

**Annual Report 2010**  
**Lancefield & Romsey**  
**Community Financial Services Limited**  
**ABN 11 068 049 178**



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## Chairman's Report - for year ending 30 June 2010

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Dear Shareholders,

This annual report provides details of the financial results of the Company over the twelve months to 30 June 2010, and of the key activities of your Company over that period.

### Company performance

The Company returned a strong after tax profit of \$67,960 [2009: \$38,005] and after making the considerable returns to the community discussed below. The strong profit also enabled the Company to again pay a dividend to shareholders.

We remain committed to our core “reason for being” – which is to provide an efficient and profitable **Community Bank**<sup>®</sup> business in our towns; to provide a reasonable return to shareholders; and to fund projects for the benefit of the local community.

The trading environment while significantly improved on the prior year remained extremely challenging and our staff are to be congratulated for their performance under the conditions.

To cope with the growth of business in Romsey, the Company has leased offices at 103 Main Street to provide space for personal and business banking. In addition, the Company has purchased land at 105 Main Street to develop a bank of the future and further secure our banking operations.

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

### Community

During the year the Company contributed \$65,977 in sponsorships and grants to local clubs, organisations, schools etc. In addition, the Company has invested \$170,000 in the Community Enterprise Foundation<sup>™</sup>. These funds will be allocated to significant community projects in the future.

- Our sponsorship program continued to support numerous clubs and organisations in Lancefield and Romsey this year contributing over \$11,000.
- This year we continued our “Building our Community Grants” again providing more than \$40,000 to 50 local schools, churches, 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**<sup>®</sup> branch.

The community grants program culminated in a gala evening held at the Lancefield Mechanics Hall. The night was attended by close to 100 representatives of organisations which received grants, coming together to celebrate and share their projects. Our Deputy Chair Maureen Wiltshire hosted the evening with entertainment by Josie Waldron, the Lancefield Primary School Choir and the award winning Cowboys and Angels Dance Academy. The night was also attended by Macedon Ranges MP Joanne Duncan and Councillors Joan Donovan and Henry McLaughlin.

Direct and indirect contributions, your bank has contributed back into the community since we opened our doors in 2001 now exceeds \$500,000.

## Chairman's Report continued

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

### Staff

Rod Browning, our Senior Manager, continues to manage both Lancefield and Romsey branches and has served our Company for nine years.

During the year James Smithwick was promoted to Lancefield Branch Manager and we have added 3 new staff members, to support growth and maintain personalised banking services.

The Board wishes to publicly acknowledge all staff in their efforts in the achievements of the Company.

### Financial performance

The Company produced a profit after tax for the financial year of \$67,960. Full details are to be found in the attached financial statements.

At year end business on the books approached \$120 million. With ongoing growth this places us well for future returns to shareholders and the community.

The Company has continued to provide regular returns to shareholders paying an interim dividend of 4 cents a share on 31<sup>st</sup> May 2010. This represents a yield of 5.3% (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
May 2010	interim dividend	4 cents	fully franked

### Directors

We have been most fortunate to have recently attracted Jennifer Stillman and Neville Barwick to the board. Jenny and Neville bring a wealth of experience and connections to our company.

In November 2009, Trevor Turnham retired from the board. Trevor was instrumental in establishing the Romsey **Community Bank**<sup>®</sup> Branch, and provided extensive services to our branches through both the Premises Panel and as Board Secretary. His contribution to the community and your Company has been enormous

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.

## Chairman's Report continued

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### The future

We are confident that we will continue to succeed in the first two of our Company goals

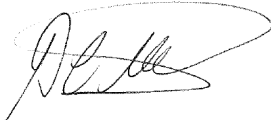
1. Operating an efficient and profitable community business.
2. Providing personalised local banking services.

We believe we have delivered on our commitment made last year to make significant inroads into our other two goals:

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

Your **Community Bank**<sup>®</sup> company benefits 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 **Community Bank**<sup>®</sup> branches.

On behalf of all of your Directors, I would like to thank you for your continuing support. The provision of **Community Bank**<sup>®</sup> 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 of the business and service to the community.



**Doug Newnham**  
Chairman

## 2. Senior Manager's Report

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Over the last twelve months your **Community Bank**<sup>®</sup> branches in Romsey and Lancefield have maintained growth in both lending and deposits and we now have a combined holding of \$120 million and over 8500 accounts. This is a good result, but we are confident that there remain considerable opportunities to increase the size of our business with even more people recognising the value of the **Community Bank**<sup>®</sup> experience.

During the year we have continued to offer our wide range of Bendigo Bank core products (personal, consumer or business and commercial loans, savings, term deposits, insurance, superannuation etc.) to new and existing customers. In addition, we have increased our focus on providing expert financial advice to customers via our highly experienced financial planner. The financial planning and business banking service we provide is a free service available to all customers and is readily available by appointment.

While the competitive and comprehensive range of banking products we offer is important, so too is our service to our customers. In that regard my staff and I place great importance on providing friendly and beneficial service to our customers – new and existing. To do so we focus on staff development, training and promotion. The recent announcement of James Smithwick's promotion to Manager at Lancefield is an example - and this also provides us with more opportunity to be pro-active in getting out and meeting the needs of our communities.

All of our dedicated staff continue to go out of their way to service our customers and communities' needs. Our offer of providing face-to-face banking is always evident, as we are able to provide more banking hours to you: From 9am to 5pm every week day and 9am to midday on Saturdays. And that's not to mention that both James and I are able to be contacted on our mobiles at any time.

The awareness of our **Community Bank**<sup>®</sup> branch support of our community by providing excellent grants and sponsorship to the many community groups, is slowly becoming infectious. The community's realisation of the benefit of the **Community Bank**<sup>®</sup> model continues to grow through the support the Company provides to numerous worthwhile projects.

For me, it is a source of great pride as I get around our community and see and hear directly the value that your **Community Bank**<sup>®</sup> branches are providing. However, we still have plenty of scope for many more people living in our communities to join us as customers. The more we grow the more support our communities will receive.

We have now celebrated nine years of service to our communities. My staff and I look forward to the future – continuously improving our service, products and premises but most of all our contribution back to our fantastic communities. We look forward to further assisting our existing customers and attracting many more new ones to join our **Community Bank**<sup>®</sup> branches and secure their financial future through innovative products and expert advice.

I would like to take the opportunity to say thank you to all those customers who are enjoying the **Community Bank**<sup>®</sup> experience and ask that you to share this by telling your family and friends.



**Rod Browning**  
**Senior Manager**

### 3. Director's Report

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Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

#### Director's

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  
Long-serving member of Lions Int.  
Former Shire President (Romsey)  
Former Councillor  
Member of the Human Resources Panel

**Neville John Barwick**

Director since 17 December 2009  
Bachelor of Architecture (Hons.)  
Diploma Certificate Technology  
Former Director General (Vic Govt); Councillor  
President Melbourne Rotary  
Chair of a number of welfare organisations  
and major East Timor projects  
Member of Business Development 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 Business Development Panel

**Peter Leonard Liersch**

Director since 2 June 2008  
Company Secretary from 3 October 2008  
Certified Practising Accountant, Fellow of  
Chartered Secretaries Aust.- Accredited  
Ass. of the Institute for Independent Business  
Member of Business Development Panel

**Russell David Pattinson**

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

**Trevor Henry Turnham**

Resigned 25 November 2009  
Bachelor of Education  
Trained Primary Teachers Certificate  
Retired Primary School Principal  
Very active in local community activities

**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  
Ass. Fellow of the Australian Institute of Management  
Member of Business Development Panel  
Member of the Finance 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

**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

**Jennifer Elizabeth Stillman**

Director since 7 December 2009  
Equine Veterinary Surgeon  
Bachelor of Veterinary Science  
Master Veterinary Studies  
Member Australian College of Veterinary Scientists  
Board of GriefLine Services Inc  
Local community involvement including  
Romsey Primary School Council and  
Romsey Region Business and Tourism Association.

**Graeme James Walker**

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

## Director's Report continued

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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. Peter's career has spanned 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 banking 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.

### 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:

Year ended 30 June 2010	Year ended 30 June 2009
\$	\$
<u>67,960</u>	<u>38,005</u>

### Dividends

	Year Ended 30 June 2010	
	Cents Per Share	\$
<hr/>		
Dividends paid in the year:		
As recommended in the prior year report	4	40,428

### 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 other than the company is a party to a contract to purchase the property at 105 Main Street, Romsey.

### Likely Developments

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



## Director's Report continued

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### 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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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 during the year were:

Director	Board Meetings #	Finance Committee Meetings #
N J Barwick (appointed 17 December 2009)	3 (5)	N/A
H C Drummond	11 (11)	4 (4)
B W Ellis	9 (11)	1 (4)
S P Giles	10 (11)	N/A
P L Liersch	11 (11)	4 (4)
T G McCarthy	9 (11)	4 (4)
D C Newnham	9 (11)	N/A
R D Pattinson	11 (11)	N/A
J E Stillman (appointed 7 December 2009)	4 (5)	N/A
T H Turnham (resigned 25 November 2009)	5 (5)	N/A
G J Walker	9 (11)	N/A
M P Wiltshire	10 (11)	N/A

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

## Director's Report continued

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### 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, Peter Liersch and Brian Ellis;
- (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

## Directors Report continued

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The directors received the following declaration from the auditor of the Company:

Richmond Sinnott &



**Chartered Accountants**

172-176 McIvor Rd  
PO Box 30  
Bendigo, 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
E-mail:  
rsd@rsd advisors.com.au

### Auditor's Independence Declaration

In relation to our audit of the financial report of Lancefield & Romsey Community Financial Services Limited for the financial year ended 30 June 2010, 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.

A handwritten signature in black ink, appearing to read 'W. Sinnott'.

**Warren Sinnott**  
**Partner**  
**Richmond Sinnott & Delahunty**  
**6 September 2010**

Signed in accordance with a resolution of the Board of Directors at Romsey, Victoria  
on 6 September 2010

A handwritten signature in black ink, appearing to read 'D. Newnham'.

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**Doug Newnham, Chairperson**

## 4. Financial Statements

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<b>4.1 Income Statement</b>		<b>2010</b>	<b>2009</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
Revenue from ordinary activities	2	1,140,293	960,349
General administration expenses		(127,291)	(125,122)
Charitable donations, sponsorship, advertising & promotion		(235,977)	(63,956)
Employee benefits expense	3	(507,142)	(549,277)
Occupancy and associated costs		(62,996)	(60,662)
Systems costs		(44,701)	(46,056)
Depreciation and amortisation expense	3	(55,580)	(58,297)
		<hr/>	<hr/>
<b>Profit before income tax</b>		106,606	56,979
Income tax expense	4	<u>(38,646)</u>	<u>(18,974)</u>
<b>Profit after income tax</b>		67,960	38,005
Other comprehensive income		<hr/> -	<hr/> -
<b>Total comprehensive income</b>		<hr/> <u>67,960</u>	<hr/> <u>38,005</u>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	22	6.72	3.76
- diluted for profit for the year	22	6.72	3.76

## Financial Statements continued

<b>4.2 Balance Sheet</b>		<b>2010</b>	<b>2009</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents	5	401,919	406,340
Receivables	6	101,898	91,957
Other asset	7	<u>79,500</u>	<u>-</u>
<b>Total Current Assets</b>		<u>583,317</u>	<u>498,297</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	149,915	179,047
Intangibles	9	10,166	32,166
Deferred tax assets	10	<u>18,237</u>	<u>17,104</u>
<b>Total Non-Current Assets</b>		<u>178,318</u>	<u>228,317</u>
<b>Total Assets</b>		<u>761,635</u>	<u>726,614</u>
<b>Current Liabilities</b>			
Payables	11	24,404	33,040
Current tax liabilities	12	12,022	6,645
Provisions	13	<u>70,435</u>	<u>59,687</u>
<b>Total Current Liabilities</b>		<u>106,861</u>	<u>99,372</u>
<b>Total Liabilities</b>		<u>106,861</u>	<u>99,372</u>
<b>Net Assets</b>		<u>654,774</u>	<u>627,242</u>
<b>Equity</b>			
Share capital	14	667,869	667,869
Accumulated losses	15	<u>(13,095)</u>	<u>(40,627)</u>
<b>Total Equity</b>		<u>654,774</u>	<u>627,242</u>

## Financial Statements continued

4.3 Cash Flow Statement	<u>Notes</u>	2010 \$	2009 \$
<b>Cash Flows From Operating Activities</b>			
Cash paid to suppliers and employees		(977,672)	(947,125)
Cash received from customers		1,116,917	1,033,321
Interest received		15,113	19,144
Income tax paid		(34,403)	(19,357)
		<hr/>	<hr/>
<b>Net cash provided by operating activities</b>	16(b)	<u>119,955</u>	<u>85,983</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(4,448)	(7,155)
Payments for deposit on land		(79,500)	-
		<hr/>	<hr/>
<b>Net cash flows used in investing activities</b>		<u>(83,948)</u>	<u>(7,155)</u>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(40,428)	(50,535)
		<hr/>	<hr/>
<b>Net cash flows used in financing activities</b>		<u>(40,428)</u>	<u>(50,535)</u>
<b>Net increase/(decrease) in cash held</b>		(4,421)	28,293
Cash and cash equivalents at start of year		406,340	378,047
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	16(a)	<u><u>401,919</u></u>	<u><u>406,340</u></u>

## Financial Statements continued

4.4 Statement of Changes in Equity	<u>Notes</u>	2010 \$	2009 \$
<b>SHARE CAPITAL</b>			
Balance at start of year		667,869	920,544
Issue of share capital		-	-
Return of share capital		-	(252,675)
Share issue preliminary costs		-	-
<b>Balance at end of year</b>		<u>667,869</u>	<u>667,869</u>
<b>ACCUMULATED LOSSES</b>			
Balance at start of year		(40,627)	(28,097)
Profit after income tax expense		67,960	38,005
Dividends paid	23	<u>(40,428)</u>	<u>(50,535)</u>
<b>Balance at end of year</b>		<u>(13,095)</u>	<u>(40,627)</u>

## 5. Notes to Financial Statements

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### 1. Basis of preparation of the Financial Report

#### (a) Basis of preparation

Lancefield & Romsey Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 06 September 2010.

#### (b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2009 financial statements.

##### Income tax

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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 Financial Statements continued

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### 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:

<u>Class of fixed assets</u>	<u>Depreciation rate</u> <u>(%)</u>
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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

## Notes to Financial Statements continued

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### 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 reporting 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.

## Notes to Financial Statements continued

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### 1. Basis of preparation of the Financial Report (continued)

#### Loans and Borrowings

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

#### Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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.

#### Share 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.

<b>2. Revenue from ordinary activities</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Operating activities		
- services commissions	888,533	736,866
- other revenue	233,286	205,749
	<hr/>	<hr/>
Total revenue from operating activities	<u>1,121,819</u>	<u>942,615</u>
Non-operating activities:		
- interest received	18,474	17,734
	<hr/>	<hr/>
Total revenue from non-operating activities	<u>18,474</u>	<u>17,734</u>
	<hr/>	<hr/>
Total revenue from ordinary activities	<u><u>1,140,293</u></u>	<u><u>960,349</u></u>

## Notes to Financial Statements continued

<b>3. Expenses</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Employee benefits expense		
- wages and salaries	417,558	460,502
- superannuation costs	37,652	39,636
- workers' compensation costs	1,407	1,419
- other costs	50,525	47,720
	<u>-</u>	<u>-</u>
	<u>507,142</u>	<u>549,277</u>
Depreciation of non-current assets:		
- plant and equipment	9,293	9,262
- leasehold improvements	24,287	27,035
Amortisation of non-current assets:		
- intangibles	22,000	22,000
	<u>22,000</u>	<u>22,000</u>
	<u>55,580</u>	<u>58,297</u>
Bad debts	<u>1,762</u>	<u>674</u>
<b>4. Income tax expense</b>		
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%	31,983	17,094
Add tax effect of:		
- non-deductible expenses	6,600	6,620
- origination and reversal of temporary differences	2,702	721
- investment allowance	-	(161)
- other deductible expenses	<u>(1,505)</u>	<u>(3,009)</u>
Current tax	39,780	21,265
Movement in deferred tax	<u>(1,133)</u>	<u>(2,291)</u>
	<u>38,647</u>	<u>18,974</u>

## Notes to Financial Statements continued

### 5. Cash and Cash Equivalents

Cash at bank and on hand	88,919	106,340
Investment account	313,000	300,000
	<u>401,919</u>	<u>406,340</u>

### 6. Receivables

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	<u>101,898</u>	<u>91,957</u>

### 7. Other asset

Deposit on land	<u>79,500</u>	<u>-</u>
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### 8. Property, plant and equipment

#### *Office furniture and equipment*

At cost	49,060	44,612
Less accumulated depreciation	(26,006)	(20,393)
	<u>23,054</u>	<u>24,219</u>

#### *Leasehold improvements*

At cost	288,638	288,638
Less accumulated depreciation	(177,718)	(153,431)
	<u>110,920</u>	<u>135,207</u>

#### *Motor Vehicle*

At cost	30,585	30,585
Less accumulated depreciation	(14,644)	(10,964)
	<u>15,941</u>	<u>19,621</u>

Total written down amount	<u>149,915</u>	<u>179,047</u>
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## Notes to Financial Statements continued

### Movements in carrying amounts:

#### *Office furniture and equipment*

Carrying amount at beginning of year	24,219	24,899
Additions	4,448	4,055
Disposals	-	-
Less depreciation expense	(5,613)	(4,735)
	<u>23,054</u>	<u>24,219</u>

#### *Leasehold improvements*

Carrying amount at beginning of year	135,207	159,142
Additions	-	3,100
Disposals	-	-
Less depreciation expense	(24,287)	(27,035)
	<u>110,920</u>	<u>135,207</u>

#### *Motor Vehicle*

Carrying amount at beginning of year	19,621	24,148
Additions	-	-
Disposals	-	-
Less depreciation expense	(3,680)	(4,527)
	<u>15,941</u>	<u>19,621</u>

Total written down amount

149,915      179,047

### 9. Intangible Assets

**2010**      **2009**  
**\$**      **\$**

#### *Franchise Fees*

At cost	110,000	110,000
Less accumulated amortisation	(99,834)	(77,834)
	<u>10,166</u>	<u>32,166</u>

### 10. Deferred Tax Assets

Balance at the beginning of the financial year	17,104	14,813
Recoupment of prior year tax losses	-	-
Deferred tax on provisions	1,133	2,291
	<u>18,237</u>	<u>17,104</u>

## Notes to Financial Statements continued

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### 11. Payables

Sundry creditors	<u>24,404</u>	<u>33,040</u>
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### 12. Current Tax Liabilities

Current tax payable	<u>12,022</u>	<u>6,645</u>
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### 13. Provisions

Employee provisions	<u>70,435</u>	<u>59,687</u>
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### 14. 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)
	<u>262,798</u>	<u>262,798</u>

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)
	<u>405,071</u>	<u>405,071</u>
Total Share Capital	<u>667,869</u>	<u>667,869</u>

## Notes to Financial Statements continued

<b>15. Accumulated Losses</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Balance at the beginning of the financial year	(40,627)	(28,097)
Net profit from ordinary activities after income tax	67,960	38,005
Dividends paid	(40,428)	(50,535)
	<u>(13,095)</u>	<u>(40,627)</u>

## 16. Statement of Cash Flows

### (a) Cash and cash equivalents

Cash at bank and on hand	<u>401,919</u>	<u>406,340</u>
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### (b) Reconciliation of profit after tax to net cash provided by operating activities

Profit after income tax	67,960	38,005
Non cash items:		
- depreciation	33,580	36,297
- amortisation	22,000	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(9,941)	(2,146)
- (increase)/decrease in deferred tax assets	(1,133)	(2,291)
- increase/(decrease) in income tax payable	5,377	1,908
- increase/(decrease) in payables	(8,636)	(34,659)
- increase/(decrease) in provisions	10,748	26,869
	<u>119,955</u>	<u>85,983</u>

## 17. Auditors' remuneration

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

- audit & review services	<u>3,900</u>	<u>3,650</u>
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## Notes to Financial Statements continued

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### 18. Director and Related party disclosures

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

Neville John Barwick (appointed 17 December 2009)  
Hugh Drummond  
Brian William Ellis  
Stella Patricia Giles  
Peter Leonard  
Liersch  
Timothy Gerard McCarthy  
Douglas Colin Newnham  
Russell David Pattinson  
Jennifer Elizabeth Stillman (appointed 7 December 2009)  
Trevor Henry Turnham (resigned 25 November 2009)  
Graeme James  
Walker  
Maureen Patricia Wiltshire

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.

18. Director and Related party disclosures (continued)

<b>Directors shareholdings</b>	<b>2010</b>	<b>2009</b>
Neville John Barwick (appointed 17 December 2009)	-	-
Hugh Drummond	-	-
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
Jennifer Elizabeth Stillman (appointed 7 December 2009)	14,600	14,600
Trevor Henry Turnham (resigned 25 November 2009)	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.

### 19. 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 Financial Statements continued

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### 20. Contingent liabilities

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

### 21. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Lancefield and Romsey District, Victoria.

### 22. 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 Victoria 3435

### 23. 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:

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Profit after income tax expense	<u>67,960</u>	<u>38,005</u>
	<b>2010</b>	<b>2009</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>1,010,700</u>	<u>1,010,700</u>

## Notes to Financial Statements continued

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24. Dividends paid or provided for on ordinary shares	2010	2009
	\$	\$
<b>(a) Dividends paid during the year</b>		
(i) Previous year final		
Franked dividends - 4 cents per share (2009: 5 cents per share franked)	40,428	50,535
<b>(b) Franking credit balance</b>		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	59,776	42,699
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	12,022	6,645
- Franking debits that will arise from deferred tax assets as at the end of the financial year	(18,237)	(17,104)
	<u>53,561</u>	<u>32,240</u>

## Notes to Financial Statements continued

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### 25. 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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	<u>Carrying Amount</u>	
	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
Cash assets	401,919	406,340
Receivables	<u>101,898</u>	<u>91,957</u>
	<u>503,817</u>	<u>498,297</u>

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 (2009: 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.

## Notes to Financial Statements continued

### 25. Financial risk management (continued)

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

	Carrying amount	Contractual cash flows	1 year or less	over 1 to 5 years	more than 5 years
	\$	\$	\$	\$	\$
<b>30 June 2010</b>					
Payables	24,404	(24,404)	(24,404)	-	-
	<u>24,404</u>	<u>(24,404)</u>	<u>(24,404)</u>	<u>-</u>	<u>-</u>
<b>30 June 2009</b>					
Payables	33,040	(33,040)	(33,040)	-	-
	<u>33,040</u>	<u>(33,040)</u>	<u>(33,040)</u>	<u>-</u>	<u>-</u>

#### (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	
	2010	2009
	\$	\$
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
	<u>-</u>	<u>-</u>
<b>Variable rate instruments</b>		
Financial assets	401,919	406,340
Financial liabilities	-	-
	<u>401,919</u>	<u>406,340</u>

#### 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 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

## Notes to Financial Statements continued

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### 25. 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 Statement of Financial Position. 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 Statement of Financial Position.

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 2010 can be seen in the Statement of Comprehensive Income.

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

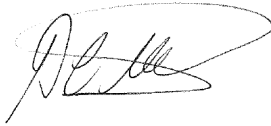
## 6. Director's Declaration

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I  
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 2010 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.



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**Doug Newnham, Chairperson**

Signed at Romsey, Victoria on 6 September 2010.

## 7. Independent Audit Report

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### 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 statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Lancefield & Romsey Community Financial Services Limited, for the year ended 30 June 2010.

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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Woodbury Court, 172 Melvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)

ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

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**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 2010 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*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 6 September 2010

# Annual Report 2010

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  
ABN: 44 093 517 714

[www.bendigobank.com.au](http://www.bendigobank.com.au)

Bendigo and Adelaide Bank Limited  
The Bendigo Centre, Bendigo VIC 3550  
ABN 11 068 049 178 AFSL 237879 (BMPAR9050) (09/10)

**Lancefield and Romsey  
Community Bank® branches**

