Logan Country **Community Bank®** Branch


# annual report 2012

Logan Country
Financial Services Ltd

ABN 38 120 853 545

# Contents

# Chairman's report

## For year ending 30 June 2012

As we get close to celebrating our sixth year since opening our doors in Logan Village, it's a great opportunity to reflect on what we've achieved over that time. We celebrated our Agency's 1st birthday in May this year and combined it with hosting an Australia's Morning Tea fundraising event, it was also an opportunity to assist a few of our community groups with cheque donations.

We have tried very hard this last 12 months to get the message out there to our customers, shareholders and the community that the main point of difference in banking with the Bendigo is – the more profit we make, the more we give back to our community.

And it seems the message is getting out there. We've had an increase in the amount of community groups we've been able to assist with sponsorships and donations. Additionally, our Directors and branch staff have been busy attending and helping out at many presentation days and sausage sizzles throughout the community.

This is another step towards our **Community Bank®** branch becoming a real agent for change in our local community. We aspire to become the 'go to' people when something is needed in the community – whether that is funding for an event or community facility, a 'big idea', some marketing advice for a community event or just some willing helpers to man a sausage sizzle at the local footy club.

As part of our company's future strategic planning and goals, one key area of focus the Board is working on is the expansion of our agency into a branch in Jimboomba. There are a few different ways we can approach this and move it forward and we're currently working on the best business plan to turn this goal into a reality.

The success of any business is only possible because of the great team you have working in it. And we're no different, we have a fantastic team of Directors on our Board and staff working at the branch and agency. I'd like to thank our Directors including Gary Hastings, Ian Newman, Laurie Koranski, Stacey McIntosh, Warren Rosen and Paul Casbolt for the work they do and their innovative ideas and commitment to help make our bank the best it can be. We've also seen a change of Directors this financial year, due to his own work committments, Jack Hunneman has resigned from the Board. I'd like to personally thank Jack for his dedication and commitment as a Director. We've also welcomed this year Paul Casbolt as a new Director, Paul brings a wealth of knowledge with him to the Board and many may already know Paul from his community work with the VETO group.

I'd like to take this opportunity to thank Gay Hider our Branch Manager, for her enthusiasm and commitment to the role, we're very lucky to have such a passionate and dedicated person in the role of Branch Manager. Thank you also to the hard working team in the branch Lesley, Tracey, Kerrie, Carol and Kim plus Jo, Mel and Cherie from the agency, you are the front line and do a great job of looking after our customers.

I'd like to also introduce you to Shaelene Hancock who has started as our Marketing and Development Officer, she also assists the Board by looking after our administration and shareholder side of the company. If you have any queries in regards to sponsorship or shareholder information, just give her a call on 5546 3244.

**Maree Slingsby**
**Chairman**

# Manager's report

## For year ending 30 June 2012

What a fantastic year it's been, not only for our **Community Bank®** branch but also for Bendigo and Adelaide Bank's **Community Bank®** network who have contributed more than $80 million back to local communities over the last 14 years. It's quite an incredible story and it's one of the reasons why I love working with Bendigo.

As mentioned in the Chairman's report – one of the best things about the **Community Bank®** model is we give a majority of our profits back to our community.

As shareholders you already know how terrific the **Community Bank®** model is, it's probably one of the reasons why you wanted to be part of a **Community Bank®** branch. It's a simple story and one we love to share and will continue to keep telling – the more money we make, the more we can put back into where it's needed most, our community. So if you've only got one account with us, why not consider some other banking products we could help you with and help share the story with others – as 80% of our profits go back to our community by banking with us, you're helping your community.

From a business perspective the past 12 months have seen a growth in customer numbers and increases in both deposits and lending accounts. We also know it's been a challenging time for some customers with the housing market experiencing low valuations and some of our small businesses suffering a slow period. Despite that, we continue to grow.

The cornerstone of any successful business is the great people you have working with you, and we're no different – I'd like say a big thank you to Lesley, Tracey, Kerrie, Carol, and Kim who started with us recently plus Jo, Mel and Cherie from the Agency. Your commitment to great customer service and hard work all contribute to making our branch so successful. I'd also like to thank Shaelene, who's role in Marketing and Sponsorships has been a great help, terrific to have you on board.

This year also saw our team receive a few awards, we were very proud to win for the second year in a row the Community Enterprise Foundation™ Award for our region. This award means a lot to us, as it's recognition from Bendigo of the work we're doing in the community. We won the Branch of the Month Award and Lesley celebrated her five-year service award. Congratulations Lesley!

I'd like to also thank the Directors for their support over the past 12 months and assistance at community events, it certainly helps with my job and great to see such dedicated people working hard for their community.

And also – thank you to you, our shareholders, without your vision, faith and belief in the **Community Bank®** model, we wouldn't be here today celebrating milestones.

The next 12 months are going to be even more exciting, we're working towards growing the Agency into a branch and increasing the number of community groups we assist with sponsorships and donations.

A couple of new things on offer to our community groups are our CommunityPOS merchant facility and a free market stall available at the local markets that can be used to assist with fundraising and promotion of their groups. We're always looking for new ways to help the community, so if you've got a project or community group that needs assistance, why not pop in and see us. Remember 'Good for U, Good for the Community'.

**Gay Hider**
**Branch Manager**

# Directors' report

## For the financial year ended 30 June 2012

Your Directors submit their report of the company for the financial year ended 30 June 2012.

**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

**Laurie Anne Koranski**
Director
Business Manager

**Gary John Hastings**
Director
Business Proprietor

**Donald Christian Petersen**
Director
Self Employed
(Retired at AGM 22 November 2011)

**Caroline Frances Flanagan**
Director
Accountant
(Retired at AGM 22 November 2011)

**Warren Rosen**
Director
Solicitor

**Johannes Hunneman**
Director
Business Proprietor
(Resigned 31 May 2012)

**Robert Frederick Stone**
Director
BBL Relationship Manager
(Resigned 29 August 2011)

**Stacey McIntosh**
Director
Sales Director
(Appointed at AGM 22 November 2011)

**Paul Norman Casbolt**
Director
Business Proprietor
(Appointed 29 March 2012)

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.

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 $151,070 (2011: $127,387).

| Dividends | Year ended 30 June 2012 | |
|---|---|---|
| | Cents per share | $ |
| Final dividends recommended: | 3.20 | $20,035 |
| 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' 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 | 11 | |
| Ian Maxwell Newman | 11 | |
| Laurie Anne Koranski | 11 | |
| Gary John Hastings | 11 | |
| Donald Christian Petersen | 5 | (out of 5) |
| Caroline Frances Flanagan | 3 | (out of 5) |
| Warren Rosen | 11 | |
| Johannes Hunneman | 11 | (out of 11) |
| Robert Frederick Stone | 1 | (out of 2) |
| Stacey McIntosh | 8 | (out of 8) |
| Paul Norman Casbolt | 3 | (out of 4) |

### 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 as set 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

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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 period ended 30 June 2012 there have been:

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

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

Gillow & Teese
Chartered Accountants

A R Teese
Partner
Beaudesert , Queensland
Date: 18.9.12

Chartered Accountants
Liability limited by a scheme approved under Professional Standards Legislation

Signed in accordance with a resolution of the Board of Directors at Logan Village on 27 September 2012.

**Maree Anne Slingsby,**
**Chairman**

# Financial statements

## Statement of comprehensive income for the year ended 30 June 2012

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| Revenues from ordinary activities | 2 | 696,610 | 656,896 |
| Employee benefits expense | 3 | - | - |
| Charitable donations and sponsorships | | (33,810) | (25,866) |
| Depreciation and amortisation expense | 3 | (35,749) | (45,568) |
| Finance costs | 3 | - | - |
| Other expenses from ordinary activities | | (475,981) | (458,075) |
| **Profit/(loss) before income tax expense** | | **151,070** | **127,387** |
| Income tax expense | 4 | - | - |
| **Profit/(loss) after income tax expense** | | **151,070** | **127,387** |
| Other comprehensive income | | | |
| Revaluation of property plant and equipment | | - | - |
| Income tax on other comprehensive income | | - | - |
| **Total comprehensive income** | | **151,070** | **127,387** |

| **Earnings per share (cents per share)** | | | |
|---|---|---|---|
| - basic for profit / (loss) for the year | 22 | 24.13 | 20.35 |
| - diluted for profit / (loss) for the year | 22 | 24.13 | 20.35 |
| - dividends paid per share | 21 | (5.00) | (5.00) |

The accompanying notes form part of these financial statements.

## Statement of financial position
## as at 30 June 2012

| | Note | 2012<br>$ | 2011<br>$ |
|---|---|---|---|
| **Current assets** | | | |
| Cash assets | 6 | 260,907 | 186,122 |
| Receivables | 7 | 66,685 | 59,586 |
| **Total current assets** | | **327,592** | **245,708** |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 112,678 | 127,003 |
| Deferred income tax asset | 4 | - | - |
| Intangible assets | 9 | 61,234 | 11,967 |
| **Total non-current assets** | | **173,912** | **138,970** |
| **Total assets** | | **501,504** | **384,678** |
| **Current liabilities** | | | |
| Payables | 10 | 47,266 | 50,205 |
| Interest bearing liabilities | 11 | - | - |
| Current tax payable | 4 | - | - |
| Provisions | 12 | - | - |
| **Total current liabilities** | | **47,266** | **50,205** |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | | - | - |
| **Total non-current Liabilities** | | **-** | **-** |
| **Total liabilities** | | **47,266** | **50,205** |
| **Net assets/(liabilities)** | | **454,238** | **334,473** |
| **Equity** | | | |
| Share capital | 13 | 626,108 | 626,108 |
| Retained earnings / (accumulated losses) | 14 | (171,870) | (291,635) |
| **Total equity** | | **454,238** | **334,473** |

The accompanying notes form part of these financial statements.

# Statement of cash flows
for the year ended 30 June 2012

| | Note | 2012<br>$ | 2011<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts in the course of operations | | 748,329 | 721,570 |
| Cash payments in the course of operations | | (579,900) | (542,946) |
| Interest paid | | - | - |
| Interest received | | 8,353 | 1,664 |
| Income tax paid | | - | - |
| **Net cash flows from/(used in) operating activities** | **15b** | **176,782** | **180,288** |
| **Cash flows from investing activities** | | | |
| Payment for intangible assets | | (69,322) | - |
| Payments for property, plant and equipment | | (1,370) | (22,856) |
| **Net cash flows from/(used in) investing activities** | | **(70,692)** | **(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) | (31,305) |
| **Net cash flows from/(used in) financing activities** | | **(31,305)** | **(31,305)** |
| **Net increase/(decrease) in cash held** | | **74,785** | **126,127** |
| Add opening cash brought forward | | 186,122 | 59,995 |
| **Closing cash carried forward** | **15a** | **260,907** | **186,122** |

The accompanying notes form part of these financial statements.

# Statement of changes in equity for the year ended 30 June 2012

| | Issued capital $ | Retained earnings $ | Total equity $ |
|---|---|---|---|
| As at 1 July 2011 | 626,108 | (291,635) | 334,473 |
| Net profit/(loss) for the period | - | 151,070 | 151,070 |
| Issue of share capital | - | - | - |
| Equity dividends | - | (31,305) | (31,305) |
| **As at 30 June 2012** | **626,108** | **(171,870)** | **454,238** |

| | 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** |

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## For year ended 30 June 2012

## 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.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**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**

Plant and equipment

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).

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.

## Note 1. Summary of significant accounting policies (continued)

**Property, plant and equipment (continued)**

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.

**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.

## Note 1. Summary of significant accounting policies (continued)

**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.

**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.

## Note 1. Summary of significant accounting policies (continued)

**Leases (continued)**

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**

Recognition and initial measurement

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.

Classification and subsequent measurement

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.

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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

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

## Note 1. Summary of significant accounting policies (continued)

**Financial instruments (continued)**

Classification and subsequent measurement (continued)

(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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**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.

## Note 1. Summary of significant accounting policies (continued)

**Derivative instruments (continued)**

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.

**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 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.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets 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.

**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.

## Note 1. Summary of significant accounting policies (continued)

**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.

**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) and AASB 2010-7: Amendments to Australian 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 for annual reporting periods commencing on or after 1 January 2013.

  The company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- 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 significantly impact the company.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards are not expected to significantly impact the company.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards are not expected to significantly impact the company.

# Notes to the financial statements (continued)

## Note 1. Summary of significant accounting policies (continued)

**New accounting standard for application in future periods (continued)**

- AASB 2011-9: Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

  This standard affects presentation only and is therefore not expected to significantly impact the company.

- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

  The company has not yet been able to reasonably estimate the impact of these changes to AASB 119.

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Note 2. Revenue from ordinary activities** | | |
| Operating activities | | |
| - services commissions | 688,257 | 655,232 |
| - other revenue | - | - |
| **Total revenue from operating activities** | **688,257** | **655,232** |
| Non-operating activities: | | |
| - interest received | 8,353 | 1,664 |
| - other revenue | - | - |
| **Total revenue from non-operating activities** | **8,353** | **1,664** |
| **Total revenue from ordinary activities** | **696,610** | **656,896** |
| **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 | 6,179 | 5,768 |
| - leasehold improvements | 9,516 | 10,680 |

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Note 3. Expenses (continued)** | | |
| Amortisation of non-current assets: | | |
| - intangibles | 20,054 | 29,120 |
| | **35,749** | **45,568** |
| Finance costs: | | |
| - Interest paid | - | - |
| Bad debts | 1,456 | 20,759 |
| Rental expense on operating leases | 20,422 | 19,577 |

## Note 4. Income tax expense

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| 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% | 45,321 | 38,216 |
| Add tax effect of: | | |
| - Non-deductible expenses | - | - |
| - Prior year tax losses not previously brought to account | (45,321) | (38,216) |
| - 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** | **-** | **-** |
| **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 $40,388.** | **-** | **-** |

## Note 5. Auditors' remuneration

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Amounts received or due and receivable by Gillow & Teese for: | | |
| - Audit or review of the financial report of the company | 5,300 | 4,200 |
| - Other services in relation to the company | - | - |
| | **5,300** | **4,200** |

| | 2012 $ | 2011 $ |
|---|---|---|

## Note 6. Cash assets

| | 2012 $ | 2011 $ |
|---|---|---|
| Cash at bank and on hand | 77,246 | 106,122 |
| Short-term bank deposits | 183,661 | 80,000 |
| | **260,907** | **186,122** |

## Note 7. Receivables

| | 2012 $ | 2011 $ |
|---|---|---|
| GST receivable | - | - |
| Trade debtors | 59,439 | 59,586 |
| Other prepayments and receivables | 7,246 | - |
| | **66,685** | **59,586** |

## Note 8. Plant and equipment

| | 2012 $ | 2011 $ |
|---|---|---|
| **Plant and equipment** | | |
| At cost | 69,276 | 68,686 |
| Less accumulated depreciation | (32,050) | (25,871) |
| Less accumulated impairment losses | - | - |
| | **37,226** | **42,815** |
| **Leasehold improvements** | | |
| At cost | 145,683 | 144,903 |
| Less accumulated depreciation | (70,231) | (60,715) |
| Less accumulated impairment losses | - | - |
| | **75,452** | **84,188** |
| **Total written down amount** | **112,678** | **127,003** |
| **Movements in carrying amounts** | | |
| **Plant and equipment** | | |
| Carrying amount at beginning of year | 42,815 | 25,725 |
| Additions | 590 | 22,858 |
| Disposals | - | - |
| Depreciation expense | (6,179) | (5,768) |
| **Carrying amount at end of year** | **37,226** | **42,815** |

| | 2012 $ | 2011 $ |
|---|---|---|
| **Note 8. Plant and equipment (continued)** | | |
| **Leasehold improvements** | | |
| Carrying amount at beginning of year | 84,188 | 94,868 |
| Additions | 780 | - |
| Disposals | - | - |
| Depreciation expense | (9,516) | (10,680) |
| **Carrying amount at end of year** | **75,452** | **84,188** |

## Note 9. Intangible assets

| | 2012 $ | 2011 $ |
|---|---|---|
| **Franchise fee** | | |
| At cost | 79,322 | 10,000 |
| Less accumulated amortisation | (18,088) | (9,334) |
| | **61,234** | **666** |
| **Software** | | |
| At cost | 15,409 | 15,409 |
| Less accumulated amortisation | (15,409) | (15,409) |
| | **-** | **-** |
| **Preliminary expenses** | | |
| At cost | 135,602 | 135,602 |
| Less accumulated amortisation | (135,602) | (124,301) |
| | **-** | **11,301** |
| | **61,234** | **11,967** |

## Note 10. Payables

| | 2012 $ | 2011 $ |
|---|---|---|
| Trade creditors | - | - |
| GST Payable | 5,507 | 7,039 |
| Other creditors and accruals | 41,759 | 43,166 |
| | **47,266** | **50,205** |

## Note 11. Interest bearing liabilities

| | 2012 $ | 2011 $ |
|---|---|---|
| Bank overdraft | - | - |
| Bank Loan - secured | - | - |
| | **-** | **-** |

| | 2012 $ | 2011 $ |
|---|---|---|

## Note 12. Provisions

| | 2012 $ | 2011 $ |
|---|---|---|
| **Employee benefits** | - | - |
| **Number of employees at year end** | - | - |

## Note 13. Share capital

| | 2012 $ | 2011 $ |
|---|---|---|
| **626,108 Ordinary shares fully paid of $1 each** | **626,108** | **626,108** |

## Note 14. Retained earnings / (accumulated losses)

| | 2012 $ | 2011 $ |
|---|---|---|
| Balance at the beginning of the financial year | (291,635) | (387,717) |
| Profit/(loss) after income tax | 151,070 | 127,387 |
| Dividends | (31,305) | (31,305) |
| **Balance at the end of the financial year** | **(171,870)** | **(291,635)** |

## Note 15. Cash flow statement

| | 2012 $ | 2011 $ |
|---|---|---|
| **(a) Reconciliation of cash** | | |
| Cash assets | 260,907 | 186,122 |
| Bank overdraft | - | - |
| | **260,907** | **186,122** |
| **(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities** | | |
| Profit / (loss) after income tax | 151,070 | 127,387 |
| Non cash items | | |
| - Depreciation | 15,695 | 16,448 |
| - Amortisation | 20,054 | 29,120 |
| Changes in assets and liabilities | | |
| - (Increase) decrease in receivables | (7,098) | (7,199) |
| - Increase (decrease) in payables | (2,939) | 14,532 |
| - Increase (decrease) in provisions | - | - |
| **Net cash flows from/(used in) operating activities** | **176,782** | **180,288** |

## 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

Laurie Anne Koranski

Gary John Hastings

Donald Christian Petersen (Retired at AGM 22 November 2011)

Caroline Frances Flanagan (Retired at AGM 22 November 2011)

Warren Rosen

Johannes Hunneman (Resigned 31 May 2012)

Robert Frederick Stone (Resigned 29 August 2011)

Stacey McIntosh (Appointed at AGM 22 November 2011)

Paul Norman Casbolt (Appointed 29 March 2012)

No Director or related entity has entered into a material contract with the company. No Director's 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** | **2012** | **2011** |
|---|---|---|
| Maree Anne Slingsby | 4,001 | 4,001 |
| Ian Maxwell Newman | 2,501 | 501 |
| Laurie Anne Koranski | 5,000 | - |
| Gary John Hastings | 5,001 | 5,001 |
| Donald Christian Petersen | 1,501 | 1,501 |
| Caroline Frances Flanagan | 10,002 | 10,002 |
| Warren Rosen | - | - |
| Johannes Hunneman | 2,500 | 2,500 |
| Robert Frederick Stone | - | - |
| Stacey McIntosh | - | - |
| Paul Norman Casbolt | - | - |

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.

# Notes to the financial statements (continued)

## 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,<br>131-133 Albert Street,<br>Logan Village QLD 4207 |
| The principal place of business is: | Shop 2,<br>Cnr Albert & Wharf Streets,<br>Logan Village QLD 4207 |

## Note 21. Dividends paid or provided for on ordinary shares

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **(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 | 16,279 |
| (ii) Previous year final | | |
| A final dividend of $0.024 per share was paid during the financial year. | 15,027 | 15,027 |
| **(c) Dividends proposed and not recognised as a liability** | | |
| Final ordinary dividend of $0.032 per share (unfranked) recommended by the Directors to be paid on 31 December 2012 out of retained profits at 30 June 2012. (2011: $15,027). | 20,035 | 15,027 |

| | 2012 $ | 2011 $ |
|---|---|---|

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

**(d) Franking credit balance**

| | 2012 $ | 2011 $ |
|---|---|---|
| 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% (2011: 0%).

Dividends proposed will be unfranked (2011: 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:

| | 2012 $ | 2011 $ |
|---|---|---|
| **Profit/(loss) after income tax expense** | **151,070** | **127,387** |
| **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.

## Note 23. Financial risk management (continued)

**(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 | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| Cash assets | 260,907 | 186,122 |
| Receivables | 59,439 | 59,586 |
| | **320,346** | **245,708** |

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.

None of the assets of the company are past due (2011: 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.

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

| | Carrying amount $'000 | Contractual cash flows $'000 | 1 year or less $'000 | Over 1 to 5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|---|
| **30 June 2012** | | | | | |
| Payables | 47,266 | (47,266) | (47,266) | – | – |
| Interest bearing liabilities | – | – | – | – | – |
| | **47,266** | **(47,266)** | **(47,266)** | **–** | **–** |
| **30 June 2011** | | | | | |
| Payables | 50,205 | (50,205) | (50,205) | – | – |
| Interest bearing liabilities | – | – | – | – | – |
| | **50,205** | **(50,205)** | **(50,205)** | **–** | **–** |

## Note 23. Financial risk management (continued)

**(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 | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| **Fixed rate instruments** | | |
| Financial assets | - | - |
| Financial liabilities | - | - |
| | **-** | **-** |
| **Variable rate instruments** | | |
| Financial assets | 260,907 | 186,122 |
| Financial liabilities | - | - |
| | **260,907** | **186,122** |

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 2011 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.

## Note 23. Financial risk management (continued)

**(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 2012 can be seen in the Income Statement.

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

| | **2012 $** | **2011 $** |
|---|---|---|

## 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 | 18,052 | 4,356 |
| - between 12 months and 5 years | 58,670 | - |
| - greater than 5 years | - | - |

The property lease is a non-cancellable lease with a 5 year term ending 30/09/2016, 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 2 additional terms each 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 2012 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 2012.

| | |
|---|---|
| **Maree Anne Slingsby,** | **Ian Maxwell Newman,** |
| **Chairman** | **Treasurer** |

Signed at Logan Village on 27 September 2012.

# 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

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

**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 2012, 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 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 state, 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 company's preparation 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

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

TEEGIL PTY LTD. ABN 96 072 119 772

*Committed to your Business Success*

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

## 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 18 September 2012, 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 2012 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: 28.9.12

Chartered Accountants



Logan Country **Community Bank®** Branch
Shop 2, Corner Wharf and Albert Streets,
Logan Village QLD 4207
Phone: (07) 5546 3840

Franchisee: Logan Country Financial Services Ltd
Suite 1 131-133 Albert Street, Logan Village QLD 4207
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Bendigo Bank

(BMPAR12060) (08/12)