Logan Country Financial Services Limited

ABN 38 120 853 545

annual report 2011

Logan Country **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2011

I am happy to report to shareholders on another successful year for Logan Country Financial Services Limited.

As we approach the fifth birthday of the branch, this time to reflect upon our achievements to date, and upon our plans for the future. Year five for a **Community Bank®** branch is often a time of change and renewal. Generally speaking, this is a time when most **Community Bank®** Boards delight in seeing the red ink rapidly evaporate, in the face of regular monthly profits. Our branch is no different, and we have been achieving solid monthly profits since late in year three of our operations.

Over the last five years, the branch has also made solid contributions to various community organisations, totalling more than $40,000. However we can do much more, and we plan to! At this point in our development as a **Community Bank®** branch, we are out of the initial stages, and now, achieving profits on a consistent basis, it is time to look to the next phase.

The next five years will be a time of growth and expansion, and solidifying our position as a bank branch that really does help build the social balance sheet of the local community in a significant way. Often at this stage in development, the **Community Bank®** branch is starting to look at larger projects, leveraging their increased profits to permit both reasonable returns to local shareholders and greater involvement in community projects. This is a task that the Directors look forward to with anticipation, for it is after all, the reason we all do what we do.

It is also a time when some of those who have worked so hard for so long, from the initial stages of steering committee, through to countless sausage sizzles, stalls and community meetings, get to finally step back and look upon their handywork. This is often also an appropriate moment for those hard working Directors to take a bow, and then step aside so that others can take their place, full of the same energy, enthusiasm and fresh ideas that we original Directors remember from our early days.

At this AGM will have the opportunity to pay tribute to three Directors who have worked hard for many years to make this **Community Bank®** branch a success and who now retire to offer the opportunity for renewal with a new generation of Directors which is so important at this stage of the development of our branch.

I would anticipate, that over the next two or three years, all of us in the 'old guard' would eventually step down or aside, to allow this renewal process to come full circle.

I want to make particular note of the unwavering and dedicated contributions of our inaugural Chair Carol Flanagan. Carol was the original driving force behind the original steering committee, and quite simply without her we would not have a **Community Bank®** branch. She has sizzled more sausages, blown up more balloons, stood in more pop up tents than anyone, and she has talked up the **Community Bank®** concept to anyone who would stand still long enough to listen, until the branch become a reality. Once it did, she guided it through its initial rocky phases as our Chair for the first three years, and has subsequently contributed much as Chair of one of our committees. She will stand down at this AGM, together with the other two retiring Directors, Don Petersen and Bob Stone.

I offer my thanks to the three of them for the very considerable service they have given to the branch, and trust that if in the future, any of them find themselves with some free time, they might like to consider.....

Maree Slingsby

Maree Slingsby
Chairman

Manager’s report

For year ending 30 June 2011

What a year! I would like to extend a warm thank you to our team, Lesley, Tracey, Carol, Kerrie and the girls at the Jimboomba Agency for their hard work, continuing support and commitment to providing our customers with outstanding service. Well done girls!

I also need to acknowledge the local communities of Logan Village and Jimboomba. Our region is full of heart. Over the past year I have met some wonderful people and been privileged to be involved in a number of marvellous community events:

- Logan Village Australia Day Event.
- Logan Village State School Country Carnival.
- Logan Village Riding Club Presentation.
- Jimboomba State School Junior Sports Carnival.

Certainly one of the highlights for me was spending a day “in their shoes” walking the streets of the local area, fundraising with the Jimboomba Police. Every year, Senior Sergeant Terry Armstrong and his crew walk 100km over three days to raise money for the Mater Children’s Hospital. The atmosphere and community spirit is inspiring. Logan Country **Community Bank®** Branch sponsored the event with t-shirts and donations and provided morning tea to the walkers. Several local businesses sponsored the event and some agreed to double their donations if I completed one day of the walk. I am proud to say 20km and a few blisters later I finished the event!

Branch performance

- Community Enterprise Award for 2010/2011.
- Despite the GFC, financial results have been encouraging.

Agents appointed for Logan Country, Jimboomba

The newly established Jimboomba Agency kicked off 2011 off with a bang. Quintessential Dental relocated into new state of the art premises and the 21 year old practice signed on to become agents for the Bank. One hundred and fifty members of Jimboomba’s local business community turned out to celebrate our official opening. Whilst the agency is in its infancy, it is performing well and our profile in Jimboomba is growing.

As a further service to our customers, we recently installed an ATM in Jimboomba.

Good for U and good for the community

Our commitment to supporting the local community through grants and sponsorships has grown over the last 12 months.

This year we provided grants or sponsorship to:

- Logan Beaudesert Country Music Muster
- Jimboomba Rotary Club
- ABC Child Care Centre Logan Village
- Logan Village Community Centre
- Logan Village Social Garden Club

- Logan Village Riding Club
- Logan Village Falcons All Sports
- Logan Reserve State School Christmas Concert
- Woodhill State School Bill Cart Derby
- Lions Club of Logan Village
- Jimboomba State School P&C Association
- Jimboomba Athletics Club
- Jimboomba United Football Club

The year ahead

Planning for the next 12 months is well underway. Our focus is to nurture and grow the Jimboomba Agency and to expand the Agency’s profile in the local area. We are keen for the branch to expand its services and to grow the business banking side of the business. We are currently negotiating some exciting sponsorship deals that may aid in this growth!

I really feel privileged to live and work in such a fantastic community. I am really looking forward to the year ahead!

Gay Hider
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than $58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with $469 thousand returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top $100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned $58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank®** Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank®** branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank®** model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

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
(Resigned 30 August 2010)

Gary John Hastings
Director
Business Proprietor

Caroline Frances Flanagan
Director
Accountant

Warren Rosen
Director
Solicitor

Johannes Hunneman
Director
Business Proprietor

Robert Frederick Stone
Director
BBL Relationship Manager
(Appointed 30 August 2010)

Laurie Anne Koranski
Director
Business Manager
(Appointed 27 June 2011)

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 Ltd.

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

Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the Company for the financial year after provision for income tax was $127,387 (2010: $75,246).

Dividends	Year ended 30 June 2011 Cents per share	$
Final dividends recommended:	2.40	$15,027
Dividends paid in the year:		
- Interim for the year	2.60	$16,279
- As recommended in the prior year report	2.40	$15,027

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.

Remuneration report

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	10	
Donald Christian Petersen	11	
Carolyn Tate	0	(out of 2)
Gary John Hastings	10	
Caroline Frances Flanagan	9	
Warren Rosen	11	
Johannes Hunneman	11	
Robert Frederick Stone	8	(out of 11)
Laurie Anne Koranski	1	(out of 1)

Company Secretary

Maree Slingsby has been the Company Secretary of Logan Country Financial Services Ltd since 31 August 2010.

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.

Non Audit services

Details of amounts paid or payable to the Auditor for non-audit services provided during the financial year by the Auditor are outlined in note 5 to the financial statements.

The Directors have considered the non-audit services provided during the year by the Auditor and are satisfied the provision of these services is compatible with the general standards of independence for Auditors imposed by the Corporations Act 2001 for the following reasons:

(a) all non audit services have been reviewed to ensure they do not impact the integrity and objectivity of the Auditor; and

(b) none of the services undermine the general principles relating to Auditor independence asset out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing the Auditor's own work, acting in management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

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

Post Office Square
115 Brisbane Street
P.O. Box 108
BEAUDESERT QLD 4285
Telephone: (07) 5541 2011
Facsimile: (07) 5541 3168
office@gillow-teese.com.au

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 2011 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: 23-9-11

Signed in accordance with a resolution of the Board of Directors at Logan Village on 26 September 2011.

Maree Anne Slingsby, Chairman

Financial statements

Statement of comprehensive income
for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenues from ordinary activities	2	656,896	530,365
Employee benefits expense	3	-	-
Charitable donations and sponsorships		(25,866)	(9,060)
Depreciation and amortisation expense	3	(45,568)	(45,602)
Finance costs	3	-	(2,618)
Other expenses from ordinary activities		(458,075)	(397,839)
Profit/(loss) before income tax expense		**127,387**	**75,246**
Income tax expense	4	-	-
Profit/(loss) after income tax expense		**127,387**	**75,246**
Other comprehensive income			
Revaluation of property plant and equipment		-	-
Income tax on other comprehensive income		-	-
Total comprehensive income		**127,387**	**75,246**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	20.35	12.02
- diluted for profit / (loss) for the year	22	20.35	12.02
- dividends paid per share	21	(5.00)	(2.40)

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash assets	6	186,122	59,995
Receivables	7	59,586	52,388
Total current assets		**245,708**	**112,383**
Non-current assets			
Property, plant and equipment	8	127,003	120,593
Deferred income tax asset	4	-	-
Intangible assets	9	11,967	41,088
Total non-current assets		**138,970**	**161,681**
Total assets		**384,678**	**274,064**
Current liabilities			
Payables	10	50,205	35,673
Interest bearing liabilities	11	-	-
Current tax payable	4	-	-
Provisions	12	-	-
Total current liabilities		**50,205**	**35,673**
Non-current liabilities			
Interest bearing liabilities		-	-
Total non-current liabilities		**-**	**-**
Total liabilities		**50,205**	**35,673**
Net assets/(liabilities)		**334,473**	**238,391**
Equity			
Share capital	13	626,108	626,108
Retained earnings / (accumulated losses)	14	(291,635)	(387,717)
Total equity		**334,473**	**238,391**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		721,570	569,160
Cash payments in the course of operations		(542,946)	(455,058)
Interest paid		-	(2,618)
Interest received		1,664	15
Income tax paid		-	-
Net cash flows from/(used in) operating activities	**15b**	**180,288**	**111,499**
Cash flows from investing activities			
Payment for intangible assets		-	-
Payments for property, plant and equipment		(22,856)	-
Net cash flows from/(used in) investing activities		**(22,856)**	**-**
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Finance lease payments		-	-
Dividends paid		(31,305)	-
Net cash flows from/(used in) financing activities		**(31,305)**	**-**
Net increase/(decrease) in cash held		**126,127**	**111,499**
Add opening cash brought forward		59,995	(51,504)
Closing cash carried forward	**15a**	**186,122**	**59,995**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2011

	Issued capital $	Retained earnings $	Total equity $
As at 1 July 2010	**626,108**	**(387,717)**	**238,391**
Net profit/(loss) for the period	-	127,387	127,387
Issue of share capital	-	-	-
Equity dividends	-	(31,305)	(31,305)
As at 30 June 2011	**626,108**	**(291,635)**	**334,473**
As at 1 July 2009	**626,108**	**(462,963)**	**163,145**
Net profit/(loss) for the period	-	75,246	75,246
Issue of share capital	-	-	-
Equity dividends	-	-	-
As at 30 June 2010	**626,108**	**(387,717)**	**238,391**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Summary of significant accounting policies

Basis of accounting

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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.

Property, plant and equipment

<u>Plant and equipment</u>

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer below).

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Plant and equipment (continued)

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated over the asset's estimated useful life at the rates and basis 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
Motor vehicles	12.50%	Straight line

Impairment of assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits.

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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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).

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.

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Note 1. Summary of significant accounting policies (continued)

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.

Financial instruments

<u>Recognition and initial measurement</u>

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

<u>Classification and subsequent measurement</u>

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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 methods.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liabily. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

Note 1. Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of the Accounting Standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at “fair value through profit or loss” when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a Group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

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

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company’s intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsuquently measured at amortised cost.

Note 1. Summary of significant accounting policies (continued)

Financial instruments (continued)

Derivative instruments

The Company designates certain derivatives as either:

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

or

- hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the Company's 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.

- Fair value hedge

  Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

- 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 statement of comprehensive income.

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

Preferred shares

Preferred share capital is classified as equity if it is non-redeemable or redeemable only at the discretion of the parent Company, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the Directors.

Preferred share capital is classified as a liability if it is redeemable on a set date or at the option of the shareholders, or where the dividends are mandatory. Dividends thereon are recognised as interest expense in the statement of comprehensive income.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument in considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Note 1. Summary of significant accounting policies (continued)

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB118.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Comparative figures

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

Where the Company has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates

(i) Impairment

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Note 1. Summary of significant accounting policies (continued)

New accounting standard for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

  The Company has not yet determined any potential impact on the financial statements.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  No changes are expected to materially affect the Company.

- AASB 1053: Application of Tiers of Australian Accounting Standards and AASB2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

  Since the Company is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  The amendments are not expected to impact the Company.

- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard is not expected to impact the Company.

- AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard is not expected to impact the Company.

- AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

  These editorial amendments have no major impact on the requirements of the respective amended pronouncements.

- AASB 2010-6: Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

  This Standard is not expected to impact the Company.

Note 1. Summary of significant accounting policies (continued)

New accounting standard for application in future periods (continued)

- AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretation 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013.

  These amendments will only apply when the Company adopts AASB 9.

  As noted above, the Company has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010-8: Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  The amendments are not expected to impact the Company.

- AASB 2010-9: Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

  This Standard is not expected to impact the Company.

- AASB 2010-10: Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time adopters [AASB 2009-11 & AASB 2010-7] (applies to periods beginning on or after 1 January 2013).

  This Standard is not expected to impact the Company.

Note 2. Revenue from ordinary activities

	2011 $	2010 $
Operating activities		
- services commissions	655,232	530,350
- other revenue	-	-
Total revenue from operating activities	**655,232**	**530,350**
Non-operating activities:		
- interest received	1,664	15
- other revenue	-	-
Total revenue from non-operating activities	**1,664**	**15**
Total revenue from ordinary activities	**656,896**	**530,365**

	2011 $	2010 $
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	5,768	4,448
- leasehold improvements	10,680	12,034
Amortisation of non-current assets:		
- intangibles	29,120	29,120
	45,568	**45,602**
Finance Costs:		
- Interest paid	-	2,618
Bad debts	20,759	6,832
Rental expense on operating leases	19,577	19,416

Note 4. Income tax expense

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

	2011 $	2010 $
Prima facie tax on profit/(loss) before income tax at 30%	38,216	22,574
Add tax effect of:		
- Non-deductible expenses	-	-
- Prior year tax losses not previously brought to account	(38,216)	(22,574)
- Future income tax benefit not brought to account	-	-
Current income tax expense	**-**	**-**
Origination and reversal of temporary differences	-	-
Deferred income tax expense	**-**	**-**
Income tax expense	**-**	**-**

Notes to the financial statements continued

	2011 $	2010 $

Note 4. Income tax expense (continued)

	2011 $	2010 $
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 $78,099.	**-**	**-**

Note 5. Auditors' remuneration

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

	2011 $	2010 $
- Audit or review of the financial report of the Company	4,200	3,300
- Other services in relation to the Company	-	-
	4,200	**3,300**

Note 6. Cash assets

	2011 $	2010 $
Cash at bank and on hand	106,122	59,995
Short-term bank deposits	80,000	-
	186,122	**59,995**

Note 7. Receivables

	2011 $	2010 $
GST receivable	-	-
Trade debtors	59,586	52,388
	59,586	**52,388**

Note 8. Plant and equipment

	2011 $	2010 $
Plant and equipment		
At cost	68,686	45,828
Less accumulated depreciation	(25,871)	(20,103)
Less accumulated impairment losses	-	-
	42,815	**25,725**

	2011 $	2010 $

Note 8. Plant and equipment (continued)

	2011 $	2010 $
Leasehold improvements		
At cost	144,903	144,903
Less accumulated depreciation	(60,715)	(50,035)
Less accumulated impairment losses	-	-
	84,188	**94,868**
Total written down amount	**127,003**	**120,593**
Movements in carrying amounts		
Plant and equipment		
Carrying amount at beginning of year	25,725	30,173
Additions	22,858	-
Disposals	-	-
Depreciation expense	(5,768)	(4,448)
Carrying amount at end of year	**42,815**	**25,725**
Leasehold improvements		
Carrying amount at beginning of year	94,868	106,902
Additions	-	-
Disposals	-	-
Depreciation expense	(10,680)	(12,034)
Carrying amount at end of year	**84,188**	**94,868**

Note 9. Intangible assets

	2011 $	2010 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	(9,334)	(7,333)
	666	**2,667**
Software		
At cost	15,409	15,409
Less accumulated amortisation	(15,409	(15,409)
	-	**-**

Notes to the financial statements continued

	2011 $	2010 $

Note 9. Intangible assets (continued)

Preliminary expenses

At cost	135,602	135,602
Less accumulated amortisation	(124,301)	(97,181)
	11,301	**38,421**
	11,967	**41,088**

Note 10. Payables

Trade creditors	-	-
GST Payable	7,039	5,679
Other creditors and accruals	43,166	29,994
	50,205	**35,673**

Note 11. Interest bearing liabilities

Bank overdraft	-	-
Bank Loan - secured	-	-
	-	**-**

The Company previously had an overdraft facility of $80,000 which was secured by a Registered First Company Debenture charge from Logan Country Financial Services Limited. However, during the year the Directors were of the opinion that it was no longer required as the Company had a strong cash positon and was generating positive cash in-flows on a regular basis. Accordingly the overdraft facility was cancelled on June 30, 2011.

Note 12. Provisions

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

	2011 $	2010 $

Note 13. Share capital

	2011 $	2010 $
626,108 Ordinary Shares fully paid of $1 each	**626,108**	**626,108**

Note 14. Retained earnings/(accumulated losses)

	2011 $	2010 $
Balance at the beginning of the financial year	(387,717)	(462,963)
Profit/(loss) after income tax	127,387	75,246
Dividends	(31,305)	-
Balance at the end of the financial year	**(291,635)**	**(387,717)**

Note 15. Cash flow statement

	2011 $	2010 $
(a) Reconciliation of cash		
Cash assets	186,122	59,995
Bank overdraft	-	-
	186,122	**59,995**
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	127,387	75,246
Non cash items		
- Depreciation	16,448	16,482
- Amortisation	29,120	29,120
Changes in assets and liabilities		
- (Increase) decrease in receivables	(7,199)	(12,954)
- Increase (decrease) in payables	14,532	3,605
- Increase (decrease) in provisions	-	-
Net cash flows from/(used in) operating activities	**180,288**	**111,499**

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 (Resigned 30 August 2010)
Gary John Hastings
Caroline Frances Flanagan
Warren Rosen
Johannes Hunneman
Robert Frederick Stone (Appointed 30 August 2010)
Laurie Anne Koranski (Appointed 27 June 2011)

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	**2011**	**2010**
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	10,002
Warren Rosen	-	-
Johannes Hunneman	2,500	2,500
Robert Frederick Stone	-	-
Laurie Anne Koranski	-	-

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 Country, 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

	2011 $	2010 $

Note 21. Dividends paid or provided for on ordinary shares

	2011 $	2010 $
(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		
An interim dividend of $0.026 per share was paid during the financial year.	16,279	-
(ii) Previous year final		
A final dividend of $0.024 per share was paid during the financial year.	15,027	-
(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 2011 out of retained profits at 30 June 2011 (2010: $15,027).	15,027	-

	2011 $	2010 $

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

(d) Franking credit balance

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 0% (2009: 0%).

Dividends proposed will be unfranked (2010: 0%).

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:

	2011 $	2010 $
Profit/(loss) after income tax expense	**127,387**	**75,246**
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's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2011	**2010**
	$	**$**
Cash assets	186,122	59,995
Receivables	59,586	52,388
	245,708	**112,383**

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 (2010: 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.

The Company previously had an overdraft facility of $80,000 which was secured by a Registered First Company Debenture charge from Logan Country Financial Services Limited. However, during the year the Directors were of the opinion that it was no longer required as the Company had a strong cash positon and was generating positive cash in-flows on a regular basis. Accordingly the overdraft facility was cancelled on June 30, 2011.

Note 23. Financial risk management (continued)

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 2011					
Payables	50,205	(50,205)	(50,205)	–	–
Interest bearing liabilities	–	–	–	–	–
	50,205	**(50,205)**	**(50,205)**	**–**	**–**
30 June 2010					
Payables	35,673	(35,673)	(35,673)	–	–
Interest bearing liabilities	–	–	–	–	–
	35,673	**(35,673)**	**(35,673)**	**–**	**–**

(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.

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	
	2011 $	2010 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis (continued)

	Carrying amount 2011 $	2010 $
Variable rate instruments		
Financial assets	186,122	59,995
Financial liabilities	-	-
	186,122	**59,995**

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 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

(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%.

Note 23. Financial risk management (continued)

(e) Capital management (continued)

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the Income Statement.

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

	2011 $	2010 $

Note 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	4,356	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 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 2011 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 2011.

Maree Anne Slingsby, Chairman

Ian Maxwell Newman, Treasurer

Signed at Logan Village on 26 September 2011.

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
Alan R. Teese B. Com. CA
Scott J. Launder B. Bus. CA

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INDEPENDENT AUDITOR'S 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 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 the directors also states, in accordance with Accounting Standard AASB 101 — Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Chartered Accountants

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
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INDEPENDENT AUDITOR'S 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 23 September 2011, 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 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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: 26-9-11

Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation

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