Lancefield & Romsey Community
Financial Services Limited
ABN 44 093 517 714

2008
annualreport

Contents

Chairman's report

For year ending 30 June 2008

Dear Shareholders,

This annual report provides details of the financial results of the Company over the twelve months ending 30 June 2008, and of the key activities of our Company and branches over that period.

I have highlighted some important aspects of the Company's activities over the last year.

Business forums

We hosted a business breakfast forum in both Lancefield and Romsey. These forums were an opportunity for our business customers, shareholders and non customers to meet and network with other locals in a relaxed social setting. We were delighted to secure two excellent speakers in Athol Guy and Tony Staley, and our guests enjoyed these entertaining presentations. Due to the positive feedback we received, discussions are underway to host more of these forums.

Sponsorship

We sponsored many local community groups, organisations and projects. In all we provided more than $12,445 in sponsorship and donations. This is just the start as we have plans to increase this figure to $50,000 during the next financial year.

The bank has also been very proud of the effort of staff and Directors in again entering a team in the Lancefield and Macedon Ranges Cancer Council Relay for Life event – our team raised more than $3,000 for cancer research this year. The **Community Bank®** team is one of a handful that has been represented at every relay since its inception. This is due primarily to the commitment of our staff to community events.

As we have done for a number of years, we again sponsored the **Community Bank®** branch Cup for the winner of the last game between the Romsey and Lancefield Football teams – always a fierce contest between the two towns for more than 100 years.

Gary Choate, our Community Grants Facilitator, assisted local groups to obtain funding from local, State and Federal Government schemes. In all, Gary has assisted more than a dozen clubs and organisations to apply for grants and other funding. Many more community groups have spoken to him and their applications are in the pipeline. While this project has already helped to secure tens of thousands of dollars into our community, it is just the beginning.

There are exciting times ahead for the community including the release of the "Building our Community" grants initiative. This will see grants for specific projects offered to more than 50 not for profit clubs and organisations in Lancefield and Romsey.

We continue to welcome the opportunity to develop and support our community by supporting its groups and organisations.

Chairman's report continued

Staff

Both branches are managed by our Senior Manager, Rod Browning, who has now been Manager for more than seven years. He is assisted by Natalie Cullinger as Lancefield Branch Manager and Leanne Showler as Customer Relationship Officer.

During the year we welcomed an addition to our management team in the appointment of a trainee Manager James Smithwick. James has a Batchelor of Business with a Marketing major. He quickly moved from trainee to a Manager's Assistant and provides able assistance to Rod.

Both branches are staffed by a number of experienced customer service Officers and our staffing complement stands at five permanent staff and five part time staff. The Directors again must acknowledge the contributions made by all our staff to the continued success of our operations.

Branch hours

Both branches have maintained opening hours of 9am-5pm Monday to Friday and Saturdays 9am-12pm. Our Saturday morning opening hours continue to be attractive to our towns' large commuter population.

We remodelled the customer service area to accommodate an ATM at Lancefield. At Romsey, we installed a large illuminated sign at the bank to highlight the location of the bank and the ATM. The ATMs at both Lancefield and Romsey continue to be popular and assist our customers to access cash or obtain balances after hours.

Directors

During the year, we welcomed a new Director in Peter Liersch of Lancefield. His considerable strength and experience in corporate finance adds depth to our Board and we welcome his fresh ideas and enthusiasm.

I would also like to express my thanks to all my fellow Directors for their many hours of voluntary service.

Financial

The Company saw the Lancefield branch returning significant monthly profits for the financial year ending 30 June 2008. Romsey Branch, while not yet earning profits, continued to establish and grow its monthly income. Full details are to be found in the attached financial statements.

The future

Our goals for the year ahead are:

- To further increase our business growth and profitability.
- To maintain the highest level of banking services to our customers.
- To continue to provide support to community projects and community groups.
- To reward our shareholders for their investment for the future.

In line with these goals, the Board has announced its intention to pay during the next financial year an interim dividend of five cents per share.

Chairman's report continued

You, our shareholders have contributed to our success, by having the vision to contribute capital initially, by your recommendation of potential customers and of course by placing your own banking business with the **Community Bank®** branch.

Growing the Bank's business continues to be our major priority. That growth has produced the tangible benefit of both returning a dividend to shareholders and providing vital donations and sponsorship to our community organisations.

The Board remains totally committed to continuing to improve the financial performance of the Company. This will secure us well into the future ensuring returns to both the shareholders and the community.

Maureen. P. Wiltshire

Maureen Patricia Wiltshire

Chairman

Manager's report

For year ending 30 June 2008

The Lancefield **Community Bank®** Branch has now been operating for more than seven years, with Romsey **Community Bank®** Branch open for three. We are delighted to see the continuing growth in our level of business, services and staff.

We have increased our overall portfolio by 17% and we now hold $95 million of funds under management between our **Community Bank®** branches in Lancefield and Romsey.

Over the last 12 months we also increased our account holding by more than 700, with a total holding now of more than 5400 accounts.

During the financial year we added one new staff member to our team to ensure that we are able to handle increasing workloads and more importantly to provide for a succession plan for our staffing structure.

Our community is just like one of the 221 other communities which have formed one of Australia's fastest growing banking networks – **Community Bank®** . Through our two **Community Bank®** branches we have been very proud to be able to form partnerships with many of our community organisations and clubs. More importantly we are starting to see branch profits being contributed back to community, organisations and clubs, as well as returning dividends to our local shareholders.

These benefits are due to the commitment and enthusiasm of our local community and the belief in the **Community Bank®** model.

Banking in general has changed dramatically, but more importantly so has our community. We want to take charge of our outcomes locally that will impact on our communities for years to come.

Our communities have great potential and it has been pleasing to see that more of our organisations and clubs are now aware that we can assist them achieve their goals by just arranging all their banking with the Bendigo Bank in our towns.

My staff and I pride ourselves in forming great relationships with our customers and the community in general, resulting in positive outcomes for all.

Remember it all starts with you.

Rod Browning
Branch Manager

Directors' report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

Directors

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

Maureen Patricia Wiltshire
Director since 28 June 2000
Chairperson since 13 August 2005
Bachelor of Arts
Bachelor of Laws & Diploma in Family Law
Legal Practitioner
Involvement in community organisations

Trevor Henry Turnham
Directors since 2 February 2004
Deputy Chairperson since 5 September 2005
Bachelor of Education, Trained Primary Teachers Certificate
Retired Primary School Principal
Very active in local community activities
Member of the Premises & Equipment Panel

Russell David Pattinson
Director since 28 June 2000
Past Chairman
Bachelor of Agricultural Science (Hon)
Master of Applied Science
Local sporting and community interests
Member of Business Development Panel

Douglas Colin Newnham
Director since 28 June 2000
Earthmoving Contractor
Long-serving member of Lions International
Former Shire President (Romsey) and School Councillor
Member of the Human Resources Panel

Brian Charles Russell
Director and Company Secretary since 28 June 2000
Bachelor of Commerce
Fellow of the Chartered Institute of Secretaries
Retired merchant bank executive and group Company Secretary

John James Chisholm (resigned 7 April 2008)
Director since 28 June 2000
Diploma of Business – Accounting
Bookkeeper
Involvement in local sporting clubs and community projects

Graeme James Walker
Director since 28 June 2000
Journalist
Family background and interests in the Lancefield area
Member of Business Development Panel

Colin Charles Smith (resigned 29 Nov 2007)
Director since 28 June 2000
Regulation Officer
Business experience in area
Certificate of Technology (Civil Engineering)

Stella Patricia Giles
Director since 7 March 2005
Retired Human Resources Manager
Associate Fellow of the Australian
Institute of Management
Member of Human Resources Panel

Brian William Ellis
Director since 11 May 2007
Retired Company Executive
Former Associate of the Australian Society
of Accountants
Community interest in Landcare Group
Member of the Business Development &
Special Projects Panel

Peter Leonard Liersch
Director since 2 June 2008
Accountant
Certified Practising Accountant, Fellow of
Chartered Secretaries Australia, Accredited
Associate of the Institute for Independent Business

Timothy Gerard McCarthy
Director since 7 March 2005
Certified Practising Accountant
Bachelor of Business (Bus. Admin.)
Active with sporting groups in Romsey
Member of Finance Panel

Ian Roderick Kennedy (resigned 19 Mar 2008)
Director since 11 May 2007
Retired
Master of Science, Bachelor of Commerce
Chair of Parish Council, Lancefield Uniting Church

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

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

Company Secretary

The Company Secretary is Brian Charles Russell. Brian was appointed to the position of Company Secretary on 28 June 2000. Brian is a Fellow of the Chartered Institute of Secretaries and a retired merchant bank executive and group Company Secretary.

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 two franchised branches of Bendigo and Adelaide Bank Limited.

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

Directors' report continued

Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was $105,316 (2007: $66,928).

Significant changes in the state of affairs

Since the opening of the two branches, the Company has received regular amounts from its franchise partner in recognition of the marketing of Bendigo Bank. This contribution, known as the Market Development Fund ("MDF"), does not form part of the Franchise Agreement and is entirely at the discretion of our franchise partner. Our practice has been to include the contributions as revenue. However, our franchise partner has recently advised that the MDF is to be used for community benefits. Accordingly, this will impact on the Company's profitability and capacity to pay dividends. Furthermore, the Company has utilised its tax losses from earlier years and profits are now subject to income tax.

In the opinion of the Directors there were no other significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

	Year ended 30 June 2008	
Dividends	**Cents per share**	**$**
Dividends paid in the year:		
- As recommended in the prior year report	4	40,428

Significant events after the balance date

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred subsequent to the financial year under review not otherwise disclosed in this report or the financial report.

Likely developments

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

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member 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.

Directors' report continued

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 Board meetings eligible to attend	**Number attended**
R D Pattinson	11	6
J J Chisholm (resigned 7 April 2008)	8	8
D C Newnham	11	9
B C Russell	11	9
C C Smith (resigned 29 November 2007)	5	2
G J Walker	11	8
M P Wiltshire	11	8
T H Turnham	11	9
S P Giles	11	10
T G McCarthy	11	10
B Ellis	11	11
I Kennedy (resigned 19 March 2008)	8	3
P Liersch (appointed 2 June 2008)	-	-

Corporate governance

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

(a) The establishment of a finance panel. Members of the finance committee are Tim McCarthy, and Rod Browning;

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

(c) Ongoing Director training; and

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

Auditor independence declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants.

Richmond Sinnott & Delahunty
Chartered Accountants

172 McIvor Road
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Lancefield & Romsey Community Financial Services Ltd for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

W Sinnott

Warren Sinnott
Partner

Richmond Sinnott & Delahunty

26 September 2008

Signed in accordance with a resolution of the Board of Directors at Romsey, Victoria on 26 September 2008.

Maureen. P. Wiltshire

Maureen Patricia Wiltshire
Chairperson

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $	2007 $
Revenue from ordinary activities	2	938,164	794,585
General administration expenses		(116,352)	(102,679)
Charitable donations and sponsorship		(12,445)	(3,128)
Employee benefits expense	3	(486,243)	(417,357)
Advertising and promotion expenses		(7,073)	(5,948)
Occupancy and associated costs		(60,657)	(54,726)
Systems costs		(49,096)	(47,195)
Depreciation and amortisation expense	3	(61,364)	(64,853)
Profit before income tax		**144,934**	**98,699**
Income tax expense	4	(39,618)	(31,771)
Profit after income tax		**105,316**	**66,928**

Earnings per share (cents per share)			
- basic for profit for the year	22	10.42	6.62
- diluted for profit for the year	22	10.42	6.62
- dividends paid per share	23	4.00	-

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $	2007 $
Current assets			
Cash assets	5	378,047	501,695
Receivables	6	89,811	73,414
Total current assets		**467,858**	**575,109**
Non-current assets			
Property, plant and equipment	7	208,189	240,953
Intangibles	8	54,166	76,166
Deferred tax assets	9	14,813	4,694
Total non-current assets		**277,168**	**321,813**
Total assets		**745,026**	**896,922**
Current liabilities			
Payables	10	67,699	44,393
Current tax liabilities	11	4,737	-
Provisions	12	32,818	24,970
Total current liabilities		**105,254**	**69,363**
Total liabilities		**105,254**	**69,363**
Net assets		**639,772**	**827,559**
Equity			
Share capital	13	667,869	920,544
Accumulated losses	14	(28,097)	(92,985)
Total equity		**639,772**	**827,559**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
Cash paid to suppliers and employees		(792,085)	813,511
Cash received from customers		985,038	(678,587)
Interest received		28,102	24,131
Income tax paid		(45,000)	-
Net cash provided by operating activities	**15(b)**	**176,055**	**159,055**
Cash flows from investing activities			
Payments for property, plant and equipment		(6,600)	(35,767)
Proceeds from sale of property, plant and equipment		-	9,091
Net cash flows used in investing activities		**(6,600)**	**(26,676)**
Cash flows from financing activities			
Repayment of borrowings		-	(19,270)
Return of capital		(252,675)	-
Dividends paid		(40,428)	-
Net cash flows used in financing activities		**(293,103)**	**(19,270)**
Net increase/(decrease) in cash held		**(123,648)**	**113,109**
Add opening cash brought forward		501,695	388,586
Closing cash carried forward	**15(a)**	**378,047**	**501,695**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Note	2008 $	2007 $
SHARE CAPITAL			
Ordinary shares			
Balance at start of year		920,544	920,544
Issue of share capital		-	-
Return of share capital		(252,675)	-
Share issue preliminary costs		-	-
Balance at end of year		**667,869**	**920,544**
Accumulated losses			
Balance at start of year		(92,985)	(159,913)
Profit after income tax expense		105,316	66,928
Dividends paid		(40,428)	-
Balance at end of year		**(28,097)**	**(92,985)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 26 September 2008.

(b) Statement of compliance

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

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

Income tax

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

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

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

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

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

Notes to the financial statements continued

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

Property, plant and equipment

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

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

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of fixed assets	Depreciation rate (%)
Leasehold improvements	2.5 - 30
Furniture and equipment	2.5 - 30
Motor vehicles	18.75

Impairment

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

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

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

Recoverable amount of assets

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

Goods and services tax

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

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

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

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Notes to the financial statements continued

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

Employee benefits

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

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

Intangibles

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

Cash

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

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

Comparative figures

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

Revenue

Interest and 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. Basis of preparation of the financial report (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.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

	2008 $	2007 $

Note 2. Revenue from ordinary activities

	2008 $	2007 $
Operating activities		
- services commissions	693,122	597,586
- other revenue	219,643	172,868
Total revenue from operating activities	**912,765**	**770,454**
Non-operating activities:		
- interest received	25,399	24,131
Total revenue from non-operating activities	**25,399**	**24,131**
Total revenue from ordinary activities	**938,164**	**794,585**

Note 3. Expenses

	2008 $	2007 $
Employee benefits expense		
- wages and salaries	424,384	363,831
- superannuation costs	33,543	31,592
- workers' compensation costs	1,438	1,387
- other costs	26,878	20,547
	486,243	**417,357**

Notes to the financial statements continued

	2008 $	2007 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	10,069	10,304
- leasehold improvements	29,295	32,549
Amortisation of non-current assets:		
- intangibles	22,000	22,000
	61,364	**64,853**
Loss on disposal of asset	**-**	**5,096**
Bad debts	**236**	**4,286**

Note 4. Income tax expense

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

Prima facie tax on profit before income tax at 30%	43,480	29,610
Add tax effect of:		
- non-deductible expenses	6,639	6,600
- origination and reversal of temporary differences	7,321	(1,430)
- other deductible expenses	(3,009)	(3,009)
Current tax	54,431	31,771
Movement in deferred tax	(14,813)	-
	39,618	**31,771**

Note 5. Cash assets

Cash at bank and on hand	171,547	51,695
Investment account	206,500	450,000
	378,047	**501,695**

Notes to the financial statements continued

	2008 $	2007 $

Note 6. Receivables

Trade receivables	**89,811**	**73,414**

Note 7. Property, plant and equipment

Office furniture and equipment		
At cost	40,557	43,908
Less accumulated depreciation	(15,658)	(14,513)
	24,899	**29,395**
Leasehold improvements		
At cost	285,538	278,938
Less accumulated depreciation	(126,396)	(97,101)
	159,142	**181,837**
Motor vehicle		
At cost	30,585	30,585
Less accumulated depreciation	(6,437)	(864)
	24,148	**29,721**
Total written down amount	**208,189**	**240,953**
Movements in carrying amounts:		
Office furniture and equipment		
Carrying amount at beginning of year	29,395	34,095
Additions	-	-
Disposals	-	-
Less depreciation expense	(4,496)	(4,700)
Carrying amount at end of year	**24,899**	**29,395**
Leasehold improvements		
Carrying amount at beginning of year	181,837	209,204
Additions	6,600	5,182
Disposals	-	-
Less depreciation expense	(29,295)	(32,549)
Carrying amount at end of year	**159,142**	**181,837**

Notes to the financial statements continued

	2008 $	2007 $

Note 7. Property, plant and equipment (continued)

Motor vehicle		
Carrying amount at beginning of year	29,721	18,927
Additions	-	30,585
Disposals	-	(14,187)
Less depreciation expense	(5,573)	(5,604)
Carrying amount at end of year	24,148	29,721
Total written down amount	**208,189**	**240,953**

Note 8. Intangible assets

Franchise fees		
At cost	110,000	110,000
Less accumulated amortisation	(55,834)	(33,834)
	54,166	**76,166**

Note 9. Deferred tax

Balance at the beginning of the financial year	4,694	36,465
Recoupment of prior year tax losses	(4,694)	(31,771)
Deferred tax on provisions	14,813	-
Balance at the end of the financial year	**14,813**	**4,694**

Note 10. Payables

Sundry creditors	**67,699**	**44,393**

Note 11. Current tax assets

Current tax refundable	**4,737**	**-**

	2008 $	2007 $

Note 12. Provisions

	2008 $	2007 $
Employee provisions	32,818	24,970
Number of employees at year end	**9**	**7**

Note 13. Share capital

	2008 $	2007 $
Share issue - 2001		
400,000 Ordinary shares fully paid of $1 each	400,000	400,000
Less return of share capital	(110,000)	-
Less preliminary expenses	(27,202)	(27,202)
	262,798	**372,798**
In addition to the above a bonus share issue on a 1:10 basis (40,000 shares) was issued to all existing shareholders on 25 November 2004.		
Share issue - 2005		
570,700 Ordinary shares fully paid of $1 each	570,700	570,700
Less return of share capital	(142,675)	-
Less preliminary expenses	(22,954)	(22,954)
	405,071	**547,746**
Total share capital	**667,869**	**920,544**

Note 14. Accumulated losses

	2008 $	2007 $
Balance at the beginning of the financial year	(92,985)	(159,913)
Net profit from ordinary activities after income tax	105,316	66,928
Dividends paid	(40,428)	-
Balance at the end of the financial year	**(28,097)**	**(92,985)**

Notes to the financial statements continued

Note 15. Cash flow statement

	2008 $	2007 $
(a) Reconciliation of cash		
Cash at bank and on hand	**378,047**	**501,695**
(b) Reconciliation of profit after tax to net cash provided by operating activities		
Profit after income tax	105,316	66,928
Non cash items:		
- depreciation	39,364	42,853
- amortisation	22,000	22,000
- loss on disposal of plant, property & equipment	-	5,096
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(16,397)	(8,948)
- (increase)/decrease in deferred tax assets	(10,119)	31,771
- increase/(decrease) in income tax payable	4,737	-
- increase/(decrease) in payables	23,306	(2,257)
- increase/(decrease) in provisions	7,848	1,612
Net cash flows provided by operating activities	**176,055**	**159,055**

Note 16. Auditors' remuneration

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

	2008 $	2007 $
- audit & review services	**4,530**	**3,650**

Note 17. Director and related party disclosures

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

Russell David Pattinson

John James Chisholm (resigned 7 April 2008)

Douglas Colin Newnham

Brian Charles Russell

Colin Charles Smith (resigned 29 November 2007)

Graeme James Walker

Maureen Patricia Wiltshire

Trevor Henry Turnham

Stella Patricia Giles

Timothy Gerard McCarthy

Brian William Ellis

Ian Roderick Kennedy (resigned 19 March 2008)

Peter Leonard Liersch (appointed 2 June 2008)

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.

Directors shareholdings	**2008**	**2007**
Russell David Pattinson	5,000	5,000
John James Chisholm (resigned 7 April 2008)	3,470	3,470
Douglas Colin Newnham	60,500	60,500
Brian Charles Russell	14,600	14,600
Colin Charles Smith (resigned 29 November 2007)	8,700	8,700
Graeme James Walker	4,000	4,000
Maureen Patricia Wiltshire	18,100	18,100
Trevor Henry Turnham	7,000	7,000
Stella Patricia Giles	-	-
Timothy Gerard McCarthy	7,000	7,000
Brian William Ellis	4,050	4,050
Ian Roderick Kennedy (resigned 19 March 2008)	-	-
Peter Leonard Liersch (appointed 2 June 2008)	11,500	11,500

There was no other movement in Directors shareholdings during the year.

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

Notes to the financial statements continued

Note 18. Subsequent events

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred subsequent to the financial year under review not otherwise disclosed in this report or the financial report.

Note 19. Contingent liabilities

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

Note 20. 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 Lancefield and Romsey District, Victoria.

Note 21. Corporate information

Lancefield & Romsey Community Financial Services Limited is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:
20A High Street,
Lancefield VIC 3435

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit 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 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).

	2008 $	2007 $
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit after income tax expense	**105,316**	**66,928**

	2008 Number	2007 Number
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,010,700**	**1,010,700**

	2008 $	2007 $
Note 23. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and recognised as a liability		
Unfranked dividends - $Nil cents per share (2007: 4 cents)	-	40,428
(b) Dividends paid during the year		
(i) Previous year final		
Unfranked dividends - 4 cents per share (2007: $Nil cents per share)	40,428	-
(c) 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	45,000	-
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	4,737	-
- Franking debits that will arise from deferred tax assets as at the end of the financial year	(14,813)	-
	34,924	**-**

Note 24. 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 a Finance Committee which reports regularly to the Board. The Finance Committee is assisted in the area of risk management by an internal and external 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:

Note 24. Financial risk management (continued)

	Carrying amount	
	2008	2007
	$	$
Cash assets	378,047	501,695
Receivables	89,811	73,414
	467,858	575,109

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

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

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

	Carrying amount $	Contractual cash flows $	1 year or less $	over 1 to 5 years $	more than 5 years $
30 June 2008					
Payables	67,699	(67,699)	(67,699)	-	-
	67,699	**(67,699)**	**(67,699)**	**-**	**-**
30 June 2007					
Payables	44,393	(44,393)	(44,393)	-	-
	44,393	**(44,393)**	**(44,393)**	**-**	**-**

(c) Market risk

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

Note 24. Financial risk management (continued)

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount	
	2008	**2007**
	$	**$**
Fixed rate instruments		
Financial assets	206,500	450,000
Financial liabilities	-	-
	206,500	**450,000**
Variable rate instruments		
Financial assets	171,547	51,695
Financial liabilities	-	-
	171,547	**51,695**

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 2007 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 24. 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 2008 can be seen in the Income Statement.

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

Director's declaration

In accordance with a resolution of the Directors of Lancefield & Romsey Community Financial Services Limited, I 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 2008 and of their performance for the year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Maureen. P. Wiltshire

Maureen Patricia Wiltshire

Chairperson

Signed at Romsey, Victoria on 26 September 2008.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF LANCEFIELD & ROMSEY
COMMUNITY FINANCIAL SERVICES LIMITED

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Lancefield & Romsey Community Financial Services Limited, for the year ended 30 June 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Woodbury Court, 172 McIvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309

INDEPENDENCE
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION
In our opinion, the financial report of Lancefield & Romsey Community Financial Services Limited is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 27 September 2008

Lancefield **Community Bank®** Branch
20A High Street, Lancefield VIC 3435
Phone: (03) 5429 1977

Romsey **Community Bank®** Branch
Shop 1, 112 Main Street, Romsey VIC 3434
Phone: (03) 5429 5526

Franchisee: Lancefield & Romsey Community Financial Services Limited
20A High Street, Lancefield VIC 3435
ABN 44 093 517 714

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8001) (08/08)