Subsequent events

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

Note 21: Contingent liabilities

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

Note 22: Segment reporting

The economic entity facilitates community banking services under management rights to operate a franchised branch of Bendigo Bank Limited. The economic entity operates in one geographic area being Logan, Queensland.

Note 23: Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
61 Bull Street, Bendigo, VIC 3550	11 Vanessa Boulevard, Springwood, QLD 4127

Notes to financial statements continued

Note 24: Financial instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. 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 Statement of Financial Position 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	Fixed interest rate maturing in											
	Floating		1 year		Over 1 to		Over		Non interest		Weighted	
	interest rate		or less		5 years		5 years		bearing		average	
											effective	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%

Financial

assets

Cash assets	149,816	625,430	-	-	-	-	-	-	-	-	0.05	0.05
Receivables	-	-	-	-	-	-	-	-	-	375,692	65,381	N/A

Financial

liabilities

Payables	-	-	-	-	-	-	-	-	-	5,230	3,247	N/A
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Directors' declaration

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

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2006 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Colin Albert Nelson
Chairman



Ian Edward Pynor
Secretary

Signed on 14 August 2006.

Independent audit report



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INDEPENDENT AUDIT REPORT

To the members of Logan Community Financial Services Limited

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Logan Community Financial Services Limited for the financial year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under the heading "remuneration report" in the directors' report as permitted by the ASIC class order 06/50. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

- 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 2006 and of its performance for the year ended on that date; and
 - complying with Accounting Standards in Australia and the Corporations Regulations; and
- the compensation disclosures that are contained in the directors' report under the heading "remuneration report" comply with Accounting Standard AASB 124 *Related Party Disclosures*.

DAVID HUTCHINGS

ANDREW FREWIN & STEWART

61-65 Bull Street, Bendigo, VIC 3550

Dated this 31st day of August 2006

Auditor's independence declaration



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As lead Auditor for the audit of Logan Community Financial Services Limited for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Logan Community Financial Services Limited.

David Hutchings
Auditor Partner

Andrew Frewin & Stewart

Bendigo

14 August 2006

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules to Company provides the following information as at 31st August 2006, which is within 6 weeks of this report being sent to shareholders.

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
1 to 1,000	780
1,001 to 5,000	357
5,001 to 10,000	54
10,001 to 100,000	33
100,001 and over	2
Total Shareholders	1,226

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 6 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.

BSX report continued

The following table shows the 10 largest Shareholders.

Shareholder	Number of Shares	Percentage of capital
Bendigo Bank Ltd	247500	7.7
Central Plumbing Supplies Pty Ltd	102500	3.2
Mr Peter McErlane	70000	2.2
Wishful Superannuation Pty Ltd	50000	1.6
Astonlee Pty Ltd	50000	1.6
Mr Richard & Mrs Haydee Campbell	45000	1.4
Winpar Holdings Limited	42400	1.3
Mr Conor John O'Brien	30000	0.9
The Ignacio & Theresa Kim Family Trust	30000	0.9
Colin Nelson	29000	0.9
	696,400	22

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:

Fountain Court
Bendigo Victoria 3550
Phone: 03 5433 9549

Other information

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 differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.

Vision, mission and values

Vision statement

Our vision is to provide the Logan community with a level of community involvement that directly benefits customers and the wider community through the purchase of everyday services.

Mission statement

Our mission is to focus on developing a sustainable, community-owned business that provides services to Logan residents in a manner that satisfies their needs today, and the broader community's needs in the future.

Values statement

We place a high value on doing business in an ethical manner.

We place a high value on providing opportunities for youth in our business.

We place a high value on involving the community in business ventures.

We place a high value on developing staff both personally and professionally.

We place a high value on providing accurate and timely information to stakeholders.

We place a high value on treating our customers fairly and with respect.

We place a high value on growing the business beyond banking.

It's about community.

