

2004

# annual report

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For year ending 30 June 2004

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# chairman's report

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For year ending 30 June 2004



## **Vision, mission and values**

On the final page of this report, you can find these in full; however it is worth pondering for a moment on the vision of LCFSL.

'LCFSL'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 already seeing the benefits of this focus. In this report I will discuss major events, key initiatives and critical staff decisions that are leading us further in the direction of our vision.

## **Our first full year**

In the last annual report our then Chairman, Paul Hampson, reported on the challenges met to establish Logan Community Financial Services as an entity, and open the doors for trading at our first two branches. I am pleased to now be able to report to you on our first full year of trading since opening, and share the excitement of the initiatives that have taken us beyond our predicted results for the first year.

## **Fulfilling our commitments – ahead of time**

It has been an exciting and action packed year, as we moved ahead on our agenda to open the branch at Springwood, an event attended by many of the city's prominent business people, as well as shareholders who had supported the concept from day one. The day was made even more memorable by a speech from Donna Bentley, who at 15 years of age saved all her pocket money to purchase shares in the Logan Community Financial Services Limited. We were touched by her belief, and very proud of her commitment to her community.

The strong capital position of the Company allowed the opening of the branch at Marsden ahead of the prospectus projections, and this provided the chance to accelerate the income and growth projections for the Company for the coming year. Additionally, the opportunity to relocate the Browns Plains branch into a local, community focused shopping centre arose, and we are pleased to be able to report that since the move, the Browns Plains branch is showing excellent growth prospects. Please note that neither of these initiatives was projected in the first year of trading in the prospectus. The Board has researched the effect on the Company's profit projections, and is confident that these are improved as a result.

## **Growing our business – and your investment**

As reported elsewhere in this document, the business growth of the LCFSL is well in line with prospectus projections. Whilst this is not surprising given the strong support shown by the community, we are encouraged by the number of shareholders and local business owners who are now moving their banking to the Community Bank® branches, and the feedback that they provide us with about our products and our customer service. Further, investigations are underway into business ventures that service the community, and fit within the vision and mission of the LCFSL to provide services and benefits to our community. Two of these include telecommunications, and the youth program Lead-on. We are now taking the time to ensure that the LCFSL is in a strong financial position prior to pursuing these options further.

# chairman's report continued

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## **Increased staffing numbers and better service to customers**

The customer experience is one of the things that make our Community Bank® branches stand out from the competition and encourage more customers to transfer their banking over. To this end, we have created new positions at our branches for Customer Relationship Officers, whose role is to take the time to ensure all our customers have the opportunity to sit down and discuss their banking and financial needs in a friendly environment, with knowledgeable staff able to assist them. It is very pleasing to us that we have been able to promote existing staff into these positions, and also that we have been able to employ young, local trainee staff to complete branch staffing needs. Our staff numbers have grown over the period to accommodate the growth of the business, and the increasing number of shareholders and general public transferring banking business.

## **A three part focus**

A focus on the new corporate objectives of the 'triple bottom line' (People, Profit, and Planet – which in this case is our community) has resulted in the creation of the role of Area Manager and the appointment of our Loganholme Branch Manager, Darren Cahill, to the position. Darren's role is to ensure the growth of the business across the area, manage the customer and shareholder experience within our branches, ensure our staff have the full training and support they require, and assist in guiding the Company to achieving its objectives. I welcome Darren to this role, and thank him for his enormous contribution over the period.

## **Changes to the Board of Directors**

During the year, a tremendous amount of hard work, dedication and time has been provided by your Directors and I would like to extend to them my personal thanks for their support of the LCFSL. Having spent the last few months as your Chairman I will continue to dedicate and contribute my time with much enthusiasm so that we can all achieve our vision.

This year the Board has undergone a review process, of the Board as a whole, of individual Directors, and of committee processes, which has contributed to a conscious decision to streamline the Board composition and processes following the retirement of Lynne Power, Dan Gorman and Paul Hampson. The contribution of these Board members was tremendous, and they helped us to set the framework for the current smooth and efficient operation of Board and committee meetings.

At the AGM in November, three of our current Board members will retire, and two have indicated that they will stand for re-election. I am confident that those choosing to stand for re-election are able to continue their level of commitment and professionalism to the LCFSL. I would also like to thank Terry Skene, who will retire at the AGM in November. As one of the original Directors, Terry's contribution has been invaluable and much appreciated.

## **Contributing to our community**

During the period, the strong capital position of the LCFSL enabled some contributions to critical local causes, to assist in the protection of children and continuation of services to community organisations. A total of \$1975.00 was donated.

# chairman's report continued

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## **Trading on the BSX**

A number of trades were made during the period on the Bendigo Stock Exchange, with many more enquiries made to brokers. Whilst it is pleasing that there are members of our community looking to purchase more shares, we do not expect to see much increase in trading until the Company reaches a profit position.

## **The Bendigo Bank partnership**

Logan became the 94th branch to open as a Community Bank® branch of Bendigo Bank across Australia. There are now in excess of 130 Community Bank® branches of Bendigo Bank in the network, across most states and territories.

As a partner of LCFSL, 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”, we feel confident in going forward with Bendigo Bank as a partner for the long term.

## **In the next year**

During the next period you will see us refurbish the Loganholme branch, providing the staff with a more effective and efficient workspace, and our customers with greater opportunity to interact with staff at a more personal and private level.

We will continue to investigate options of some form of banking services in the Logan Central area, as well as at other sites across Logan, and continue our exploration of beyond banking opportunities.

Essentially, our focus will be to achieve our profit and growth objectives, ensuring that you, our shareholders, are informed and updated on the Company's progress towards these objectives, and further streamlining our processes and procedures to reduce costs and increase productivity.

## **The assistance of the whole community**

The Logan City Council, Albert and Logan News, and local business owners are other entities who have helped wherever, and in whatever capacity they could. I extend the thanks of all our Directors, managers and staff to them.

Finally, I would like to thank you, our shareholders, who have encouraged, supported and banked with us during the year to help us achieve our goals for our branches and for the community. Your vision, commitment and enthusiasm help us all. I look forward to a long and rewarding association with you.



**Colin Nelson**  
**Chairman**

# bendigo bank ltd report

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**For year ending 30 June 2004**

It is sometimes hard to believe that the Community Bank® concept started just six years ago with a need, an idea, a willingness and more than a dash of enthusiasm from your community and my staff.

Today, there are 134 communities throughout Australia which have taken the Community Bank® journey. Each with the prime motivation to either return a traditional bank branch to their community or to ensure the presence of branch banking into the future.

As the Community Bank® branch network continues to grow, it is appropriate to take a moment to reflect on the significance of the achievements of these communities to date.

- Communities have so far received more than \$100 million in revenue paid to them by Bendigo Bank.
- Seventy communities are now recording sustainable monthly surpluses. Forty have repaid the debts incurred by any new business and are in a position to pay shareholder dividends.
- More than 8000 community shareholders have received dividends totalling \$1.5 million.
- Local Boards have delved out more than \$2 million in community project grants.
- Last year they spent \$22.9 million in their communities on wages, rent, accounting, cleaning, and so on. Given a multiplier effect of three, this means branches inject nearly \$70 million into their communities each year.
- More than 1100 Australians are now directors of the locally owned public companies that run Community Bank® branches. They are developing the skills needed to run enterprises, which will further improve their communities' prospects.
- More than 700 jobs have been created in local branches.

The Community Bank® branch network continues to go from strength to strength, with a 62 per cent increase, to \$13.6 million, in its contribution to Bendigo Bank's 2003/04 result. Twenty-nine new branches were opened in 2003/04 and at 30 August 2004 the total was 134. Community Bank® branches are located in all States and the ACT and demand remains strong, with a further 30 sites due to open in the current year and good prospects in sight for 2005/06.

Most media attention has focused on Community Bank® branches securing face-to-face banking in communities where branch banking was withdrawn. This ignores its tremendous social and economic contribution as more capital is retained locally, commercial activity is stimulated and community leaders acquire new skills and confidence.

Bendigo Bank participates in the development of Community Bank® branch network with an enormous sense of pride. We are indeed a fortunate to be your partner. We cannot think of another company that is so openly welcomed into the communities it serves. That is an honor we value and jealously guard, not only for the pleasure it gives us as individuals but because we know the future of our company depends on the relationships we build with our communities.



**Tammy White**  
**Relationship Manager**

# treasurer's report

**For year ending 30 June 2004**



I have great pleasure in submitting the Independent Auditors Report incorporating the Statement of Financial Position, Statement of Financial Performance and the Independent Audit Report for the LCFSL for the year ended 30 June 2004.

The focus during this period has revolved around the establishment of the two new branches at Springwood and Marsden, the employment of local staff, the tracking of branches' performance to budget, and the completion of the capital works programs for new branches. The strong capital position of the Company has allowed the early entry into the market of Marsden branch, not forecast in the prospectus projections until after the first full year of trading, as well as relocation of the Browns Plains branch. This has brought forward the Company's income and growth expectations for the coming year.

In the financial statements in this report, you will read the results of the years' trading. I would like to add some comments to these figures, to aid in understanding the reporting periods and results.

For this report, I would draw your attention to the fact that the Company has been trading for one year 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 one in the prospectus, as these assume one full year of trading, without the addition of the Marsden branch. Additionally, management fees paid to Bendigo Bank Limited for the Loganholme and Browns Plains branches are paid in advance, reducing both the Company's cash flow and its liabilities.

To understand the impact of these notes, it is helpful to adjust the figures as: (note – figures used are prior to income tax adjustments and/or credits)

Carried forward losses 2003 – 2004 financial year	\$714,752	
Less – Management feeds paid in advance	\$300,000	
		\$414,752
Less – Losses for Marsden Branch	\$224,735	
Less – Browns Plains lease relocation costs (not planned for in prospectus projections year one)	\$ 20,048	
Adjusted loss – One full year of trading		\$169,969
Prospectus projected loss for one full year of trading (80% of modified forecast)		\$649,208

The ongoing growth of the business is expected to place the Company well within its prepared forward budget in the new financial year.

A primary indicator of the success of any Community Bank® branch is the total level of business managed by the Company, and the growth of the 'book' (level of business managed) during the year. I am pleased to report that as at 30 June 2004 the total book of the Company stands at \$116,398,000, a growth year to date of \$37,146,000. This compares favourably with the survey response of a total of \$128,017,750 available banking business from survey respondents.



# treasurer's report continued

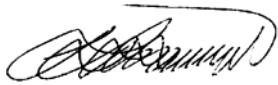
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**For year ending 30 June 2004**

During the 2004 to 2005 financial year, this growth is budgeted in excess of \$49,900,000, achievement of which will see the LCFSL attain its financial objectives.

I look forward to further improvement and growth of the Company during the next period, and to assisting my fellow Directors in developing 'Our Community Bank® Company' as a sound, viable and 'community focused' organisation.

Signed



**Drazen Zen Knezevic**  
**Treasurer**

# area manager's report

**For year ending 30 June 2004**

The past twelve months have seen many changes in the banking and finance industry. Some of these have been legislative, such as the introduction of the 'Financial Services Reform Act' resulting in greater controls over how our staff must advise on customer transactions. Some have simply been market driven to ensure we keep up with property market cycles, interest rate fluctuations and general customer demand for 'that something special' from their bank.

Our Company's Board and management saw the introduction of the role of Area Manager in June 2004 as being an integral part of keeping up with these challenges and changes. Whilst the role is a new one, the challenges of the growth and expansion of the Company during the year ended 30 June 2004 have directly involved myself, and I am pleased to be able to report on positive growth and achievement during this period.

The Company's primary focus has been on fulfilling the franchise commitment to open branches at Springwood and Marsden, and consolidate the areas of business growth, staffing mix and levels, and customer service.

As a result of this focus, Springwood branch opened on 8 July 2003, and Marsden branch opened on 12 September 2003. Both of these branches are now tracking to budget and we expect significant growth during the next year.

Additionally, research and customer feedback saw the Company make the decision to move the Browns Plains branch from the Grand Plaza shopping centre to Westpoint shopping centre, across the road. This move involved refitting the new branch to match the 'corporate' look, resulting in a branch that now has the tools to service its customer base effectively and efficiently. Since the move we have seen a positive growth in the level of business at Browns Plains, as customers find the access and parking significantly more attractive.

We are now negotiating the release and refit of the Loganholme branch to similarly improve customer access, service and efficiency.

The forward budgets prepared around our structure and business growth levels for the period of the prospectus projections will see the Company in a strong position to deliver on its mission of '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.'

I have been working with our respective branch teams in recent months to ensure we have the correct staffing levels, experience levels and resources to grow our business at budgeted levels. Of particular note is the development of the 'Customer Relationship Officer' role which is primarily designed to ensure we build a depth of relationship with our clients and provide a far superior level of customer service than our competitors. I am pleased to report that we now have this role in each of the branches and have the people developing in these roles at a tremendous rate. I have also been working very closely with our Springwood branch of late to ensure we are focused on the tremendous Business Banking opportunities the area offers. We are now starting to see the fruits of this work.

I am sure as shareholders you will be pleased with the financial data and returns reported on elsewhere in this annual report. To put a management perspective on these numbers I would offer some general comment. Three out of our four branches performed very close to business growth expectations for most of the year and in recent months we have seen growth at and above budgeted figures. However, throughout the earlier growth periods, our managers of these branches have ensured very tight cost control ensuring the net result to the Company is still in line with expectations. The fourth branch, at Loganholme, exceeded growth expectations for the year.



# area manager's report continued

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**For year ending 30 June 2004**



In the next year you will see your Community Bank® Company being very active in the market place in many different forms. We are currently working with the business proprietors in Logan Central to garner their banking support, which at some time in the future may lead to some bank representation in their area. Many shareholders and community groups are now changing their banking over to our Community Bank® branches and we will continue to foster these relationships and build new ones. Ultimately, we would hope to be supporting these groups as part of our Community Support charter with grants and/or sponsorships. We will be actively involved in your local trader associations and Chamber of Commerce to network and build relationships from these accordingly. Once again we will be asking for you as shareholders to bring your banking across to help support your investment. We will also be continuing the team building we have started within our Company to ensure that when customers walk through the doors, they too feel part of the 'Family'.



I am sure the next twelve months will bring many challenges to our Company and whilst I believe we have a very strong foundation to build from, we still have a great deal of hard work in front of us. My branch teams and I believe we are up to the task and relish the opportunity to return positive results to our shareholders and the community.

A handwritten signature in black ink, which appears to read "Darren Cahill". The signature is stylized and fluid.

**Darren Cahill**  
**Area Manager**



# directors' report

For year ending 30 June 2004

Your Directors submit the financial report of the Company for the financial year ended 30 June 2004.

## 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 57  
Company Director

### Drazen Zen Knezevic

Treasurer  
Age 36  
Business Consultant

### Terry James Skene

Director  
Age 47  
Company Director

### Patrick Simonis

Director  
Age 50  
IT Specialist/Managing Director

### Russell Peter Jenkins

Director  
Age 42  
Bank Executive

### Paul Garry Hampson

Director (Resigned 19 March 2004)  
Age 55  
Company Managing Director

### Alan Leslie Gough

Secretary  
Age 50  
Accountant

### Scott Francis Elkington

Director  
Age 39  
Bank Executive

### John Joseph McLaughlin

Director  
Age 42  
Solicitor

### Cathleen Margaret Wallis

Director  
Age 46  
General Manager

### Lynne Beverley Power

Director (Resigned 15 September 2003)  
Age 45  
Company Director/Business Management

### Daniel Stephen Gorman

Director (Resigned 25 February 2004)  
Age 58  
Property Developer

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

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

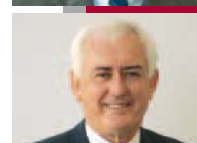
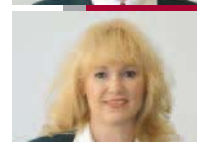
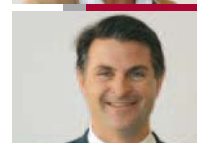
## Principal activities

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 2004	Year ended 30 June 2003
\$	\$
(513,826)	(446,296)



# directors' report continued

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**For year ending 30 June 2004**

## **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**

The fit out costs for the relocation of the branch at Browns Plains have yet to be paid and amount to \$295,193.

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.

## **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 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 15 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' report continued

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For year ending 30 June 2004

## Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

**Number of meetings held: 13**

### Number of meetings attended:

Colin Albert Nelson (Chairman)	12
Alan Leslie Gough (Secretary)	12
Drazen Zen Knezevic (Treasurer)	8
Cathleen Margaret Wallis	12
John Joseph McLaughlin	8
Patrick Simonis	12
Terry James Skene	11
Russell Peter Jenkins	8
Scott Francis Elkington	7
Tammy White (Alternate for Russell Jenkins)	9
Stephen John Simpson (Alternate for Scott Elkington)	3
John Chandler (Alternate for Russell Jenkins)	1
Lynne Beverley Power (Resigned 15 September 2003)	1
Paul Garry Hampson (Resigned 19 March 2004)	9
Daniel Stephen Gorman (Resigned 25 February 2004)	5

Signed in accordance with a resolution of the Board of Directors at Logan on the 8th of September 2004.



**Colin Nelson**  
Chairman



**Cathleen Wallis**  
Director

# financial statements

## Statement of financial performance For year ending 30 June 2004

	Notes	2004 \$	2003 \$
Revenues from ordinary activities	2	1,418,832	2,107
General administration		(351,394)	(412,357)
Start up & training costs expenses		(60,000)	(177,500)
Salaries and employee benefits expense		(947,149)	(1,919)
Management advisory fee		(300,000)	-
Advertising and promotion		(3,970)	(35,342)
Occupancy and associated costs		(284,686)	(7,388)
Systems costs		(127,505)	(550)
Depreciation and amortisation expense	3	(58,875)	(1,775)
Borrowing cost expense	3	(5)	(2,081)
<b>Loss from ordinary activities before income tax credit</b>		<b>(714,752)</b>	<b>(636,806)</b>
Income tax credit relating to ordinary activities	4	200,926	190,510
<b>Loss from ordinary activities after income tax credit</b>		<b>(513,826)</b>	<b>(446,296)</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>(513,826)</b>	<b>(446,296)</b>

The accompanying notes form part of these financial statements.

# financial statements continued

## Statement of financial position For year ending 30 June 2004

	Notes	2004 \$	2003 \$
<b>Current assets</b>			
Cash assets	5	1,183,161	1,811,932
Receivables	6	46,078	81,176
<b>Total current assets</b>		<b>1,229,239</b>	<b>1,893,108</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	319,570	-
Intangibles	8	193,225	178,225
Deferred tax assets	9	391,436	190,510
<b>Total non-current assets</b>		<b>904,231</b>	<b>368,735</b>
<b>Total assets</b>		<b>2,133,470</b>	<b>2,261,843</b>
<b>Current liabilities</b>			
Payables	10	51,381	1,950
<b>Total current liabilities</b>		<b>51,381</b>	<b>1,950</b>
<b>Total liabilities</b>		<b>51,381</b>	<b>1,950</b>
<b>Net assets</b>		<b>2,082,089</b>	<b>2,259,893</b>
<b>Equity</b>			
Contributed equity	11	3,042,211	2,706,188
Accumulated losses	12	(960,122)	(446,296)
<b>Total equity</b>		<b>2,082,089</b>	<b>2,259,893</b>

The accompanying notes form part of these financial statements.



# financial statements continued

## Statement of cash flows For year ending 30 June 2004

	Notes	2004 \$	2003 \$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		1,460,201	385
Cash payments in the course of operations		(2,122,920)	(714,282)
Interest received		91,375	1,722
Interest paid		(5)	(2,081)
<b>Net cash used in operating activities</b>	<b>12 (b)</b>	<b>(571,349)</b>	<b>(714,256)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(333,445)	-
Payment for franchise agreement		(60,000)	(180,000)
<b>Net cash used in investing activities</b>		<b>(393,445)</b>	<b>(180,000)</b>
<b>Cash flows from financing activities</b>			
Proceeds of share issues		336,023	2,755,977
Payment of share issue costs		-	(49,789)
<b>Net cash provided by financing activities</b>		<b>336,023</b>	<b>2,706,188</b>
<b>Net increase/(decrease) in cash held</b>		<b>(628,771)</b>	<b>1,811,932</b>
Cash at the beginning of the financial year		1,811,932	-
<b>Cash at the end of the financial year</b>	<b>12 (a)</b>	<b>1,183,161</b>	<b>1,811,932</b>

The accompanying notes form part of these financial statements.

# notes to financial statements

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For year ending 30 June 2004

## 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.

The accounting policies are consistent with the previous year.

### **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.

### **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. 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 operating cash flows.

### **Employee entitlements**

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 2004 as the branch staff are seconded by Logan CFSL from Bendigo Bank Ltd. As per the secondment agreement employee entitlements are paid each month.

### **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:

<b>Class of fixed assets</b>	<b>Depreciation rate (%)</b>
Leasehold improvements	2.5 - 15
Plant and equipment	2.5 - 25

### **Comparative figures**

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

### **Revenue**

Interest and commission fees 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 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.

### **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.

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 2. REVENUE FROM ORDINARY ACTIVITIES</b>		
Operating activities		
- commissions	1,327,457	-
- other revenue	-	385
Non-operating activities:		
- interest received	91,375	1,722
	<b>1,418,832</b>	<b>2,107</b>

### NOTE 3. EXPENSES

Depreciation of non-current assets:		
- leasehold improvements	5,843	-
- plant & equipment	8,032	-
Amortisation of non-current assets:		
- intangibles	45,000	1,775
	<b>58,875</b>	<b>1,775</b>
Borrowing expenses:		
- interest paid	5	2,081

### NOTE 4. INCOME TAX CREDIT

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

Operating Loss	(714,752)	(636,805)
Prima facie tax on loss from ordinary activities at 30%	(214,426)	(191,042)
Add tax effect of:		
- Non-deductible expenses	13,500	532
<b>Income tax credit on operating loss</b>	<b>(200,926)</b>	<b>(190,510)</b>

### NOTE 5. CASH ASSETS

<b>Cash at bank and on hand</b>	<b>1,183,161</b>	<b>1,811,932</b>
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	2004 \$	2003 \$
<b>NOTE 6. RECEIVABLES</b>		
<b>Trade receivables</b>	<b>46,078</b>	<b>81,176</b>

## NOTE 7. PROPERTY, PLANT AND EQUIPMENT

### Leasehold improvements

At cost	191,059	-
Less accumulated depreciation	(5,843)	-
<b>Total written down amount</b>	<b>185,216</b>	<b>-</b>

### Plant & equipment

At cost	142,386	-
Less accumulated depreciation	(8,032)	-
<b>Total written down amount</b>	<b>134,354</b>	<b>-</b>
	<b>319,570</b>	<b>-</b>

### Movements in carrying amounts:

Leasehold improvements @ cost		
Carrying amount at beginning	-	-
Additions	191,059	-
Disposals	-	-
Less depreciation expense	(5,843)	-
<b>Carrying amount at end</b>	<b>185,216</b>	<b>-</b>

Plant & equipment @ cost		
Carrying amount at beginning	-	-
Additions	142,386	-
Disposals	-	-
Less depreciation expense	(8,032)	-
<b>Carrying amount at end</b>	<b>134,354</b>	<b>-</b>
	<b>319,570</b>	<b>-</b>

## NOTE 8. INTANGIBLE ASSETS

Franchise fee		
At cost	240,000	180,000
Less accumulated amortisation	(46,775)	(1,775)
	<b>193,225</b>	<b>178,225</b>

## NOTE 9. DEFERRED TAX BENEFIT

Future income tax benefit		
<b>Tax losses - revenue</b>	<b>391,436</b>	<b>190,510</b>

	2004 \$	2003 \$
<b>NOTE 10. PAYABLES</b>		
<b>Sundry creditors</b>	<b>51,381</b>	<b>1,950</b>

## NOTE 11. CONTRIBUTED EQUITY

Balance at beginning of the year	2,706,188	-
Fully paid ordinary shares issued	336,023	2,755,977
Less: Equity raising costs	-	(49,789)
<b>Balance at end of the financial year</b>	<b>3,042,211</b>	<b>2,706,188</b>

## NOTE 12. RETAINED LOSSES

Balance at the beginning of the financial year	(446,296)	-
Net profit/(loss) from ordinary activities after income tax	(513,826)	(446,296)
<b>Balance at the end of the financial year</b>	<b>(960,122)</b>	<b>(446,296)</b>

## NOTE 13. STATEMENT OF CASHFLOWS

(a) Reconciliation of cash		
Cash at bank and on hand	483,161	(2,963)
Term Deposit	700,000	1,814,896
	<b>1,183,161</b>	<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	(513,826)	(446,296)
Non cash items:		
- amortisation	45,000	1,775
- depreciation	13,875	1,775.00
Changes in assets and liabilities:		
- (increase)/decrease in receivables	35,098	(81,176)
- (increase)/decrease in other assets	(200,926)	(190,510)
Increase in liabilities:		
- increase/(decrease) in payables	49,430	1,950
<b>Net cashflows provided by/(used in) operating activities</b>	<b>(571,349)</b>	<b>(712,482)</b>

## NOTE 14. AUDITORS' REMUNERATION

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

- audit & review services	2,700	1,800
- other services in relation to the entity	650	8,815
	<b>3,350</b>	<b>10,615</b>

## NOTE 15. DIRECTOR AND RELATED PARTY DISCLOSURES

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

Colin Albert Nelson (Chairman)  
Alan Leslie Gough (Secretary)  
Drazen Zen Knezevic (Treasurer)  
Scott Francis Elkington  
John Joseph McLaughlin  
Patrick Simonis  
Terry James Skene  
Russell Peter Jenkins  
Cathleen Margaret Wallis  
Lynne Beverley Power (Resigned 15 September 2003)  
Paul Garry Hampson (Resigned 19 March 2004)  
Daniel Stephen Gorman (Resigned 25 February 2004)

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

Logan Community Financial Services Limited has entered into a rolling lease agreement with Simcom Enterprises for Unit D/7 Curban Street Underwood. The entity is majority owned by Director - Patrick Simonis.

Payments for rent, computer rental, office cleaning, computer hardware and software & printing supplies totalled \$13,735.41 (2003 \$ 8,822).

During the financial year payments totalling \$23491 (2003 \$33569) were made to Director - Cathleen Wallis for management consulting services provided under normal terms and conditions.

Accounting services were provided during the financial year by Alan L Gough & Associates of which Director - Alan Gough is a Director/Principal. Payments made totalled \$4,384 (2003 nil).

<b>Directors shareholdings</b>	<b>2004</b>	<b>2003</b>
Colin Albert Nelson (Chairman)	49,001	15,001
Alan Leslie Gough (Secretary, resigned as Secretary 30 July 2004)	5,001	1
Drazen Zen Knezevic (Treasurer)	4,001	1
Scott Francis Elkington		
John Joseph McLaughlin	10,001	1
Patrick Simonis	20,001	20,001
Terry James Skene	25,001	1
Russell Peter Jenkins		
Cathleen Margaret Wallis	4,001	1
Lynne Beverley Power (Resigned 15 September 2003)	3,501	3,501
Paul Garry Hampson (Resigned 19 March 2004)	1	30,001
Daniel Stephen Gorman (Resigned 25 February 2004)	-	-

Each share held is valued at \$1 and is fully paid.

## NOTE 16. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The entity has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). With consultation with our external auditors, the Company is ensuring that the impact of the transition to IFRS is fully reviewed and completed.

Based on current requirements, the financial statements of the Company prepared at 30 June 2006 will need to comply with IFRS. Comparative figures for the year ended 30 June 2005, within the 30 June 2006 financial statements, will also need to comply with IFRS.

The potential impacts of transition to IFRS have not been fully assessed due to the short timeframe between finalisation of the IFRS standards and completing this report. The impact on future years will depend on circumstances prevailing at the time of preparing relevant financial reports.

The currently identified key potential implications to the Community Bank® branches of the conversion to IFRS are:

- a) income tax will be calculated based on the "balance sheet" approach, which may result in more deferred tax assets and liabilities;
- b) changes in accounting policies will be recognised by restating prior year figures, rather than making current year adjustments and the impact will be disclosed in the notes to the financial statements.

## NOTE 17. SUBSEQUENT EVENTS

The fit out costs for the relocation of the branch at Browns Plains have yet to be paid and amount to \$295,193.

There are other no other 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 18. CONTINGENT LIABILITIES

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

## NOTE 19. EARNINGS PER SHARE

	<b>2004 (cents)</b>	<b>2003 (cents)</b>
Losses per share for the financial year were:	(17)	-
No comparative is shown for the 2002-2003 financial year as the Company commenced trading during June 2003.		

## NOTE 20. SEGMENT REPORTING

The economic entity facilitates Community Bank® 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 21. REGISTERED OFFICE/PRINCIPAL PLACE OF BUSINESS

The registered office and principal place of business is:

**Registered office**  
Unit D/7 Curban Street  
UNDERWOOD QLD 4119

**Principal place of business**  
Unit D/7 Curban Street  
UNDERWOOD QLD 4119



## NOTE 22. 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	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 %	2003 %
<b>Financial assets</b>												
Cash assets	483,161	1,811,932									.05	2.25
Investments			700,000								4.4	N/A
Receivables									46,078	81,176	N/A	N/A
<b>Financial liabilities</b>												
Payables									48,793	1,950	N/A	N/A

# directors' declaration

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**For year ending 30 June 2004**

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 2004 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001 in Australia; 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:



**Colin Nelson**  
**Chairman**



**Cathleen Wallis**  
**Director**

Signed at Logan on the 8th day of September 2004.

# independent audit report

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**For year ending 30 June 2004**

To the members of Logan Community Financial Services Limited

## **Scope**

We have audited the financial report of Logan Community Financial Services Ltd for the financial year ended 30 June 2004 including the Director's Declaration. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the 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 in Australia, so as to present a view which is consistent with our understanding of the company's financial position and performance as presented by the results of its operations and cash flows.

## **Audit opinion**

In our opinion the financial report of Logan Community Financial Services Ltd 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 2004 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



**Andrew Frewin & Stewart**  
61-65 Bull Street, Bendigo, 3550

Dated this 13th day of September 2004

# independent assurance report

**For year ending 30 June 2004**

## **MULQUEEN GRIFFIN ROGERS PTY LTD**

To

The Franchisees of Community Bank® branches of the Bendigo Bank, and The Board of Management of Bendigo Bank

### **Community Bank® profit share for the year ended 30 June 2004**

#### Scope

As independent professional accountants we have conducted a review to evaluate and report upon the Community Bank® profit share calculations for the year ended 30 June 2004, with the objective of providing a conclusion as to whether a high level of assurance can be expressed to the Bendigo Bank and Community Bank® Franchisees.

The Board of Management of the Bendigo Bank is responsible for the profit share financial reports and has determined that the accounting policies used are consistent with the financial reporting requirements of the Franchise Agreement and are appropriate to meet the needs of the Bendigo Bank and the Franchisees. We have conducted an independent review of the Profit Share Statement financial reports in order to reach a conclusion on them as to whether the review objective was met in all material respects. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the Bendigo Bank and the Franchisees.

The Profit Share Statement financial reports have been prepared for distribution to the Bendigo Bank and the Franchisees for the purpose of fulfilling the Bendigo Bank Board of Management's reporting requirements under the Franchise Agreement. We disclaim any assumption of responsibility for any reliance on this report or on the financial reports to which it relates to any person other than the Bendigo Bank and the Franchisees, or for any purpose other than that for which it was prepared.

Our review was conducted in accordance with the Australian Assurance Engagements Standard AUS108, to express a conclusion that conveys a high level of assurance about the subject matter of the review, based on the results of the work performed. Our procedures included examination, on a test basis, of the controls and procedures employed by the Bendigo Bank in the calculation and payment of the profit share arrangement and evidence supporting the amounts included in the Profit Share Statement financial reports. These procedures have been undertaken to reach a conclusion about whether a high level of assurance can be expressed, in all material respects, that the Profit Share Statement financial reports are prepared in accordance with the Franchise Agreement between Franchisees of the Bendigo Bank and the Bendigo Bank. (These policies do not require the application of Accounting Standards and UIG Consensus Views).

# bsx additional information

For year ending 30 June 2004

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 2004.

## (a) Distribution of equity securities

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

	Number of holders	Number of shares
1 - 1,000	793	557,765
1,001 - 5,000	363	1,067,135
5,001 - 10,000	55	501,600
10,001 - 100,000	31	826,000
100,001 and over	1	247,500
Total	1,243	3,200,000

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

## (b) Ten largest shareholders

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

	Listed ordinary shares	
	Number of shares	Number of ordinary shares
1 Bendigo Bank Limited	247,500	247,500
2 Central Plumbing Supplies	100,000	100,000
3 Mr Peter McErlane	70,000	70,000
4 The Miles Super Fund	50,000	50,000
5 Astonlee Pty Ltd	50,000	50,000
6 Mr Colin Nelson	49,000	49,000
7 Mr Richard & Mrs Haydee Campbell	45,000	45,000
8 Mr Conor O'Brien	30,000	30,000
9 The Ignacio & Theresa Kim Family Trust	30,000	30,000
10 The Skene Super Fund	25,000	25,000
11 Corneo & Co Super Fund	25,000	25,000

## (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 recognizes 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.

# bsx additional information continued

For year ending 30 June 2004

## 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:

<b>Name</b>	<b>Position</b>
Colin Albert Nelson	Chairman
Alan Leslie Gough	Secretary
Drazen Zen Knezevic	Treasurer
Cathleen Margaret Wallis	Director
John Joseph McLaughlin	Director
Patrick Simonis	Director
Terry James Skene	Director
Russell Peter Jenkins	Director
Scott Francis Elkington	Director

## 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 values 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.

# bsx additional information continued

## **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 Chairman. 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:**

UnitD/7 Curban Street Underwood QLD 4119

Phone (07) 3808 1011

Fax (07) 3841 669

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

Bendigo Bank Limited, Share Registry Office, Fountain Court, Bendigo VIC 3552.

Phone: (03) 54339339

## **(h) Trading history**

The trading history for the year ended 30 June 2004 for the Logan Community Financial Services Limited is available on the BSX website at [www.bsx.com.au](http://www.bsx.com.au)

# vision, mission and values

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For year ending 30 June 2004

## 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.



**Browns Plains**

Westpoint Shopping Centre, Browns Plains Road, Browns Plains, QLD 4118

**Phone: (07) 3806 9777 Fax: (08) 3806 9500**

**Loganholme**

Logan Hyperdome, Bryants Road, Loganholme, QLD 4129

**Phone: (07) 3801 3600 Fax: (08) 3801 4997**

**Marsden**

Shop 21, Marsden Park Shopping Centre, 55-77 Chambers Flat Road, Marsden, QLD 4132

**Phone: (07) 3299 7740 Fax: (08) 3299 7870**

**Springwood**

Shop 40/41 Centro Springwood, 34 Fitzgerald Avenue, Springwood, QLD 4127

**Phone: (07) 3208 2611 Fax: (08) 3208 3611**

**Franchisee: Logan Community Financial Services Limited**

Unit 7D Curban Street, Underwood, QLD 4199

**Phone: (07) 3808 1011 Fax: (08) 3841 6669**

ABN 88 101 148 430