annual report 2010

Logan Country
Financial Services Limited
ABN 38 120 853 545

Logan Country **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

30 June 2010 marks the third full year of trading for the Logan Village **Community Bank®** branch.

As outlined in the Manager's Report, the branch has achieved a number of significant milestones. Perhaps of most interest to shareholders, the **Community Bank®** Company has recorded its first year of profit. This is in line with the forecasts set out in the prospectus.

As a result, it is very pleasing to be able to report to you, that the **Community Bank®** Company has declared a dividend to shareholders of 2.4c per share for the financial year ended 30 June 2010. The dividend will be payable on 31 December 2010. The board hopes to be able to declare a further interim dividend for the half year to 31 December 2011 to be paid at the same time.

While this is good news for the shareholders, it is also good news for the community. As shareholders, you already know the **Community Bank®** story, and you are aware that while shareholders may receive a designated portion of company profits, the wider community benefits from the balance.

The fact that our **Community Bank®** Company has reached profit so quickly, notwithstanding external global financial factors, means that we can now start giving back into the community in a meaningful way.

As shareholders and supporters of the **Community Bank®** Company, you should be very proud of the fact that your **Community Bank®** Company has reached the stage where it is able to start contributing to building the social capital balance sheet of the Logan Country community.

As we do that, we will continue to grow our business throughout Logan Country, starting with an agency which we hope to open soon at Jimboomba.

As with all businesses in the current uncertain financial climate, we can expect some challenges to arise from time to time. However, the board has the interests of both shareholders and the wider community front and centre, and we are confident of being able to successfully chart the unknown financial waters ahead.

I extend my thanks to all of the members of the Board who continue to volunteer their time and professional skills so generously. A number of them, namely Don Petersen, Carol Flanagan, Ian Newman and Gary Hastings and myself, have been here since the very beginning, when the steering committee first formed to investigate the idea of a bank for Logan Village. Five years later, these people, together with our subsequently 'conscripted' directors are still generously giving their time and skill for the good of shareholders and the wider community.

Bob Stone leaves his position as Branch Manager with the thanks of Board. He has been an outstanding Manager, and we look forward to working with him into the future, both in his regional role with Bendigo Bank, and as a board member (the latter being subject of course to confirmation at the AGM).

In short, there are exciting times ahead for the **Community Bank®** Company, as we expand our business operations into Jimboomba, while continuing to build the social capital balance sheet of the Logan Country community.

Chairman's report continued

The **Community Bank®** model is an excellent example of a 'win / win' proposition for shareholders, customers and the wider community. With the continued support of its shareholders, the **Community Bank®** company can achieve great things.

Maree Slingsby
Chairman

Manager's report

For year ending 30 June 2010

We've now completed our third year of trading for our **Community Bank®** Branch, and we have continued to grow stronger.

The past 12 months, has seen the branch continue to grow despite the effects of the Global Financial Crisis. Our dedication to providing exceptional service has helped us stave off the effects of the GFC.

Business Growth

As at the 30 June 2010, the Logan Village **Community Bank®** Branch had grown its total footings to $54.02 million comprising $15.80 million in deposits and $38.22 million in lending accounts.

The year started slowly, but over the ensuing 12 months, we were able to meet our targets. We were the only branch, among the 12 branches within the region, to meet and exceed our lending and deposit targets, growing 132% and 108% respectively. The deposit growth was a big surprise. Traditionally, we have struggled to reach this target, but due to the GFC, a number of people have moved out of the share market and back into cash deposits.

We also struggle to meet insurance and financial planning targets. We have advertised that we do have both these products but still get the "I didn't know that" response. Financial planning was particularly difficult, due to staff issues. This has now been remedied and this year, we hope to improve our referrals and service in this key area.

Our growth target for the current financial year is $9.5 million and our cumulative growth target is $63.8 million. These targets are quite achievable and with development happening all around Logan Village, I am confident of reaching these targets.

Human Resources

Once again, we have been acknowledged on a number of occasions by Bendigo Bank, for our efforts. The competition between all the branches within our region, is quite fierce and to achieve the awards, listed below, was a great endorsement of the team's efforts:

Branch of the month for July 2009 and January 2010
Deposit growth Award for the Year for South East Qld Region
Lending Growth Award for the Year for South East Qld Region
2nd place - Branch of the Year for South East Qld Region
8th place - Branch of the Year award for the State

In October 2010, I will be taking up a new position, within Bendigo Bank. The new role is in business development, so I will be in the Logan Village area from time to time. I look forward to watching and assisting the future growth of the Company.

Manager's report continued

Summary

Over the past 3 years, our **Community Bank®** Branch has grown immensely and we as a community should be proud of this achievement. The dedication and hard work of the staff, Directors and community has helped in this growth.

I am personally proud of what we have done and would like to thank Arielle, Lesley, Carol and Tracey, for their help in achieving this feat. I would like to thank the Board for giving me the opportunity to work at a great little branch.

I hope my replacement will be as welcomed into the community, as I was.

Bob Stone
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

Now in its 13th year, the **Community Bank®** network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new **Community Bank®** branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than $16.3 billion.

Our **Community Bank®** customers have been served by more than 1150 staff that are supported by almost 1700 volunteer directors.

And these directors are endorsed by around 63,000 shareholders who have received more than $14.7 million in dividends, a reward for their belief in the **Community Bank®** concept.

All of this support has enabled the **Community Bank®** network to return more than $40.3 million to assist local community groups and projects since the first **Community Bank®** branch opened in 1998.

These figures add up to a strong **Community Bank®** network, a franchise of the Bendigo and Adelaide Bank Ltd, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our **Community Bank®** network continues to develop.

In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

The Pyrmont **Community Bank®** Branch saw us make an inroad into the competitive but lucrative Sydney banking market. And over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the **Community Bank®** network generates for its local communities.

Bendigo and Adelaide Bank Ltd report continued

There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the **Community Bank®** network.

Russell Jenkins

Executive Customer and Community

Directors' report

For the financial year ended 30 June 2010

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

Directors

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

Maree Anne Slingsby
Chairman
Solicitor

Ian Maxwell Newman
Treasurer
Financial Director

Donald Christian Petersen
Director
Self Employed

Carolyn Tate
Company Secretary
Business Proprietor

Gary John Hastings
Director
Business Proprietor

Caroline Frances Flanagan
Director
Accountant

Warren Rosen
Director
Solicitor

Johannes Hunneman
Director
Business Proprietor

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 Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Directors' report continued

Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the Company for the financial year after provision for income tax was $75,246 (2009: ($75,041)).

	Year ended 30 June 2010	
Dividends	**Cents per share**	**$**
Final dividends recommended:	2.40	15,027
Dividends paid in the year:		
- Interim for the year	0	0
- As recommended in the prior year report	0	0

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.

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

The Company will continue its policy of providing banking services to the community.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

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

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

Directors' report continued

Directors' meetings

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

Number of meetings held:	**12**
Number of meetings attended:	
Maree Anne Slingsby	12
Ian Maxwell Newman	8
Donald Christian Petersen	12
Carolyn Tate	9
Gary John Hastings	10
Caroline Frances Flanagan	9
Warren Rosen	11
Johannes Hunneman	9

Company Secretary

Carolyn Tate has been the Company Secretary of Logan Country Financial Services Ltd since 29 January 2008. Prior to that, Maree Slingsby held the position since inception.

Corporate governance

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

(a) The establishment of an audit committee. Members of the audit committee are Ian Maxwell Newman

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Auditor Independence Declaration

The Directors received the following declaration from the Auditor of the Company:

GILLOW & TEESE

Chartered Accountants

TEEGIL PTY LTD. ABN 96 072 119 772

Committed to your Business Success

Directors
Rick A. Gillow B. Com. CA C.dec
Alan R. Teese B. Com. CA
Scott J. Launder B. Bus. CA

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115 Brisbane Street
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BEAUDESERT QLD 4285
Telephone: (07) 5541 2011
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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF LOGAN COUNTRY FINANCIAL SERVICES LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Gillow & Teese
Chartered Accountants

A R Teese
Partner

Beaudesert, Queensland
Date: 9-8-10

Signed in accordance with a resolution of the Board of Directors at Logan Village on 30 August 2010.

Maree Anne Slingsby

Chairman

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenues from ordinary activities	2	530,365	365,995
Employee benefits expense	3	-	-
Charitable donations and sponsorship		(9,060)	(8,681)
Depreciation and amortisation expense	3	(45,602)	(52,091)
Finance costs	3	(2,618)	(2,961)
Other expenses from ordinary activities		(397,839)	(377,303)
Profit/(loss) before income tax expense		**75,246**	**(75,041)**
Income tax expense	4	-	-
Profit/(loss) after income tax expense		**75,246**	**(75,041)**

Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	12.02	(11.99)
- diluted for profit / (loss) for the year	22	12.02	(11.99)
- dividends paid per share	21	-	-

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash assets	6	59,995	-
Receivables	7	52,388	39,434
Total current assets		**112,383**	**39,434**
Non-Current assets			
Property, plant and equipment	8	120,593	137,075
Deferred income tax asset	4	-	-
Intangible assets	9	41,088	70,208
Total non-current assets		**161,681**	**207,283**
Total assets		**274,064**	**246,717**
Current liabilities			
Payables	10	35,673	32,068
Interest bearing liabilities	11	-	51,504
Current tax payable	4	-	-
Provisions	12	-	-
Total current liabilities		**35,673**	**83,572**
Non-current liabilities			
Interest bearing liabilities		-	-
Total Non-Current Liabilities		**-**	**-**
Total liabilities		**35,673**	**83,572**
Net assets/(liabilities)		**238,391**	**163,145**
Equity			
Share capital	13	626,108	626,108
Retained earnings / (accumulated losses)	14	(387,717)	(462,963)
Total equity		**238,391**	**163,145**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		569,160	389,759
Cash payments in the course of operations		(455,058)	(421,950)
Interest paid		(2,618)	(2,961)
Interest received		15	-
Income tax paid		-	-
Net cash flows from/(used in) operating activities	**15b**	**111,499**	**(35,152)**
Cash flows from investing activities			
Payment for intangible assets		-	-
Payments for property, plant and equipment		-	-
Net cash flows from/(used in) investing activities		**-**	**-**
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Finance lease payments		-	-
Dividends paid		-	-
Net cash flows from/(used in) financing activities		**-**	**-**
Net increase/(decrease) in cash held		**111,499**	**(35,152)**
Add opening cash brought forward		(51,504)	(16,352)
Closing cash carried forward	**15a**	**59,995**	**(51,504)**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended June 2010

	Note	2010 $	2009 $
Share capital			
Ordinary shares			
Balance at start of year		626,108	626,108
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**626,108**	**626,108**
RETAINED EARNINGS			
Balance at start of year		(462,963)	(387,922)
Profit/(loss) after income tax expense		75,246	(75,041)
Dividends paid		-	-
Balance at end of year		**(387,717)**	**(462,963)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) 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 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) 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 financial report was authorised for issue by the Directors on 30 August 2010.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (‘AIFRS’). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (‘IFRS’). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied during the financial year.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated over the asset's estimated useful life at the rates and basis as follows: Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation Rate	Basis
Leasehold Improvements	11.25%	Diminishing Value
Office Equipment	15.00%	Diminishing Value
Computer Software	40.00%	Straight Line

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Notes to the financial statements continued

1. Basis of preparation of the Financial Report (continued)

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement 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 benefits

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

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

1. Basis of preparation of the financial report (continued)

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Interest bearing liabilities

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

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.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to the Company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property of the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

1. Basis of preparation of the financial report (continued)

Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

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

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include and financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Logan Country Financial Services Limited designates certain derivatives as either:

(i) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(ii) hedges of highly probably forecast transactions (cash flow hedges).

Note 1. Basis of preparation of the financial report (continued)

At the inception of the transaction the relationship between hedging instruments and hedged items; as well as its risk management objective and strategy for undertaking various hedge transactions is documented.

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedge asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Note 2. Revenue from ordinary activities

	2010 $	2009 $
Operating activities		
- services commissions	530,350	365,995
- other revenue	-	-
Total revenue from operating activities	**530,350**	**365,995**
Non-operating activities:		
- interest received	15	-
- other revenue	-	-
Total revenue from non-operating activities	**15**	**-**
Total revenue from ordinary activities	**530,365**	**365,995**

Notes to the financial statements continued

	2010 $	2009 $
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	-	-
- superannuation costs	-	-
- post-employment benefits (other than superannuation)	-	-
- workers' compensation costs	-	-
- other costs	-	-
	-	**-**
Depreciation of non-current assets:		
- plant and equipment	16,482	22,971
- buildings	-	-
Amortisation of non-current assets:		
- intangibles	29,120	29,120
	45,602	**52,091**
Finance Costs:		
- Interest paid	2,618	2,961
Bad debts	6,832	691
Rental expense on operating leases	**19,416**	**18,715**

Notes to the financial statements continued

	2010 $	2009 $

Note 4. Income tax expense

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

Prima facie tax on profit/(loss) before income tax at 30%	22,574	(22,512)
Add tax effect of:		
- Non-deductible expenses	-	-
- Prior year tax losses not previously brought to account	(22,574)	-
- Future income tax benefit not brought to account	-	22,512
Current income tax expense	**-**	**-**
Origination and reversal of temporary differences	-	-
Deferred income tax expense	**-**	**-**
Income tax expense	**-**	**-**
Tax liabilities		
Current tax payable	-	-
Deferred income tax asset		
Future income tax benefits arising from tax losses not recognised at reporting date as realisation of the benefit is regarded as not probable are as follows $116,315.	**-**	**-**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Gillow & Teese for:

- Audit or review of the financial report of the Company	3,300	3,100
- Other services in relation to the Company	-	-
	3,300	**3,100**

Note 6. Cash and cash equivalents

Cash at bank and on hand	**59,995**	**-**

Notes to the financial statements continued

	2010 $	2009 $
Note 7. Receivables		
GST receivable	-	-
Trade debtors	52,388	39,434
	52,388	**39,434**

Note 8. Property, plant and equipment

	2010 $	2009 $
Land		
Freehold land at cost	-	-
Buildings		
At cost	-	-
Less accumulated depreciation	-	-
	-	-
Plant and equipment		
At cost	206,140	206,140
Less accumulated depreciation	(85,547)	(69,065)
	120,593	**137,075**
Total written down amount	**120,593**	**137,075**
Movements in carrying amounts		
Building		
Carrying amount at beginning of year	-	-
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Carrying amount at end of year	**-**	**-**
Plant and equipment		
Carrying amount at beginning of year	137,075	160,046
Additions	-	-
Disposals	-	-
Depreciation expense	(16,482)	(22,971)
Carrying amount at end of year	**120,593**	**137,075**

Notes to the financial statements continued

	2010 $	2009 $

Note 9. Intangible assets

Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(7,333)	(5,333)
	2,667	**4,667**
Preliminary expenses		
At cost	135,602	135,602
Less accumulated amortisation	(97,181)	(70,061)
	38,421	**65,541**
	41,088	**70,208**

Note 10. Payables

Trade creditors	**-**	**-**
GST Payable	5,679	1,878
Other creditors and accruals	29,994	30,190
	35,673	**32,068**

Note 11. Interest bearing liabilities

Bank overdraft	-	51,504
Bank Loan - secured	-	-
	-	**51,504**

The Company currently has an overdraft facility of $80,000 which is secured by a Registered First Company Debenture charge from Logan Country Financial Services Limited.

12. Provisions

Employee benefitsEmployee benefits	**-**	**-**
Number of employees at year end	**-**	**-**

	2010 $	2009 $

Note 13. Share capital

626,108 Ordinary Shares fully paid of $1 each	**626,108**	**626,108**

Note 14. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	(462,963)	(387,922)
Profit/(loss) after income tax	75,246	(75,041)
Dividends	-	-
Balance at the end of the financial year	**(387,717)**	**(462,963)**

Note 15. Cash flow statement

(a) Reconciliation of cash

Cash assets	59,995	-
Bank overdraft	-	(51,504)
	59,995	**(51,504)**

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

Profit / (loss) after income tax	75,246	(75,041)
Non cash items		
- Depreciation	16,482	22,971
- Amortisation	29,120	29,120
Changes in assets and liabilities		
- (Increase) decrease in receivables	(12,954)	(16,158)
- Increase (decrease) in payables	3,605	3,956
- Increase (decrease) in provisions	-	-
Net cash flows from/(used in) operating activities	**111,499**	**(35,152)**

Note 16. Director and related party disclosures

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

Maree Anne Slingsby

Ian Maxwell Newman

Donald Christian Petersen

Carolyn Tate

Gary John Hastings

Caroline Frances Flanagan

Warren Rosen

Johannes Hunneman

No Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as the positions are held on a voluntary basis.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Directors' shareholdings	**2010**	**2009**
Maree Anne Slingsby	4,001	4,001
Ian Maxwell Newman	501	501
Donald Christian Petersen	1,501	1,501
Carolyn Tate	1,000	1,000
Gary John Hastings	5,001	5,001
Caroline Frances Flanagan	10,002	10,001
Warren Rosen	-	-
Johannes Hunneman	2,500	2,500

Each share held has a paid up value of $1 and is fully paid.

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

The economic entity operates in the financial services sector were it provides banking services to its clients.

The economic entity operates in one geographic area being Logan Village, Queensland.

Note 20. Corporate information

Logan Country Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office is:	Suite 1 131-133 Albert Street Logan Village QLD 4207
The principal place of business is:	Shop 2 Cnr Albert & Wharf Streets Logan Village QLD 4207

Note 21. Dividends paid or provided for on ordinary shares

	2010 $	2009 $
(a) Dividends proposed and recognised as a liability		
No dividends were proposed or declared during the financial year.	-	-
(b) Dividends paid during the year		
(i) Current year interim		
No dividends were proposed or declared during the financial year.	-	-
(ii) Previous year final		
No dividends were proposed or declared during the financial year.	-	-
(c) Dividends proposed and not recognised as a liability		
Final ordinary dividend of $0.024 per share recommended by the directors to be paid on 31 December 2010 out of retained profits at 30 June 2010.	15,027	-

	2010 $	2009 $

Note 21. Dividends paid or provided for on ordinary shares (cont)

(d) Franking credit balance

	2010 $	2009 $
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year at 30%	-	-
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	-	-
- Franking debits that will arise from the payment of dividends as at the end of the financial year	-	-
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	-	-
- Franking credits that the entity may be prevented from distributing in the subsequent year	-	-
	-	**-**

The tax rate at which dividends have been franked is 30% (2009: 30%).

Dividends proposed will be unfranked (2009: 30%).

Notes to the financial statements continued

	2010 $	2009 $

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2010 $	2009 $
Profit/(loss) after income tax expense	**75,246**	**(75,041)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**626,108**	**626,108**

Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company'smaximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010 $	2009 $
Cash assets	59,995	-
Receivables	52,388	39,434
	112,383	**39,434**

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Company has an established overdraft facility of $80,000 with Bendigo and Adelaide Bank Ltd.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2010					
Payables	35,673	(35,673)	(35,673)	-	-
Interest bearing liabilities	-	-	-	-	-
	35,673	(35,673)	(35,673)	-	-
30 June 2009					
Payables	32,068	(32,068)	(32,068)	-	-
Interest bearing liabilities	51,504	-	-	-	-
	83,572	(32,068)	(32,068)	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2010 $	**2009 $**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	59,995	-
Financial liabilities	-	(51,504)
	59,995	**(51,504)**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

Note 23. Financial risk management (continued)

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

(i) the Distribution Limit is the greater of:

   (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

   (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Income Statement.

There were no changes in the Company's approach to capital management during the year.

24. Capital and leasing commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

Payable - minimum lease payments

- not later than 12 months	17,250
- between 12 months and 5 years	4,313
- greater than 5 years	-

The property lease is a non-cancellable lease with a 5 year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by CPI. An option exists to renew the lease at the end of the 5 year term for an additional term of 5 years. The lease allows for subletting of all lease areas.

Directors' declaration

In accordance with a resolution of the Directors of Logan Country 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 2010 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and

   (iii) are prepared in compliance with International Financial Reporting Standards as made by the International Accounting Standards Board.

(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; and

(c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2010.

Maree Anne Slingsby, Chairman

Carolyn Tate, Secretary

Signed at Logan Village on the 30th of August 2010.

Independent audit report

GILLOW & TEESE

Chartered Accountants

TEEGIL PTY LTD. ABN 96 072 119 772

Committed to your Business Success

Directors
Rick A. Gillow B. Com. CA C.dec
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INDEPENDENT AUDIT REPORT

To the Members of Logan Country Financial Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Logan Country Financial Services Limited, which comprises the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity, a summary of significant accounting policies and other explanatory notes, and the Declaration by the Directors for Logan Country Financial Services Limited, for the year ended 30 June 2010.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 (b), the directors also state, in accordance with Accounting Standard AASB101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDIT REPORT

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the Directors of Logan Country Financial Services Limited on 9 August 2010, would be in the same terms if provided to the Directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Logan Country Financial Services Limited is 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 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

GILLOW & TEESE
Chartered Accountants

A R Teese
Partner

Beaudesert, Queensland
Date: 30.8.10

Logan Country **Community Bank**® Branch
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The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(KKQAR10008) (07/10)

Bendigo Bank