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# Chairman's Report



For year ending 30 June, 2003

## A challenge met

Over two years ago now, the people of Logan gave a resounding 'Yes!' to the question of whether they would be interested in establishing Logan's own banking network. This followed the closure of many major bank branches over Logan, and the cutting back of both staff and services to our people. Since then, we have faced challenges in many areas; handling the overwhelming response to our first information site at Arndale shopping centre, negotiating to obtain the Company owned sites at Loganholme and Browns Plains in response to public requests, producing the prospectus and then two supplementary prospectuses as conditions changed, and managing the expectations of stakeholders – shareholders, staff, Bendigo Bank and the Logan community. The Company was incorporated on 22 June 2002, and whilst we have been open for trading only a few months at the date of this report, we have seen the positive response the public has made to the transition from Company-owned to community-owned branches boding extremely well for the future.

## The branches

On 16 June 2003 we celebrated the transition of Loganholme and Browns Plains branches from Company-owned to community-owned sites. The response from the communities surrounding these branches shows clearly that this was a move welcomed by the shareholders and the general public alike. Following this, we opened the Springwood branch on 8 July, and the Marsden branch on 12 September. This fulfils our franchise agreement with Bendigo Bank, and our promise to the community, and sets the stage for expansion of services into further areas across Logan. We will now assess the need for a branch at Rochedale as we said we would do in our prospectus as well as look at other areas in Logan, such as Logan Central.

## The future

The Board of LCFSL has a strong dedication to the provision and promotion of services, opportunities and wealth creation for the people of Logan. Branch strategic plans will be formulated in the coming months to guide the growth of the business and we will investigate beyond banking initiatives such as Community Telco and others.

## Directors

The Board of Directors for LCFSL evolved from the steering committee set up in the initial stages to assess the viability of a Community Bank® Branch in Logan. More than 20 people gave freely of their time and resources to assist, frequently working long hours and juggling personal commitments in the process. The Board was appointed on 27 June 2002, and has worked tirelessly towards our success.

On 1 November 2002, Des McPherson retired to travel around Australia, and resigned his position on the Board. We wish him well and thank him for his contribution in the early days.

On 15 September 2003, Lynne Power resigned from her position as a Director to spend time with her family. Lynne will retain her position as founder, and her endless enthusiasm and drive will be missed. Lynne's contribution to our current position over the last two and a half years cannot be measured, but has been an astounding effort and result.

# Chairman's Report Continued

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I would like to thank the Board of Directors for the personal satisfaction I have received working with the Board during the past two years. The level of skills and depth of experience displayed by the Board has contributed hugely to the growth of the vision and the realisation of the dream for Logan.

## **Staff**

We have a strong team working in all our branches. Credit in particular must go to the staff at the Loganholme and Browns Plains branches. These staff were originally working for a Company owned branches but have undertaken the transition of today working with community owned branches.

All of staff are enthusiastic supporters of the Community Bank® concept and it is to their credit that our customer numbers are steadily rising. Without the dedication, commitment and sheer hard work put in by these local people, we would not have been able to make the successful transition that we have. Our new staff at Springwood and Marsden are also huge supporters of the Community Bank® principles and have helped us enormously with our community awareness and public image campaigns.

## **Share register**

In November 2002, LCFSL became one of the first Community Bank® Companies to include listing on the BSX in the prospectus. This required substantial due diligence processes prior to the listing, as well as impacting on the time allowed by corporations law for raising the minimum funds under the prospectus. As you might be aware, this change also led to the first supplementary prospectus being issued to overcome this hurdle. Your feedback on the listing was extremely positive and we felt that providing this transparent and professional system to eventually value and trade our shares was a positive step toward the long-term value of the Company. Additionally, the share registry itself is managed by Bendigo Bank to ensure that Directors are at arms length from any transactions, transfers or sales. The BSX listing currently does not provide a value for the shares as there have been no trades through this facility. We expect that trades will not begin to take place until at least after the prospectus officially closes on 4 December or when the maximum subscription level under the prospectus has been reached.

## **Community support**

During the process of the feasibility study, which involved educating the community and fundraising, there were many people who gave freely of their time, energy, contacts and business facilities to assist us in our efforts. There are too many to thank individually and they know who they are. Without their support we would not be here today.

Additionally, a number of businesses provided equipment, venues for meetings, signage, personnel and funds to get the project underway. We thank all of these groups for their help, in particular the Logan Office of Economic Development, Logan Council, Springwood Tower Hotel, Arndale Shopping Centre, Rochedale Rovers and Springwood Bowls Clubs, and many others.

# Chairman's Report Continued

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## **Bendigo Bank**

Logan became the 94th branch to open as a Community Bank® Branch of Bendigo Bank across Australia. There are now in excess of 100 Community Bank® Branches within the Bendigo network, stretching from Western Australia to Tasmania and every State, and the ACT, in between. Bendigo Bank has identified, developed and nurtured a community strategy focussed on community 'buy in' and profit distribution for the local communities these branches serve.

As a partner in the success of LCFSL, Bendigo Bank is a key component and active supporter of the aims for our community. With a philosophy that encompasses the key statement of "successful customers and successful communities create successful banks – in that order" we feel confident in going forward with Bendigo Bank as a partner for the long term.

## **Thank you**

Finally, I would like to extend my personal and heartfelt thanks to you, the founding shareholders of LCFSL. Without your vision, enthusiasm, commitment and perseverance, we would not have achieved our aim of opening Australia's first 'Super Community Bank® Branch'. I look forward to a long and profitable association with you.



**Paul Hampson**  
**Chairman**

## Treasurer's Report 30 June, 2003

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I have great pleasure in presenting the Independent Auditors Report incorporating Statement of Financial Position and Statement of Financial Performance for the LCFS Ltd for the year ending 30 June 2003.

My focus as Treasurer in the period has been to ensure that costs are kept to the minimum, proper accounting policies and procedures are set up and followed, budgets are produced and adhered to, and a suitable method of accounting is adopted. I am pleased to report that these objectives have been achieved.


The Financial Statements contained in this report are based on the commencement of operations in June 2003. Forward budgets have now been prepared for the 2003/2004 financial year which reflect the financial modelling contained within the Prospectus. I am pleased to note that the income received from the existing Branches at Browns Plains and Loganholme in June 2003 was in excess of the projected income for that period used in the financial modelling for the Prospectus.

The first few months of trading figures from the previously Bendigo Bank owned sites at Browns Plains and Loganholme are having a positive impact on the Company's cash flow, assisting with the set up of Springwood and Marsden Branches. The growth of business from the four branches since inception is expected to place the Company well within the prepared forward budget in the new Financial year.

The Financial Statements also reflect the additional costs incurred by the extension of the Prospectus to June 2003, resulting in a delay in the commencement of operations.

Further, the Company has set up an administration office separate to the Branch network, to facilitate the management of the Company and its accounts in a proper and confidential manner.

I look forward to further streamlining the Treasurer's operations and helping my colleague Directors in developing "OUR BANK" as a sound, viable and 'community focussed' organisation.



**Zen Knezevic**  
**Treasurer**

# Directors Report 30 June, 2003

Your Directors submit the financial report of the Company for the financial year ended 30 June, 2003.

## Directors

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

### Paul Garry Hampson

Chairman

Age 54

Company Managing Director



### Alan Leslie Gough

Secretary

Age 49

Accountant



### Drazen Zen Knezevic

Treasurer

Age 35

Business Consultant



### Scott Francis Elkington

Director

Age 38

Bank Executive



### Daniel Stephen Gorman

Director

Age 57

Company Director



### John Joseph McLaughlin

Director

Age 41

Solicitor



### Colin Albert Nelson

Director

Age 56

Company Director



### Lynne Beverley Power

Director (Resigned 15 September 2003)

Age 44

Company Director

/Business Management



### Patrick Simonis

Director

Age 49

IT Specialist/Managing Director



### Terry James Skene

Director

Age 46

Recreational Owner/Operator



### Russell Peter Jenkins

Director

Age 41

Bank Executive



### Cathleen Margaret Wallis

Director

Age 45

General Manager



### Desmond Henry McPherson

Director (Resigned 11 September, 2002)

Age 58

Retired Real Estate Agent



# Directors Report continued

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

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

## **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 franchised branches of Bendigo Bank Limited.

## **Operating results**

The loss of the Company for the financial year was:

**Year ended**  
**30 June, 2003**  
\$  
(446,296)

## **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.

## **Significant events after the balance date**

As disclosed in the prospectus dated 4 November 2002, Logan Community Financial Services Ltd has, as part of its franchise agreement with Bendigo Bank Ltd (BBL), purchased a fourth franchise for Marsden. This will result in the entity committing to expenditure for the franchise fee, training costs, start up assistance and fit out cost from BBL amounting to \$323,000.

Further, the fit out costs for the Springwood Branch are yet to be paid and amount to \$154,957.66.

There are other 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.

## **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 of, 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

# Directors Report continued

shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate other than interests and benefits disclosed at Note 14 to the Financial Report.

## 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 meetings held:** 15

**Number of meetings attended:**

Paul Garry Hampson	(Chairman)	14
Alan Leslie Gough	(Secretary)	13
Drazen Zen Knezevic	(Treasurer)	12
Scott Francis Elkington	(Appointed 1 November, 2002)	7
Daniel Stephen Gorman	(Appointed 1 November, 2002)	10
John Joseph McLaughlin		10
Colin Albert Nelson		12
Patrick Simonis		15
Terry James Skene		11
Russell Peter Jenkins	(Appointed 1 November, 2002)	7
Cathleen Margaret Wallis		13
Tammy White	(Alternate for Russell Jenkins)	3
Lynne Beverley Power	(Resigned 15 September, 2003)	13
Desmond McPherson	(Resigned 11 September, 2002)	1

Signed in accordance with a resolution of the Board of Directors at Logan

on the 10th September, 2003.



**Paul Hampson, Chairman**



**Zen Knezevic, Director**



# Financial Statements

## Statement of Financial Performance

For year ending 30 June, 2003

	Note	2003 \$
Revenues from ordinary activities	2	2,107
General administration		(412,357)
Start up & training costs expenses		(177,500)
Salaries and employee benefits expense		(1,919)
Advertising and promotion		(35,342)
Occupancy and associated Costs		(7,388)
Systems costs		(550)
Depreciation and amortisation expense	3	(1,775)
Borrowing cost expense	3	(2,081)
<b>Loss from ordinary activities before income tax credit</b>		<b>(636,806)</b>
Income tax credit relating to ordinary activities	4	190,510
<b>Loss from ordinary activities after income tax credit</b>		<b>(446,296)</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>(446,296)</b>

The accompanying notes form part of these financial statement.

# Financial Statements continued

## Statement of Financial Position

For year ending 30 June, 2003

	Note	2003 \$
<b>Current assets</b>		
Cash assets	5	1,811,932
Receivables	6	81,176
<b>Total current assets</b>		<b>1,893,108</b>
<b>Non-current assets</b>		
Intangibles	7	178,225
Deferred tax assets	8	190,510
<b>Total non-current assets</b>		<b>368,735</b>
<b>Total assets</b>		<b>2,261,843</b>
<b>Current liabilities</b>		
Payables	9	1,950
<b>Total current liabilities</b>		<b>1,950</b>
<b>Total liabilities</b>		<b>1,950</b>
<b>Net assets</b>		<b>2,259,893</b>
<b>Equity</b>		
Contributed equity	10	2,706,188
Accumulated losses	11	(446,296)
<b>Total equity</b>		<b>2,259,893</b>

The accompanying notes form part of these financial statement.

# Financial Statements continued

## Statement of Cash Flows

For year ending 30 June, 2003

	Note	2003 \$
<b>Cash flows from operating activities</b>		
Cash payments in the course of operations		(714,283)
Cash receipts in the course of operations		385
Interest received		1,722
Interest paid		(2,081)
<b>Net cash used in operating activities</b>	12 (a)	<b>(714,257)</b>
<b>Cash flows from investing activities</b>		
Payment for franchise agreement		(180,000)
<b>Net cash used in investing activities</b>		<b>(180,000)</b>
<b>Cash flows from financing activities</b>		
Proceeds of share issues		2,755,977
Payment of share issue costs		(49,789)
<b>Net cash provided by financing activities</b>		<b>2,706,188</b>
<b>Net increase/(decrease) in cash held</b>		<b>1,811,932</b>
Cash at the beginning of the financial year		–
<b>Cash at the end of the financial year</b>	12 (b)	<b>1,811,932</b>

The accompanying notes form part of these financial statement.

# Notes to and forming part of the accounts

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For year ending 30 June, 2003

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards.

Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

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.

### **Income tax**

Income tax has been brought to account using the liability method of tax effect accounting whereby income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised.

### **Employee benefits**

The provision for employee entitlements 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 at nominal amounts based on current wage and salary rates and includes related on-costs.

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

No employee entitlements were recorded as at 30 June 2003. Salaries and wages commenced in June 2003.

### 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.

### Property, plant and equipment

Property, plant and equipment are carried at cost or at independent or Directors' valuation, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rate (%)
Plant and equipment	2.5 - 25

No fit out costs had been paid as at 30 June, 2003.

### Comparative figures

Comparatives have not been provided as the Company had commenced operations during the year ending 30 June, 2003.

### Revenue

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

### Payment terms

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

**Receivables**

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.

## NOTE 2: REVENUE FROM ORDINARY ACTIVITIES

**2003****\$**

Operating activities

– other revenue

385

Non-operating activities:

– interest received

1,722

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**2,107**


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## NOTE 3: EXPENSES

Amortisation of non-current assets:

– intangibles

1,775

Borrowing expenses:

– Interest paid

2,081

## NOTE 4: INCOME TAX EXPENSE

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

Operating Loss

(636,805)

Prima facie tax on loss from ordinary activities at 30%

(191,042)

Add tax effect of:

– Non-deductible expenses

533

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Income tax expense on operating profit/loss

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(190,510)

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**NOTE 5: CASH ASSETS****2003****\$**

Cash at bank and on hand	1,811,932
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**NOTE 6: RECEIVABLES**

Trade receivables	81,176
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**NOTE 7: INTANGIBLE ASSETS**

Franchise fee

At cost

180,000

Less accumulated amortisation

(1,775)

**178,225****NOTE 8: DEFERRED TAX BENEFIT**

Future income tax benefit

Tax losses – revenue	190,510
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**NOTE 9: PAYABLES**

Sundry creditors	1,950
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**NOTE 10: CONTRIBUTED EQUITY**

Balance at beginning of the year

–

Fully paid ordinary shares issued

2,755,977

Less: Equity raising costs

(49,789)

As per disclosure in original prospectus, 79,500 bonus shares  
have been issued for At Risk funds contributed prior to successful listing

<b>Balance at end of the financial year</b>	<b>2,706,188</b>
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**NOTE 11: RETAINED LOSSES**

Balance at the beginning of the financial year

–

Net profit/(loss) from ordinary activities after income tax

(446,296)

<b>Balance at the end of the financial year</b>	<b>(446,296)</b>
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**NOTE 12: STATEMENT OF CASH FLOWS****2003****\$****(a) Reconciliation of cash**

Cash at bank and on hand	1,811,932
	<b>1,811,932</b>

**(b) Reconciliation of profit from ordinary activities after tax to net cash provided by/(used in) operating activities**

Loss from ordinary activities after income tax	(446,297)
Non cash items:	
– amortisation	1,775
Changes in assets and liabilities:	
– decrease in receivables	(81,176)
– decrease in other assets (tax credit)	(190,510)
Increase in liabilities:	
– payables	1,950
<b>Net cashflows provided by/(used in) operating activities</b>	<b>(714,257)</b>

**NOTE 13: AUDITORS' REMUNERATION**

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

– audit & review services	1,800
– other services in relation to the entity	8,815

**NOTE 14: RELATED PARTY DISCLOSURES**

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

Paul Garry Hampson (Chairman)	Terry James Skene
Alan Leslie Gough (Secretary)	Russell Peter Jenkins
Drazen Zen Knezevic (Treasurer)	Cathleen Margaret Wallis
Scott Francis Elkington	Tammy White (Alternate for Russell Jenkins)
John Joseph McLaughlin	Lynne Beverley Power (Resigned 15 September, 2003)
Colin Albert Nelson	Desmond McPherson (Resigned 1 November, 2002)
Patrick Simonis	Daniel Stephen Gorman (Appointed 11 September, 2002)

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

Logan Community Financial Services Limited has entered into a lease agreement with Simcom Enterprises for Unit D/7 Curban Street Underwood for one (1) year terminating on 30 June, 2004.

The entity is majority owned by Director - Patrick Simonis.



During the financial year marketing consulting services were provided by two businesses, Power Options and D & L Power Pty Ltd of which Director – Lynne Power is an Owner/Director.

During the financial year accounting services were provided by Alan L Gough & Associates of which Director – Alan Gough is a Director/Principal.

## NOTE 15: SUBSEQUENT EVENTS

As disclosed in the prospectus dated 4 November 2002, Logan Community Financial Services Ltd has, as part of its franchise agreement with Bendigo Bank Ltd (BBL), purchased a fourth franchise for Marsden. This will result in the entity committing to expenditure for the franchise fee, training costs, start up assistance and fit out cost from BBL amounting to \$323,000.

Further, the fit out costs for the Springwood Branch are yet to be paid and amount to \$154,957.66.

There are other 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.

## NOTE 16: CONTINGENT LIABILITIES

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

## NOTE 17: EARNINGS PER SHARE

The Company had only commenced trading during June, 2003.

Earnings (losses) per share have therefore not been calculated for this reporting period.

## NOTE 18: 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 19: REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

Principal place of business is: Unit D/7 Curban Street, Underwood QLD 4119

The Registered Office is: c/- Alan L. Gough and Associates, 9 Laurinda Crescent, Springwood QLD 4127

NOTE 20: 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

		Fixed interest Rate Maturing in											
Financial Instrument	Floating Interest Rate		1 year or less		Over 1 to 5 years		Over 5 years		Non Interest Bearing		Weighted average Effective interest rate		
	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$	2003 \$	2002 \$	2003 %	2002 %	
Financial assets													
Cash assets	1,811,932	-	-	-	-	-	-	-	-	-	2.25	N/A	
Receivables	-	-	-	-	-	-	-	-	81,176	-	N/A	N/A	
Financial liabilities													
Payables	-	-	-	-	-	-	-	-	1,950	-	N/A	N/A	

## Director's Declaration

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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, 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.

On behalf of the Board:



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**Paul Hampson, Chairman**



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**Zen Knezevic, Director**

Signed at Logan on 10 September, 2003.

# Independent Audit Report

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LOGAN COMMUNITY FINANCIAL SERVICES LIMITED.

### SCOPE

We have audited the financial report of Logan Community Financial Services Limited for the financial year ended 30 June 2003 as set out in pages 8 to 19 including the Directors Declaration. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it 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. 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. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements 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 their operations and their cash flows.

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:

- a. the Corporations Act 2001, including:
  - i. giving a true and fair view of the Company's financial position as at 30 June, 2003 and of their performance for the year ended on that date; and
  - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b. other mandatory professional reporting requirements in Australia.



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

**Dated this 10th day of September, 2003**

## BSX Additional Information

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 30 September, 2003.

### (a) Distribution of equity securities

The number of shareholders, by size of holding, are:

			Ordinary shares	
			Number of holders	Number of shares
1	–	1,000	729	509,877
1,001	–	5,000	332	991,600
5,001	–	10,000	52	478,600
10,001	–	100,000	29	753,000
100,001 and over			1	247,500
Total			1143	2,980,577

There are currently three holders of parcels less than the minimum 500. Their holdings total 600 units.

### (b) Ten largest shareholders

The names of the ten largest holders of quoted shares are:

			Listed ordinary shares	
			Number of shares	Number of ordinary shares
Bendigo Bank LTD			247500	247500
Central Plumbing Supplies P/L			100000	100000
Peter McErlane			70000	70000
Astonlee Pty Ltd			50000	50000
Wishful Superannuation Pty Ltd			50000	50000
Richard Craig Campbell and Haydee Elba Campbell			45000	45000
Phillip Kim			30000	30000
Theo Coroneo			25000	25000
Felicroft Pty Ltd			25000	25000
Jodie Louise Case			20000	20000
Warren Andrew Dicker			20000	20000
Sid Kidman			20000	20000
Krils Pty Ltd			20000	20000
Logan and District Services Club Inc			20000	20000
Lawrence Moynihan			20000	20000

# BSX Additional Information (continued)

## (b) Ten largest shareholders (continued)

	Listed ordinary shares	
	Number of shares	Number of ordinary shares
Conor John O'Brien	20000	20000
Morrie Ringstad	20000	20000
Torluccio Investments Pty Ltd	20000	20000

## (c) Voting rights

Each shareholder has one vote.

## (d) Corporate Governance Statement

The Board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable.

The Board recognises the importance of a strong corporate governance focus and methodology. The Board is currently working towards adopting policies and procedures that will govern our Company into the future. We believe that building a policy framework will assist to clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

## Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least three Directors and a maximum of 10;
- The Board shall meet at least monthly and follow meeting guidelines set down to ensure all Directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

The Directors in office at the date of this statement are:

Name	Position
Paul Garry Hampson	Chairman
Alan Leslie Gough	Secretary
Drazen Zen Knezevic	Treasurer
Scott Francis Elkington	Director
Daniel Stephen Gorman	Director
John Joseph McLaughlin	Director
Colin Albert Nelson	Director
Patrick Simonis	Director
Terry James Skene	Director
Russell Peter Jenkins	Director
Cathleen Margaret Wallis	Director

## BSX Additional Information (continued)

### **Board responsibilities**

As a Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The Board is responsible for ensuring that management's objective and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. These mechanisms include the following:

- Board approval of a business plan, which encompasses the entity's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk;
- The business plan is a dynamic document and the board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the entity;
- Implementation of operating plans and budgets by management and Board monitoring of progress against budget – this includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
- Procedures to allow Directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

### **Monitoring of the Board's performance and communication to shareholders**

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- The annual report which is distributed to all shareholders;
- The annual general meeting and other meetings so called to obtain approval for Board action as appropriate.

**(e) Name of Company Secretary:** Alan Leslie Gough

### **(f) Address and telephone number of registered office**

c/- Alan L Gough and Associates, 9 Laurinda Cr, Springwood QLD 4127. Phone: (07) 33860466

### **(g) Address and telephone number of office which securities register is kept.**

Bendigo Bank Limited, Share Registry Office, Fountain Court, Bendigo 3552, Phone: (03) 5433 9339

