Logan Country Financial Services Ltd

ABN 38 120 853 545

ANNUAL REPORT 2013

Logan Country **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2013

Logan Country **Community Bank®** Branch is about to celebrate its seventh birthday in November. Some of our achievements during the year have included; being nominated as finalists in the Logan Country Chamber of Commerce Business Excellence Awards for Best Small Business, and our branch winning the Regional Branch of the Month award three times.

The past 12 months have been a trying time for many businesses in our local area and we too have been impacted by the economic challenges many small businesses have faced. However, I'm pleased to report that your Board are still able to recommend that a dividend be paid to our shareholders this year.

One of our business goals for the year was to increase the profile and presence of Logan Country **Community Bank®** Branch. We are confident that this objective has been, and continues to be met. Another of our goals was to increase business growth and in particular to continue to work on our business plan to expand into Jimboomba - whilst maintaining our support of, and involvement in the Logan Village community.

We are well on track to opening a branch in Jimboomba in 2014. With the support of those customers and shareholders who bank with us, we will get there. If you are a shareholder who has not yet made the switch- then I invite you to ask yourself "Why not now"? You had the belief in our business when you made the initial investment in shares, so why not put your banking business where your shares are held? If you have some of your accounts with us now, then what about the rest of them?

By now, we're sure you will realise that we are more than just a **Community Bank®** branch. We offer all the products and services you expect of a major bank but much more than that, we offer real opportunities for our local community to build its 'social capital', by contributing significantly to and participating in community projects and events.

To put it simply - every product or service that you have with us, means that we make more profit – the difference for our company is, our profit goes back to the community and to our local shareholders.

We held a shareholder function in July and this event was well attended by shareholders, Directors, and the team from the branch and Bendigo and Adelaide Bank representatives. It provided an opportunity to share our plans for the growth of the business and allowed shareholders the chance to meet and ask any questions in an informal setting. We've received feedback that our shareholders would like to have more events like this and we will be working towards organising more events in the future.

I'd like to thank the Board of Directors who volunteer their time, services and share their combined wealth of knowledge and experience to ensure this company is run successfully and continues to go from strength to strength. That team includes Ian Newman (Treasurer), Gary Hastings, Warren Rosen, Laurie Koranski, Stacey McIntosh, Paul Casbolt and returning to the Board this year, Tery Hurst.

To all the team at the branch and agency, thank you for your continued commitment to ensuring our customers are so well looked after, you are at the forefront of the company and your dedication to excellence and hard work is greatly appreciated.

That team includes Gay Hider (Branch Manager), Lesley, Tracey, Kerrie and new to the branch this year we welcome Donna, Sarah and Sharon. At our agency at Quintessential Dental in Jimboomba, special thanks goes to Cheri, Mel, Brittany and Cheraline.

Thanks also to Shaelene Hancock who is our Company Secretary and works to assist the Board and shareholders with any queries. Shaelene also manages our sponsorships for our local community groups, so please call her on 0499 994 522 if you have any queries.

Maree Slingsby
Chairman

Manager's report

For year ending 30 June 2013

In our recent newsletter I referred to an important difference between a **Community Bank®** branch and the other banks. That difference lies in the fact that we're more than just a bank.

I think it's such an important message, that I wanted to say it again, yes we're a real **Community Bank®** branch, yes we offer all the services you'd expect from one of the big four, but we're so much more than that.

I see this every day in my role as Branch Manager, when our customers phone with a query they are able to speak with me or one of the team, not some overseas call centre, when they pop in we're able to look after them with good old fashioned customer service that we're proud of and continue to receive awards for.

Another very important aspect of our business is that we can give up to 100% of our profit back to our local community and I'm pleased to report we've now given over $145,000 back to local community groups, over $82,000 to our local shareholders and just this year alone we've assisted nearly 40 community groups throughout the Logan Country region. A special mention of thanks has to go to our team at the branch, agency and our Directors who've volunteered hundreds of hours in participating with and supporting our local not-for-profit groups.

From some research Bendigo and Adelaide Bank has undertaken, they've discovered that whilst many people agree the **Community Bank®** model is great for the community, that might not be enough for them to change their banking to us. They don't realise the wide range of products we have or services we offer. Once we get the opportunity to tell people what services we have available and how competitive they are, usually very interested in having more than just the one product with us.

Any good Business Manager knows it costs less to retain an existing customer than having to source new business and we're no different. In fact for us, it's even more important that we manage and look after our existing customers, as many of them were the original shareholders who had the faith, belief and determination to see a branch established in the first place.

So if you're one of the many shareholders who started out with us nearly seven years ago, firstly thankyou and secondly - why not come in and visit us at the branch or agency and lets talk banking? One of our goals is to open a new branch in Jimboomba next year, so we need to keep our growth and business growing to ensure this goal becomes a reality.

To all the team at the branch, including Lesley, Tracey, Kerrie, Donna, Sarah, our newest member Sharon and to the team at the agency, Cheri, Mel, Brittany and Cheraline, thank you for all your hard work and commitment in making our branch one of the best in the region.

A big thanks to Shaelene and the Directors including Maree, Ian, Warren, Paul, Laurie, Gary, Stacey and Tery for their work on the Board and management of the company. I'd like to also thank our non-Directors who are involved in our sub committees, Romy, Kris and Sabine, thanks to everyone for supporting us with community involvement - without your help we would not be able to do what we do best and that is providing a banking service to the whole community!

Gay Hider
Branch Manager

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report of the company for the financial year ended 30 June 2013.

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

Warren Rosen
Director
Solicitor

Stacey McIntosh
Director
Sales Director

Paul Norman Casbolt
Director
Business Proprietor

Terence Hurst
Director
Retired
(Appointed 22 November 2012)

Shaelene Hancock
Company Secretary
Self Employed
(Appointed 07 December 2012)

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

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

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 $55,821 (2012: $157,009).

Dividends

	Year ended 30 June 2013	
	Cents per share	**$**
Final dividends recommended:	0.00	$0
Dividends paid in the year:		
- Interim for the year	0.00	$0
- As recommended in the prior year report	3.20	$20,035

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	9	
Ian Maxwell Newman	11	
Laurie Anne Koranski	11	
Gary John Hastings	9	
Warren Rosen	11	
Stacey McIntosh	9	
Paul Norman Casbolt	12	
Terence Hurst	5	(out of 6)

Company Secretary

Shaelene Hancock was appointed Company Secretary of Logan Country Financial Services Ltd on 07 December 2012. Prior to that, Maree Slingsby had been the Company Secretary 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

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 2013 there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Gillow & Teese
Chartered Accountants

A R Teese
Partner
Beaudesert, Queensland
Date: 19. 9. 13

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 26 September 2013.

Maree Anne Slingsby
Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2013

	Note	2013 $	2012 $
Revenues from ordinary activities	2	710,538	696,610
Employee benefits expense	3	-	-
Charitable donations and sponsorships		(55,809)	(33,810)
Depreciation and amortisation expense	3	(28,618)	(35,749)
Finance costs	3	(4)	-
Other expenses from ordinary activities		(570,286)	(475,981)
Profit/(loss) before income tax expense		**55,821**	**151,070**
Income tax expense	4	-	-
Profit/(loss) after income tax expense		**55,821**	**151,070**
Other comprehensive income			
Revaluation of property plant and equipment		-	-
Income tax on other comprehensive income		-	-
Total comprehensive income		**55,821**	**151,070**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	8.92	24.13
- diluted for profit / (loss) for the year	22	8.92	24.13
- dividends paid per share	21	(3.20)	(5.00)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2013

	Note	2013 $	2012 $
Current assets			
Cash assets	6	325,627	260,907
Receivables	7	71,644	66,685
Total current assets		**397,271**	**327,592**
Non-Current assets			
Property, plant and equipment	8	101,786	112,678
Deferred income tax asset	4	-	-
Intangible assets	9	47,370	61,234
Total non-current assets		**149,156**	**173,912**
Total assets		**546,427**	**501,504**
Current liabilities			
Payables	10	56,403	47,266
Interest bearing liabilities	11	-	-
Current tax payable	4	-	-
Provisions	12	-	-
Total current liabilities		**56,403**	**47,266**
Non-current liabilities			
Interest bearing liabilities		-	-
Total non-current liabilities		**-**	**-**
Total liabilities		**56,403**	**47,266**
Net assets/(liabilities)		**490,024**	**454,238**
Equity			
Share capital	13	626,108	626,108
Retained earnings / (accumulated losses)	14	(136,084)	(171,870)
Total equity		**490,024**	**454,238**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Cash receipts in the course of operations		777,487	748,329
Cash payments in the course of operations		(696,619)	(579,900)
Interest paid		(4)	-
Interest received		7,754	8,353
Income tax paid		-	-
Net cash flows from/(used in) operating activities	**15b**	**88,618**	**176,782**
Cash flows from investing activities			
Payment for intangible assets		-	(69,322)
Payments for property, plant and equipment		(3,863)	(1,370)
Net cash flows from/(used in) investing activities		**(3,863)**	**(70,692)**
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Finance lease payments		-	-
Dividends paid		(20,035)	(31,305)
Net cash flows from/(used in) financing activities		**(20,035)**	**(31,305)**
Net increase/(decrease) in cash held		**64,720**	**74,785**
Add opening cash brought forward		260,907	186,122
Closing cash carried forward	**15a**	**325,627**	**260,907**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2013

	Issued Capital $	Retained Earnings $	Total Equity $
As at 1 July 2012	**626,108**	**(171,870)**	**454,238**
Net profit/(loss) for the period	-	55,821	55,821
Issue of share capital	-	-	-
Equity dividends	-	(20,035)	(20,035)
As at 30 June 2013	**626,108**	**(136,084)**	**490,024**

	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**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

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

The income tax expense/(income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense/(income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

No deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

Income tax (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax asset and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or 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.

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 equipment	66.67%	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. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settles within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

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.

Note 1. Summary of significant accounting policies (continued)

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. Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

Contributed capital

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

Leases

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

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

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

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

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

Financial instruments

<u>Initial recognition and 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 calculated as 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.

Note 1. Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

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 liability. 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.

(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.

(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.

Note 1. Summary of significant accounting policies (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently 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.

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.

Note 1. Summary of significant accounting policies (continued)

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset (or group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a 'loss event') having occurred, which has an impact on the estimated future cash flows of the financial asset(s). 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.

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.

Note 1. Summary of significant accounting policies (continued)

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 a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company. The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
  - requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
  - requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

  These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of the change to the mandatory effective date, the company is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 31 December 2015. Although the Directors anticipate that the adoption of AASB 9 and AASB 2010–7 may have a significant impact on the company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 1. Summary of significant accounting policies (continued)

New accounting standard for application in future periods (continued)

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the company's financial statements.

  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

  AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the company's financial statements.

  To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the company's financial statements.

- AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 (applicable for annual reporting periods commencing on or after 1 January 2013). AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

  AASB 13 requires:

  - inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
  - enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

  These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the company's financial statements.

- AASB 2011–4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013).

  This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent Corporations Act 2001 disclosure requirements.

  This Standard is not expected to significantly impact the company's financial report as a whole because:

Note 1. Summary of significant accounting policies (continued)

New accounting standard for application in future periods (continued)

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the company; and
- AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.

- AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (applicable for annual reporting periods commencing on or after 1 January 2013).

  These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:

  - removal of the "corridor" approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and
  - disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:

    (i) service cost and net interest expense in profit or loss; and

    (ii) remeasurements in other comprehensive income.

  AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

  This Standard is not expected to significantly impact the company's financial statements.

- AASB 2012–2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 2012–2 principally amends AASB 7: Financial Instruments: Disclosures to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

  This Standard is not expected to significantly impact the company's financial statements.

- AASB 2012–3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

  This Standard is not expected to significantly impact the company's financial statements.

  - AASB 2012–5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 cycle (applicable for annual reporting periods commencing on or after 1 January 2013).

    This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of Annual Improvements to IFRSs 2009–2011 Cycle by the International Accounting Standards Board, including:

Note 1. Summary of significant accounting policies (continued)

New accounting standard for application in future periods (continued)

- AASB 1: First-time Adoption of Australian Accounting Standards to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: Presentation of Financial Statements and AASB 134: Interim Financial Reporting to clarify the requirements for presenting comparative information;
- AASB 116: Property, Plant and Equipment to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the company's financial statements.

	2013 $	2012 $
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	702,784	688,257
- other revenue	-	-
Total revenue from operating activities	**702,784**	**688,257**
Non-operating activities:		
- interest received	7,754	8,353
- other revenue	-	-
Total revenue from non-operating activities	**7,754**	**8,353**
Total revenue from ordinary activities	**710,538**	**696,610**

Note 3. Expenses

	2013 $	2012 $
Employee benefits expense		
- wages and salaries	-	-
- superannuation costs	-	-
- post-employment benefits (other than superannuation)	-	-
- workers' compensation costs	-	-
- other costs	-	-
	-	**-**

Notes to the financial statements (continued)

	2013 $	2012 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	6,205	6,179
- leasehold improvements	8,549	9,516
Amortisation of non-current assets:		
- intangibles	13,864	20,054
	28,618	**35,749**
Finance costs:		
- Interest paid	4	-
Bad debts	1,232	1,456
Rental expense on operating leases	20,612	20,422

Note 4. Income tax expense

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

	2013 $	2012 $
Prima facie tax on profit/(loss) before income tax at 30%	16,746	45,321
Add tax effect of:		
- Non-deductible expenses	-	-
- Prior year tax losses not previously brought to account	(16,746)	(45,321)
- 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 $16,031.	**-**	**-**

	2013 $	2012 $

Note 5. Auditors' remuneration

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

- Audit or review of the financial report of the company	5,300	5,300
- Other services in relation to the company	-	-
	5,300	**5,300**

Note 6. Cash assets

Cash at bank and on hand	325,627	77,246
Short-term bank deposits	-	183,661
	325,627	**260,907**

Note 7. Receivables

Trade receivables	55,418	59,439
Other prepayments and receivables	16,226	7,246
	71,644	**66,685**

Note 8. Plant and equipment

Plant and equipment		
At cost	72,258	69,276
Less accumulated depreciation	(38,255)	(32,050)
Less accumulated impairment losses	-	-
	34,003	**37,226**
Leasehold improvements		
At cost	146,563	145,683
Less accumulated depreciation	(78,780)	(70,231)
Less accumulated impairment losses	-	-
	67,783	**75,452**
Total written down amount	**101,786**	**112,678**

	2013 $	2012 $

Note 8. Plant and equipment (continued)

Movements in carrying amounts

	2013 $	2012 $
Plant and equipment		
Carrying amount at beginning of year	37,226	42,815
Additions	2,982	590
Disposals	-	-
Depreciation expense	(6,205)	(6,179)
Carrying amount at end of year	**34,003**	**37,226**
Leasehold improvements		
Carrying amount at beginning of year	75,452	84,188
Additions	880	780
Disposals	-	-
Depreciation expense	(8,549)	(9,516)
Carrying amount at end of year	**67,783**	**75,452**

Note 9. Intangible assets

	2013 $	2012 $
Franchise fee		
At cost	79,322	79,322
Less accumulated amortisation	(31,952)	(18,088)
	47,370	**61,234**
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)	(135,602)
	-	**-**
	47,370	**61,234**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 10. Payables

GST Payable	3,745	5,507
Other payables and accruals	52,658	41,759
	56,403	**47,266**

Note 11. Interest bearing liabilities

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

Note 12. Provisions

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

Note 13. Share capital

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

Note 14. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	(171,870)	(291,635)
Profit/(loss) after income tax	55,821	151,070
Dividends	(20,035)	(31,305)
Balance at the end of the financial year	**(136,084)**	**(171,870)**

Note 15. Cash flow statement

(a) Reconciliation of cash

Cash assets	325,627	260,907
Bank overdraft	-	-
	325,627	**260,907**

	2013 $	2012 $

Note 15. Cash flow statement (continued)

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

	2013 $	2012 $
Profit / (loss) after income tax	55,821	151,070
Non cash items		
- Depreciation	14,754	15,695
- Amortisation	13,864	20,054
Changes in assets and liabilities		
- (Increase) decrease in receivables	(4,958)	(7,098)
- Increase (decrease) in payables	9,137	(2,939)
- Increase (decrease) in provisions	-	-
Net cash flows from/(used in) operating activities	**88,618**	**176,782**

Note 16. Director and related party disclosures

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

	2013	2012
Maree Anne Slingsby	5,201	5,201
Ian Maxwell Newman	2,501	2,501
Laurie Anne Koranski	5,000	5,000
Gary John Hastings	12,668	12,668
Warren Rosen	-	-
Stacey McIntosh	-	-
Paul Norman Casbolt	1,501	-
Terence Hurst (Appointed 22 November 2012)	-	-

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

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.

Note 16. Director and related party disclosures (continued)

Transactions with related parties

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

The following transactions occurred with related parties:

	2013 $	2012 $
Purchase of goods and services		
Shaelene Hancock the Company Secretary is engaged by Logan Country Financial Services Ltd to attend meetings and take minutes , provide general administration support and provide marketing development services.		
Total received by Shaelene for services rendered	59,421	8,600
The company engages Slipstream Air Pty Ltd for the service and maintenance of all air conditioners in the branch. Gary Hastings is a shareholder and Director of Logan Country Financial Services Limited and is a proprietor of Slipstream Air Pty Ltd. During the financial year the company paid Slipstream Air Pty Ltd to install surveillance cameras along with air condition maintenance.		
Air Conditioning Services	1,950	1,170
Installation of Surveillance Cameras	220	-
The Jimboomba bank agency is located at the premises of Koranski Pty Ltd trading as Quintessential Dental. Laurie Koranski is a Director and shareholder of Logan Country Financial Services Ltd and a proprietor of Koranski Pty Ltd. The company paid Quintessential Dental agency commission and signage rental.		
Agency Commission	3,841	1,754
Signage Rental	1,200	-
Maree Anne Slingsby is a Director and shareholder of Logan Country Financial Services Ltd and is also a proprietor of ACS Legal Solutions who provide a serviced office and photocopying services to the company.		
Total serviced office and photocopying charges	2,539	4,190

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.

Notes to the financial statements (continued)

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, Corner Albert & Wharf Streets, Logan Village QLD 4207

	2013 $	2012 $
Note 21. Dividends paid or provided for on ordinary shares		
(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		
Interim dividend Nil (2012 $0.026) per share.	-	16,279
(ii) Previous year final		
A final dividend of $0.032 per share was paid during the financial year.	20,035	15,027
(c) Dividends proposed and not recognised as a liability		
The Directors have not recommend a dividend be paid out of retained profits at 30 June 2013. (2012: $20,035).	-	20,035
(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% (2012: 0%).
Dividends proposed will be unfranked (2012: 0%).

	2013 $	2012 $

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:

	2013 $	2012 $
Profit/(loss) after income tax expense	**55,821**	**151,070**
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	
	2013 $	**2012 $**
Cash assets	325,627	260,907
Receivables	55,418	59,439
	381,045	**320,346**

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 Limited.

None of the assets of the company are past due (2012: 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.

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

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

(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 2013					
Payables	56,403	56,403	56,403	–	–
Interest bearing liabilities	–	–	–	–	–
	56,403	**56,403**	**56,403**	**–**	**–**
30 June 2012					
Payables	47,266	47,266	47,266	–	–
Interest bearing liabilities	–	–	–	–	–
	47,266	**47,266**	**47,266**	**–**	**–**

(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.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount	
	2013 $	**2012 $**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	325,627	260,907
Financial liabilities	-	-
	325,627	**260,907**

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 2012 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.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

(e) Capital management (continued)

(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 2013 can be seen in the Income Statement.

There have been no substantive changes in the types of risks the company is exposed to, how these risks arise, or the company's approach to capital management during the year.

	2013 $	2012 $

Note 24. Capital and leasing commitments

Operating lease commitments

	2013 $	2012 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements.		
Payable - minimum lease payments		
- not later than 12 months	18,052	18,052
- between 12 months and 5 years	40,618	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 2013 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 2013.

Maree Anne Slingsby
Chairman

Ian Maxwell Newman
Treasurer

Signed at Logan Village on 26 September 2013.

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
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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 2013, 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

GILLOW & TEESE

Chartered Accountants

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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, which has been given to the directors of Logan Country Financial Services Limited on 19 September 2013, would be in the same terms if provided to the directors as at the time 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 2013 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: 27.9.13

Chartered Accountants

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

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(BMPAR13087) (09/13)

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