annual report | 2009

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

Lancefield and Romsey
Community Bank® branches of Bendigo Bank

Contents

Chairman's report

For year ending 30 June 2009

Dear shareholders,

This annual report provides details of the financial results of the Company over the 12 months to 30 June 2009, and of the key activities of your Company over that period.

Whilst the future looks brighter, the year certainly presented many challenges, as it has for most organisations, but your Directors are satisfied with the achievements that have been made. We remain committed to our core "reason for being" – to provide banking and financial services to the communities of Lancefield and Romsey and use these as a vehicle of greater benefit to our towns and region.

The trading environment proved extremely challenging and our staff have performed so well under the conditions. During the year we undertook restructuring activities, in part to react to the economic environment, but also to place the Company in a sound position for ongoing operations. We are pleased to have weathered the major storms and are well placed to continue to expand in the local market and provide future returns.

Here are the highlights of our activities and achievements of the year:

Community

During the year the Company contributed $63,994 in sponsorships and grants to local clubs, organisations, schools, etc. It is planned that in the coming financial year this figure will increase to well over $100,000.

Our sponsorship program continued to support numerous clubs and organisations in Lancefield and Romsey, this year contributing over $8,000.

In 2008/09, we launched our "Building our Community Grants", providing more than $40,000 to some 50 local schools, churches, CFAs, clubs, organisations and community groups. The organisations were selected in recognition of the contribution they have made and continue to make to the local community and their support for our **Community Bank®** branches.

The community grants program culminated in a gala night held at the Romsey Hub. The night was attended by 70 representatives of organisations which received grants, coming together to celebrate and share their projects. Our Deputy Chair Trevor Turnham hosted the evening which commenced with a delightful performance from the Lancefield Primary School Choir. Macedon Ranges MP Joanne Duncan performed the opening with background information on the development of the **Community Bank®** model, followed by our Chair, Maureen Wiltshire who detailed the substantial contributions made to our community in 2008/09. Senior Manager Rod Browning introduced branch staff and exhorted all present to maximise community benefits by transferring their business to our **Community Bank®** branch. The evening closed with comments of support from Ms Jenny Stillman of the Romsey Business Association and Mr Gordon Charles from the Lancefield Bowling Club.

During the year our Community Grants Facilitator, Gary Choate continued to assist local groups in gaining grants. The value of grants Gary has assisted with now total $215,040.

Direct and indirect contributions, your bank has contributed back into the community since inception is now over $300,000, an amount we are proud of but wish to grow significantly over coming years

We continue to welcome the opportunity to develop and support our community through our commitment to supporting groups and organisations in their endeavours.

Staff

Both Lancefield and Romsey branches are managed by our Senior Manager, Rod Browning, who has now been the Manager for over eight years.

Rod continues to be fantastically supported by our hard working and friendly staff. Not only does the **Community Bank®** branch contribute to our community by way of grants, etc but it also provides employment for many. A key focus of the Company is to provide on-going training for our staff as well as opportunities for young people to start a career.

The Board wishes to publicly acknowledge all staff in their efforts in getting us to where we are today.

Financial performance

In the face of the most difficult operating environment the Company has faced, your Directors are satisfied with the financial performance of the Company. Operating profits were below what we originally forecast due to falling interest rates and the credit crisis. Towards the end of the financial year rate however, our income had returned to more normal levels. The result was the Company produced a profit after tax for the financial year of $38,005. Full details are to be found in the attached financial statements.

In October 2008 we passed the milestone of $100 million of business on the books. With ongoing growth this places us well for future returns to shareholders and the community.

The Company is now starting to provide regular returns to shareholders with an interim dividend of 5 cents a share declared in September 2008 and paid in January 2009. This represents a yield of 6.7% (fully franked) after taking into consideration the previous capital return.

The history of returns to shareholders has been:

Date paid	Return type	Return per share	Franking status
November 2004	bonus issue	1:10	not applicable
January 2008	capital return	25 cents	not applicable
January 2008	interim dividend	4 cents	not franked
January 2009	interim dividend	5 cents	fully franked

Directors

We have been most fortunate during recent times to have attracted Hugh Drummond and Peter Liersch to the Board. Hugh and Peter bring a wealth of financial and corporate experience.

In October 2008, Brian Russell retired from the Board. Brian was instrumental in establishing the **Community Bank®** branches, was our first Chair back in 2001 and had been the Secretary since 2002. His contribution to the community and your Company has been enormous.

Chairman's report continued

Unfortunately I need to mention that Trevor Turnham will not be renominating as a Director at the November AGM. Trevor has been on the Board since 2004 and has provided extensive services to our branches through both the Premises Panel and more recently as Board Secretary. While Trevor may no longer be on the Board after November he will continue to support your Company in many other ways.

I would also like to acknowledge the effort and commitment of all my fellow Directors and thank them for their many hours of voluntary service.

Past Chairman

In July Maureen Wiltshire stepped down as Chair having been elected to that role in August 2005. In particular, I would like to acknowledge that Maureen, one of the founding Directors, steered us through the opening of our Romsey **Community Bank®** Branch and the Board is indebted to Maureen for her strength of leadership.

The future

We are confident that we are succeeding in the first two of our Company goals:

1. Operating an efficient and profitable community business.
2. Providing personalised local banking services.

While we have made significant inroads into our other two goals (listed below), our focus will be to further build and improve on:

3. Funding projects for the benefit of the community.
4. Providing a return to shareholders.

Your **Community Bank®** branches benefit our whole community and these benefits extend beyond banking into the very fabric of our communities. You, our shareholders, have made the most important contribution to our success, and you can continue this contribution by encouraging customers and potential customers to use our branches.

On behalf of all of your Directors, I would like to thank you for your continuing support. The provision of banking services to residents of Lancefield and Romsey and surrounding areas would not have been possible without the foresight of and investment by you, our shareholders. The Board continues to appreciate your belief in this exciting project and looks forward to your continuing support. Finally, may I assure all shareholders that the Board remains totally focused on enhancing the financial performance and service to the community of the business.

Doug Newnham
Chairman

Manager's report

For year ending 30 June 2009

Despite the challenging economic times that we have experienced over the last 12 months, it is pleasing to see some very positive results.

This was largely due to deposit growth from the many new customers who joined our **Community Bank®** branches.

We continue to meet our customers needs, especially when adding our face-to-face values along with our overall commitment and contribution to our community. We achieve this via grants, donations, gifting and being available to assist in various community projects.

Our customer base is widespread geographically and very diversified, with our full range of banking products and services meeting the needs of a wide range of people. This has come about by referral of business via family and friends and connections within our communities.

Our branch staff take pride in being actively involved and connected in as many community projects as possible, and we are very proud of this commitment.

We have an excellent forward plan in place which is keeping our branches in line with all new aspects of banking – an industry which is continually changing. Our future is important and we have invested wisely with our staff, who are more than capable of stepping up and moving with the times if and when required.

Giving our customers the best service is always our aim. Whether it is face-to-face contact or online, we ensure that our customers get the best possible advice.

The mix of experienced staff, along with newly recruited members who have the desire to work with our bank's direction into the future, is very exciting. The enthusiasm of the staff is infectious, not only to their colleagues but more importantly to our customers.

With such a diversified customer portfolio it is our intention to further strengthen our existing customer base by continually reinforcing the fact that we are proud to be the community's bank in both Romsey and Lancefield. We are here because we want our towns to prosper.

Successful people make successful communities – which feeds our determination to be a successful bank which contributes in every way to our community. We are more than just a bank.

Rod Browning
Senior Manager

Directors' report

For year ending 30 June 2009

Your Directors submit the financial report of the Company for the financial year ended 30 June 2009.

Directors

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

Douglas Colin Newnham
Director since 28 June 2000
Chairperson since 1 July 2009
Earthmoving Contractor
Life member of Lions International
Former Shire President (Romsey)
Former Councillor
Member of the Human Resources Panel

Maureen Patricia Wiltshire
Director since 28 June 2000
Resigned as Chairperson 30 June 2009
Deputy Chairperson since 6 July 2009
Bachelor of Arts
Bachelor of Laws & Diploma in Family Law
Legal Practitioner
Involvement in community organisations

Hugh Cranston Drummond
Director since 2 March 2009
Retired former Director, BDO Chartered Accountants
Treasurer, Lancefield Golf Club
Master Of Business Administration
Asociate Fellow of the Australian Institute of Management
Member of the Business Development Panel
Member of the Finance 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 Panel

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

Peter Leonard Liersch
Director since 2 June 2008
Company Secretary from 3 October 2008
Certified Practising Accountant, Fellow of Chartered Secretaries Australia, Accredited Associate of the Institute for Independent Business
Member of the Business Development Panel

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

Brian Charles Russell (resigned 3 October 2008)
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

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

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

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

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

Peter Liersch was appointed Company Secretary on 3 October 2008 when Brian Charles Russell resigned from the Board. Peter's career has spaned many industries ranging from metals manufacturing to pharmaceuticals, primarily in a financial management or consulting capacity. He has operated a family retail Company and currently runs his own advisory and accountancy business.

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 Ltd.

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

Operating results

The Company performed well in the difficult environment created by the worldwide financial crisis. For a portion of the year, the Company received significantly below budget margin income but by year-end income had recovered to near historical levels. The profit of the Company for the financial year after provision for income tax was $38,005 (2008: $105,316).

The Company continues to receive regular amounts from its franchise partner for the promotion of the Bendigo Bank name through marketing expenditure and the provision of community benefits. This contribution, known as Market Development Fund (MDF), does not form part of the Franchise Agreement and is entirely at the discretion of our franchise partner. At year-end the MDF had been underspent for 2008/09 by $17,044 and the Board has resolved to increase the 2009/10 community and marketing budget by this amount.

Operating results (continued)

The Company is now in a tax payable situation and was able to fully frank the interim dividend paid in the year.

	Year ended 30 June 2009	
Dividends	**Cents per share**	**$**
Dividends paid in the year:		
- As recommended in the prior year report	5	50,535

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

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.

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

Directors' report continued

Directors' meetings

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

	Number of Board meetings eligible to attend	Number attended
H C Drummond (appointed 2 March 2009)	4	4
B W Ellis	11	10
S P Giles	11	7
P L Liersch	11	11
T G McCarthy	11	10
D C Newnham	11	8
R D Pattinson	11	9
B C Russell (resigned 3 October 2008)	3	3
T H Turnham	11	11
G J Walker	11	8
M P Wiltshire	11	8

Corporate governance

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

(a) The establishment of a finance committee. Members of the finance committee are Tim McCarthy, Hugh Drummond 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

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

28 September 2009

The Directors
Lancefield & Romsey Community Financial Services Limited
PO Box 30
LANCEFIELD VIC 3435

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Lancefield & Romsey Community Financial Services Limited for the year ended 30 June 2009, 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.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Romsey, Victoria on 28 September 2009.

Doug Newnham

Chairperson

Financial statements

Income statement
For year ending 30 June 2009

	Note	2009 $	2008 $
Revenue from ordinary activities	2	960,349	938,164
General administration expenses		(125,122)	(116,352)
Charitable donations, sponsorship, advertising & promotion		(63,956)	(19,518)
Employee benefits expense	3	(549,277)	(486,243)
Occupancy and associated costs		(60,662)	(60,657)
Systems costs		(46,056)	(49,096)
Depreciation and amortisation expense	3	(58,297)	(61,364)
Profit before income tax		**56,979**	**144,934**
Income tax expense	4	(18,974)	(39,618)
Profit after income tax		**38,005**	**105,316**
Earnings per share (cents per share)			
- basic for profit for the year	22	3.76	10.42
- diluted for profit for the year	22	3.76	10.42
- dividends paid per share	23	5	4

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2009

	Note	2009 $	2008 $
Current assets			
Cash assets	5	406,340	378,047
Receivables	6	91,957	89,811
Total current assets		**498,297**	**467,858**
Non-current assets			
Property, plant and equipment	7	179,047	208,189
Intangibles	8	32,166	54,166
Deferred tax assets	9	17,104	14,813
Total non-current assets		**228,317**	**277,168**
Total assets		**726,614**	**745,026**
Current liabilities			
Payables	10	33,040	67,699
Current tax liabilities	11	6,645	4,737
Provisions	12	59,687	32,818
Total current liabilities		**99,372**	**105,254**
Total liabilities		**99,372**	**105,254**
Net assets		**627,242**	**639,772**
Equity			
Share capital	13	667,869	667,869
Accumulated losses	14	(40,627)	(28,097)
Total equity		**627,242**	**639,772**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2009

	Note	2009 $	2008 $
Cash flows from operating activities			
Cash paid to suppliers and employees		(947,125)	(792,085)
Cash received from customers		1,033,321	985,038
Interest received		19,144	28,102
Income tax paid		(19,357)	(45,000)
Net cash provided by operating activities	**15(b)**	**85,983**	**176,055**
Cash flows from investing activities			
Payments for property, plant and equipment		(7,155)	(6,600)
Net cash flows used in investing activities		**(7,155)**	**(6,600)**
Cash flows from financing activities			
Return of capital		-	(252,675)
Dividends paid		(50,535)	(40,428)
Net cash flows used in financing activities		**(50,535)**	**(293,103)**
Net increase/(decrease) in cash held		**28,293**	**(123,648)**
Add opening cash brought forward		378,047	501,695
Closing cash carried forward	**15(a)**	**406,340**	**378,047**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2009

	Note	2009 $	2008 $
Share capital			
Ordinary shares			
Balance at start of year		667,869	920,544
Issue of share capital		-	-
Return of share capital		-	(252,675)
share issue preliminary costs		-	-
Balance at end of year		**667,869**	**667,869**
Accumulated losses			
Balance at start of year		(28,097)	(92,985)
Profit after income tax expense		38,005	105,316
Dividends paid		(50,535)	(40,428)
Balance at end of year		**(40,627)**	**(28,097)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

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 28 September 2009.

(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 2008 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 - 67
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.

Notes to the financial statements 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.

	2009 $	2008 $

Note 2. Revenue from ordinary activities

	2009 $	2008 $
Operating activities		
- services commissions	736,866	693,122
- other revenue	205,749	219,643
Total revenue from operating activities	**942,615**	**912,765**
Non-operating activities:		
- interest received	17,734	25,399
Total revenue from non-operating activities	**17,734**	**25,399**
Total revenue from ordinary activities	**960,349**	**938,164**

Note 3. Expenses

	2009 $	2008 $
Employee benefits expense		
- wages and salaries	460,502	424,384
- superannuation costs	39,636	33,543
- workers' compensation costs	1,419	1,438
- other costs	47,720	26,878
	549,277	**486,243**

	2009 $	2008 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	9,262	10,069
- leasehold improvements	27,035	29,295
Amortisation of non-current assets:		
- intangibles	22,000	22,000
	58,297	**61,364**
Bad debts	**674**	**236**

Note 4. Income tax expense

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

	2009 $	2008 $
Prima facie tax on profit before income tax at 30%	17,094	43,480
Add tax effect of:		
- non-deductible expenses	6,620	6,639
- origination and reversal of temporary differences	721	7,321
- investment allowance	(161)	-
- other deductible expenses	(3,009)	(3,009)
Current tax	**21,265**	**54,431**
Movement in deferred tax	(2,291)	(14,813)
	18,974	**39,618**

Note 5. Cash assets

	2009 $	2008 $
Cash at bank and on hand	106,340	171,547
Investment account	300,000	206,500
	406,340	**378,047**

	2009 $	2008 $

Note 6. Receivables

	2009 $	2008 $
Trade receivables	**91,957**	**89,811**

Note 7. Property, plant and equipment

	2009 $	2008 $
Office furniture and equipment		
At cost	44,612	40,557
Less accumulated depreciation	(20,393)	(15,658)
	24,219	**24,899**
Leasehold improvements		
At cost	288,638	285,538
Less accumulated depreciation	(153,431)	(126,396)
	135,207	**159,142**
Motor vehicle		
At cost	30,585	30,585
Less accumulated depreciation	(10,964)	(6,437)
	19,621	**24,148**
Total written down amount	**179,047**	**208,189**
Movements in carrying amounts:		
Office furniture and equipment		
Carrying amount at beginning of year	24,899	29,395
Additions	4,055	-
Disposals	-	-
Less depreciation expense	(4,735)	(4,496)
Carrying amount at end of year	**24,219**	**24,899**
Leasehold improvements		
Carrying amount at beginning of year	159,142	181,837
Additions	3,100	6,600
Disposals	-	-
Less depreciation expense	(27,035)	(29,295)
Carrying amount at end of year	**135,207**	**159,142**

	2009 $	2008 $

Note 7. Property, plant and equipment (continued)

Motor vehicle

	2009 $	2008 $
Carrying amount at beginning of year	24,148	29,721
Additions	-	-
Disposals	-	-
Less depreciation expense	(4,527)	(5,573)
Carrying amount at end of year	**19,621**	**24,148**
Total written down amount	**179,047**	**208,189**

Note 8. Intangible assets

Franchise fees

	2009 $	2008 $
At cost	110,000	110,000
Less accumulated amortisation	(77,834)	(55,834)
	32,166	**54,166**

Note 9. Deferred tax

	2009 $	2008 $
Balance at the beginning of the financial year	14,813	4,694
Recoupment of prior year tax losses	-	(4,694)
Deferred tax on provisions	2,291	14,813
Balance at the end of the financial year	**17,104**	**14,813**

Note 10. Payables

	2009 $	2008 $
Sundry creditors	**33,040**	**67,699**

Note 11. Current tax liability

	2009 $	2008 $
Current tax payable	**6,645**	**4,737**

	2009 $	2008 $

Note 12. Provisions

Employee provisions	**59,687**	**32,818**
Number of employees at year end	**8**	**9**

Note 13. Share capital

Share Issue - 2001		
400,000 Ordinary shares fully paid of $1 each	400,000	400,000
Less return of share capital	(110,000)	(110,000)
Less preliminary expenses	(27,202)	(27,202)
	262,798	**262,798**
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)	(142,675)
Less preliminary expenses	(22,954)	(22,954)
	405,071	**405,071**
Total share capital	**667,869**	**667,869**

Note 14. Accumulated losses

Balance at the beginning of the financial year	(28,097)	(92,985)
Net profit from ordinary activities after income tax	38,005	105,316
Dividends paid	(50,535)	(40,428)
Balance at the end of the financial year	**(40,627)**	**(28,097)**

	2009 $	2008 $

Note 15. Cash flow statement

(a) Reconciliation of cash

	2009 $	2008 $
Cash at bank and on hand	**406,340**	**378,047**

(b) Reconciliation of profit after tax to net cash provided by operating activities

	2009 $	2008 $
Profit after income tax	38,005	105,316
Non cash items:		
- depreciation	36,297	39,364
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(2,146)	(16,397)
- (increase)/decrease in deferred tax assets	(2,291)	(10,119)
- increase/(decrease) in income tax payable	1,908	4,737
- increase/(decrease) in payables	(34,659)	23,306
- increase/(decrease) in provisions	26,869	7,848
Net cash flows provided by operating activities	**85,983**	**176,055**

Note 16. Auditors' remuneration

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

	2009 $	2008 $
- audit & review services	**3,650**	**3,650**

Notes to the financial statements continued

Note 17. Director and related party disclosures

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

Hugh Drummond (appointed 2 March 2009)

Brian William Ellis

Stella Patricia Giles

Peter Leonard Liersch

Timothy Gerard McCarthy

Douglas Colin Newnham

Russell David Pattinson

Brian Charles Russell (resigned 3 October 2008)

Trevor Henry Turnham

Graeme James Walker

Maureen Patricia Wiltshire

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

Directors' shareholdings	**2009**	**2008**
Hugh Drummond (appointed 2 March 2009)	-	-
Brian William Ellis	4,050	4,050
Stella Patricia Giles	-	-
Peter Leonard Liersch	11,500	11,500
Timothy Gerard McCarthy	7,000	7,000
Douglas Colin Newnham	60,500	60,500
Russell David Pattinson	5,000	5,000
Brian Charles Russell (resigned 3 October 2008)	14,600	14,600
Trevor Henry Turnham	7,000	7,000
Graeme James Walker	4,000	4,000
Maureen Patricia Wiltshire	18,100	18,100

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

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.

Notes to the financial statements continued

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).

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

	2009 $	2008 $
Profit after income tax expense	**38,005**	**105,316**

	2009 Number	2008 Number
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,010,700**	**1,010,700**

	2009 $	2008 $

Note 23. Dividends paid or provided for on ordinary shares

(a) Dividends proposed and recognised as a liability

	2009 $	2008 $
Unfranked dividends - $Nil cents per share (2008: $Nil)	-	-
(b) Dividends paid during the year		
(i) Previous year final		
Franked dividends - 5 cents per share (2008: 4 cents per share unfranked)	**50,535**	**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	42,699	45,000
• Franking credits that will arise from the payment of income tax payable as at the end of the financial year	6,645	4,737
• Franking debits that will arise from deferred tax assets as at the end of the financial year	(17,104)	(14,813)
	32,240	**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 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)

(a) Credit risk (continued)

	Carrying amount 2009 $	2008 $
Cash assets	406,340	378,047
Receivables	91,957	89,811
	498,297	**467,858**

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 (2008: 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 2009					
Payables	33,040	(33,040)	(33,040)	–	–
	33,040	**(33,040)**	**(33,040)**	**–**	**–**
30 June 2008					
Payables	67,699	(67,699)	(67,699)	–	–
	67,699	**(67,699)**	**(67,699)**	**–**	**–**

Note 24. Financial risk management (continued)

(c) Market risk

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

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount 2009 $	2008 $
Fixed rate instruments		
Financial assets	300,000	206,500
Financial liabilities	-	-
	300,000	**206,500**
Variable rate instruments		
Financial assets	106,340	171,547
Financial liabilities	-	-
	106,340	**171,547**

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 2008 there was also no impact. As at both dates this assumes all other variables remain constant.

Note 24. Financial risk management (continued)

(d) Net fair values

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

(e) Capital management

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

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

(i) the Distribution Limit is the greater of:

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2009 can be seen in the Income Statement.

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

Directors' 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 2009 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.

Doug Newnham

Chairperson

Signed at Romsey, Victoria on 28 September 2009.

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 2009.

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.

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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 2009 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. J. SINNOTT
Partner
Bendigo

Date: 28 September 2009

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