Lancefield & Romsey Community Financial Services Limited

ABN 44 093 517 714

annual report 2011

Lancefield and Romsey **Community Bank®** branches

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Chairman's report

For year ending 30 June 2011

We can look back on the 2010/11 financial year with great pride at the progress that the Company has made and the vision built for the future of both the Company and our communities of Lancefield and Romsey.

As Lancefield **Community Bank®** Branch enters its second decade of trading it is worth looking back on ten years of Company operations to review the progress of our communities. In particular we can look up and down High Street, Lancefield, to see the phenomenal change in business activity and activity in general and look back with great pride. Whilst opening the **Community Bank®** branch in Lancefield is not the sole reason for the changing fortunes in our community, we can never forget the indelible contribution of the initial Company shareholders, who had the courage to build our branch on the back of a promise for a brighter future.

The Company can proudly report an accounting profit before income tax provisions of $286,027 after community contributions, sponsorships and grants of $97,826. Well in excess of 50 local clubs and organisations have benefited over the past 12 months from support by the Company. Coupled with a strong balance sheet, this is a remarkable result in the light of continuing market volatility and uncertainty. This reflects the continuing amazing efforts of both the volunteer Company Directors and the banking team led by our Senior Manager, Rod Browning and Branch Managers, Leanne Showler and James Smithwick. It also reflects the support from our customers, without which none of this would be possible.

I would like to formally acknowledge the efforts of each of the volunteer Directors of the Company. Their continued efforts to improve and grow our communities consistently inspires me personally and I would expect that our communities would feel the same level of indebtedness to this dedicated group of community leaders who's single driving passion is the betterment of both Lancefield and Romsey. In particular I take this opportunity to thank Hugh Drummond and Jenny Stillman who have retired from the Board recently. Both Hugh and Jenny have made a valued and significant contribution to the Company and we continue to be grateful for their ongoing support.

I would also like to especially thank Doug Newnham, the outgoing Chairman of the Board. During Doug's term as the Company Chairman, he has overseen a massive expansion in our financial contribution to the community as well as the bold step to develop a quality business precinct in the heart of Romsey. With recent Macedon Ranges Shire Council showing escape spending from Romsey in excess of $45 million, this project will become an icon to enhance the quality of life for all residents.

As founding Directors of the Company special mention should be made of Graeme Walker, Russell Pattinson, Maureen Wiltshire and Doug Newnham. These four Directors have now served as volunteer Directors for in excess of 10 years and continue to contribute a massive amount to the community in this capacity. It is rare to have such length of service to community projects and we, as a Board, Company and community will be eternally grateful for the contribution each has made.

To the community, our message is clear and simple – your Directors are truly committed to building a better and stronger Lancefield and Romsey that enhances the living experience for every person in the district.

Chairman's report continued

The **Community Bank®** model is rare indeed – it provides the opportunity for our communities, Lancefield and Romsey, to create and build our own destiny through our actions. Your continued support as shareholders, customers and active community supporters is critical to continue to make Lancefield and Romsey the great communities that they are today and will be for generations to come.

Tim McCarthy
Chairman

Senior Manager's report

For year ending 30 June 2011

After a decade of continued growth I feel very humbled by the community support which has developed around our bank.

We are certainly privileged to have such a dedicated community behind us, along with staff and Board members who work so hard for the same cause.

We have put in place the staffing structures at both branches which will help grow our overall book of lending and deposits, as well as the necessary plans to ensure our success continues into the future.

Our future is exciting, with plans well underway for our new premises in Romsey. Our Branch Managers in Leanne Showler and James Smithwick are backed by extremely efficient staff who provide outstanding customer service. Our staff have been able to strengthen our relationships within the community, with active involvement/ facilitation with various groups.

Lancefield **Community Bank®** Branch over the past 12 months has seen an increase in total business on the books of $4.5 million, while Romsey **Community Bank®** Branch has increased by $4.8 million.

Our consumer lending applications over the past six months showed a significant increase. We will continue to focus on growing the business through contact with local business groups, and by utilising our relationships with groups that we currently support.

Both the Romsey and Lancefield communities are continuing to grow, and we are experiencing the cycle of some local businesses changing ownership. This provides us with an opportunity to showcase our services and explain our differences and advantages in comparison with other financial institutions.

We have set ourselves some challenging business growth targets for the 2011/12 financial year, with further deposit and lending growth which will be supported by a proactive and visible presence in both our communities. We will continue to tell existing and potential customers why banking with our branches benefits their community.

In achieving our target figures, we will be able to continue our partnership with our communities.

To our shareholders and customers, I extend my gratitude for your continuing support for our business over the past year. It is your banking that generates the income to enable us to provide funds to benefit and grow our communities, and help us ensure that Lancefield and Romsey remain wonderful places to live and work.

Rod Browning
Senior Manager

Directors' report

For the financial year ended 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

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 2010
Earthmoving Contractor
Long-serving 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 2010
Deputy Chairperson since 6 July 2010
Bachelor of Arts
Bachelor of Laws & Diploma in Family Law
Legal Practitioner
Involvement in community organisations

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

Hugh Cranston Drummond
Director since 2 March 2009
Retired former Director, BDO Chartered Accountants
Treasurer, Lancefield Golf Club
Master Of Business Administration
Associate 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
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

Directors (continued)

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

Jennifer Elizabeth Stillman
Director since 7 December 2009
Equine Veterinary Surgeon
Bachelor Veterinary Science
Master Veterinary Studies
Member Australian College of Veterinary Scientists
Board Member 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

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 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.

Review of operations

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 2011 $	Year ended 30 June 2010 $
	193,183	67,960

Directors' report continued

Dividends	Year ended 30 June 2011 Cents per share	 $'000
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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

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

Remuneration report

Melissa McCarthy, wife of Director Timothy McCarthy, is the Company bookkeeper. During the 2011 year payments amounting to $4,260 were made to the TG&MA McCarthy Family Trust for bookkeeping services provided to the Company.

No other 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' report continued

Directors' meetings

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

Director	Board meetings #
N J Barwick	8 (11)
H C Drummond	11 (11)
B W Ellis	11 (11)
S P Giles	9 (11)
P L Liersch	11 (11)
T G McCarthy	10 (11)
D C Newnham	11 (11)
R D Pattinson	10 (11)
J E Stillman	10 (11)
G J Walker	8 (11)
M P Wiltshire	11 (11)

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.

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 Peter Liersch;

(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

23 September 2011

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 2011, 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 23 September 2011

Tim McCarthy

Chairperson

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	1,293,784	1,140,293
Other expenses		(120,510)	(127,290)
Charitable donations, sponsorship, advertising & promotion		(97,826)	(235,977)
Employee benefits expense	3	(613,130)	(507,142)
Occupancy and associated costs		(83,501)	(62,996)
Systems costs		(41,396)	(44,701)
Depreciation and amortisation expense	3	(51,394)	(55,580)
Profit before income tax		**286,027**	**106,607**
Income tax expense	4	(92,844)	(38,647)
Profit after income tax		**193,183**	**67,960**
Other comprehensive income		-	-
Total comprehensive income		**193,183**	**67,960**

Earnings per share (cents per share)			
- basic for profit for the year	24	19.11	6.72
- diluted for profit for the year	24	19.11	6.72

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	5	170,580	401,919
Receivables	6	112,601	101,898
Other asset	7	-	79,500
Total current assets		**283,181**	**583,317**
Non-current assets			
Property, plant and equipment	8	1,026,200	149,915
Intangibles	9	106,139	10,166
Deferred tax assets	10	24,724	18,237
Total non-current assets		**1,157,063**	**178,318**
Total assets		**1,440,244**	**761,635**
Current liabilities			
Payables	11	49,045	24,404
Current tax liabilities	12	68,901	12,022
Provisions	13	82,414	70,435
Loans and borrowings	14	55,176	-
Total current liabilities		**255,536**	**106,861**
Non-current liabilities			
Loans and borrowings	14	377,179	-
Total current liabilities		**377,179**	**-**
Total liabilities		**632,715**	**106,861**
Net assets		**807,529**	**654,774**
Equity			
Share capital	15	667,869	667,869
Retained earnings/(accumulated losses)	16	139,660	(13,095)
Total equity		**807,529**	**654,774**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash paid to suppliers and employees		1,393,323	(1,088,175)
Cash received from customers		(1,048,112)	1,227,420
Interest received		18,127	15,113
Income tax paid		(42,452)	(34,403)
Net cash provided by operating activities	**17(b)**	**320,886**	**119,955**
Cash flows from investing activities			
Payments for property, plant and equipment		(803,504)	(4,448)
Payments for deposit on land		-	(79,500)
Payment for capitalised interest		(21,223)	-
Payment for intangibles		(119,425)	-
Net cash flows used in investing activities		**(944,152)**	**(83,948)**
Cash flows from financing activities			
Proceeds from borrowings		560,000	-
Repayment of borrowings		(127,645)	-
Dividends paid		(40,428)	(40,428)
Net cash flows provided by/(used in) financing activities		**391,927**	**(40,428)**
Net decrease in cash held		**(231,339)**	**(4,421)**
Cash and cash equivalents at start of year		401,919	406,340
Cash and cash equivalents at end of year	**17(a)**	**170,580**	**401,919**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 $	2010 $
Share capital			
Balance at start of year		667,869	667,869
Issue of share capital		-	-
Return of share capital		-	-
Share issue preliminary costs		-	-
Balance at end of year		**667,869**	**667,869**
Accumulated losses			
Balance at start of year		(13,095)	(40,627)
Profit after income tax expense		193,183	67,960
Dividends paid	25	(40,428)	(40,428)
Balance at end of year		**139,660**	**(13,095)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 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 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** 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 23 September 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 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.

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.

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 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 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 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 statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

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.

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

Comparative figures

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

	2011 $	2010 $
Note 2. Revenue from continuing operations		
Operating activities		
- services commissions	1,041,014	888,533
- other revenue	240,679	233,286
	1,281,693	**1,121,819**
Non-operating activities:		
- interest received	12,091	18,474
	12,091	**18,474**
	1,293,784	**1,140,293**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	519,705	417,558
- superannuation costs	46,624	37,652
- workers' compensation costs	1,519	1,407
- other costs	45,282	50,525
	613,130	**507,142**
Depreciation of non-current assets:		
- plant and equipment	6,255	9,293
- leasehold improvements	21,687	24,287
Amortisation of non-current assets:		
- intangibles	23,452	22,000
	51,394	**55,580**
Bad debts	**825**	**1,762**

Notes to the financial statements continued

	2011 $	2010 $

Note 4. Income tax expense

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

	2011 $	2010 $
Prima facie tax on profit before income tax at 30%	85,808	31,983
Add tax effect of:		
- non-deductible expenses	7,035	6,600
- origination and reversal of temporary differences	6,487	2,702
- other deductible expenses	-	(1,505)
Current tax	**99,330**	**39,780**
Movement in deferred tax	(6,486)	(1,133)
	92,844	**38,647**

Note 5. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand	40,280	88,919
Investment account	130,300	313,000
	170,580	**401,919**

Note 6. Receivables

	2011 $	2010 $
Trade receivables	**112,601**	**101,898**

Note 7. Other asset

	2011 $	2010 $
Deposit on land	**-**	**79,500**

Note 8. Property, plant and equipment

Office furniture and equipment

	2011 $	2010 $
At cost	49,060	49,060
Less accumulated depreciation	(29,272)	(26,006)
	19,788	**23,054**

	2011 $	2010 $

Note 8. Property, plant and equipment (continued)

	2011 $	2010 $
Leasehold improvements		
At cost	288,638	288,638
Less accumulated depreciation	(199,405)	(177,718)
	89,233	**110,920**
Motor vehicle		
At cost	30,585	30,585
Less accumulated depreciation	(17,633)	(14,644)
	12,952	**15,941**
Capital works in progress		
At cost	904,227	-
	904,227	**-**
Total written down amount	**1,026,200**	**149,915**
Movements in carrying amounts:		
Office furniture and equipment		
Carrying amount at beginning of year	23,054	24,219
Additions	-	4,448
Less depreciation expense	(3,266)	(5,613)
Carrying amount at end of year	**19,788**	**23,054**
Leasehold improvements		
Carrying amount at beginning of year	110,920	135,207
Less depreciation expense	(21,687)	(24,287)
Carrying amount at end of year	**89,233**	**110,920**
Motor vehicle		
Carrying amount at beginning of year	15,941	19,621
Less depreciation expense	(2,989)	(3,680)
Carrying amount at end of year	**12,952**	**15,941**

	2011 $	2010 $
Note 8. Property, plant and equipment (continued)		
Capital works in progress		
Carrying amount at beginning of year	-	-
Additions	904,227	-
Carrying amount at end of year	**904,227**	**-**
Total written down amount	**1,026,200**	**149,915**

Note 9. Intangible assets

Franchise fees		
At cost	131,570	110,000
Less accumulated amortisation	(112,246)	(99,834)
	19,324	**10,166**
Renewal processing fees		
At cost	97,853	-
Less accumulated amortisation	(11,038)	-
	86,815	**-**
Total written down amount	**106,139**	**10,166**

Note 10. Deferred tax assets

Balance at the beginning of the financial year	18,237	17,104
Deferred tax on provisions	6,487	1,133
Balance at the end of the financial year	**24,724**	**18,237**

Note 11. Payables

Sundry creditors	**49,045**	**24,404**

Note 12. Current tax liabilities

Current tax payable	**68,901**	**12,022**

Notes to the financial statements continued

	2011 $	2010 $

Note 13. Provisions

Employee provisions	**82,414**	**70,435**
Movement in employee benefits		
Opening balance	70,435	59,687
Additional provisions recognised	56,998	26,789
Amounts utilised during the year	(45,019)	(16,041)
Closing balance	**82,414**	**70,435**

Note 14. Loans and borrowings

Current:		
Bank loans	**55,176**	**-**
Non-current:		
Bank loans	**377,179**	**-**

Bank loans are repayable monthly with the final instalment due on 23 November 2020. Interest is recognised at an average rate of 7.75%. The loan is secured by a first mortgage over the property located at 105 Main Street, Romsey.

Note 15. 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.

Notes to the financial statements continued

	2011 $	2010 $

Note 15. Share capital (continued)

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 16. Retained earnings/(accumulated losses)

Balance at the beginning of the financial year	(13,095)	(40,627)
Net profit from ordinary activities after income tax	193,183	67,960
Dividends paid	(40,428)	(40,428)
Balance at the end of the financial year	**139,660**	**(13,095)**

Note 17. Statement of cash flows

(a) Cash and cash equivalents

Cash at bank and on hand	**170,580**	**401,919**

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

Profit after income tax	193,183	67,960
Non cash items:		
- depreciation	27,942	33,580
- amortisation	23,452	22,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(10,703)	(9,941)
- (increase)/decrease in deferred tax assets	(6,487)	(1,133)
- increase/(decrease) in income tax payable	56,879	5,377
- increase/(decrease) in payables	24,641	(8,636)
- increase/(decrease) in provisions	11,979	10,748
Net cash flows provided by operating activities	**320,886**	**119,955**

	2011 $	2010 $

Note 18. Auditors' remuneration

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

- audit & review services	**3,900**	**3,900**

Note 19. Director and related party disclosures

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

Hugh Cranston Drummond
Brian William Ellis
Stella Patricia Giles
Peter Leonard Liersch
Timothy Gerard McCarthy
Douglas Colin Newnham
Russell David Pattinson
Jennifer Elizabeth Stillman
Graeme James Walker
Maureen Patricia Wiltshire
Neville John Barwick

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.

Melissa McCarthy, wife of Director Timothy McCarthy, is the Company bookkeeper. During the 2011 year payments amounting to $4,260 were made to the TG&MA McCarthy Family Trust for bookkeeping services provided to the Company.

Directors' shareholdings	**2011**	**2010**
Hugh Cranston 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	-	-
Graeme James Walker	4,000	4,000
Maureen Patricia Wiltshire	18,100	18,100
Neville John Barwick	-	-

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

Notes to the financial statements continued

Note 20. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There have been no other events after the end of the financial year that would materially affect the financial statements.

Note 21. Contingent Liabilities and Assets

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

Note 22. 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 23. 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 24. 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:

	2011 $	2010 $
Profit after income tax expense	**193,183**	**67,960**
	Number	**Number**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,010,700**	**1,010,700**

	2011 $	2010 $

Note 25. Dividends paid or provided for on ordinary shares

	2011 $	2010 $
(a) Dividends paid during the year		
(i) Previous year final		
Franked dividends - 4 cents per share (2010: 4 cents per share)	**40,428**	**40,428**
(b) 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	84,902	59,776
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	68,901	12,022
- Franking debits that will arise from deferred tax assets as at the end of the financial year	(24,724)	(18,237)
	129,079	**53,561**

Note 26. 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:

	Carrying amount	
	2011 $	2010 $
Cash assets	170,580	401,919
Receivables	112,601	101,898
	283,181	**503,817**

Note 26. Financial risk management (continued)

(a) Credit risk (continued)

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

None of the assets of the Company are past due (2010: 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 2011					
Payables	49,045	(49,045)	(49,045)	–	–
Loans and borrowings	432,355	(667,584)	(55,176)	(220,704)	(391,704)
	481,400	**(716,629)**	**(104,221)**	**(220,704)**	**(391,704)**
30 June 2010					
Payables	24,404	(24,404)	(24,404)	–	–
	24,404	**(24,404)**	**(24,404)**	**–**	**–**

(c) Market risk

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

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount 2011 $	2010 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	170,580	401,919
Financial liabilities	(432,355)	-
	(261,775)	**401,919**

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 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the 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.

Note 26. Financial risk management (continued)

(e) Capital management (continued)

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 2011 can be seen in the Statement of Comprehensive Income.

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 2011 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001;

(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.

Tim McCarthy
Chairperson

Signed at Romsey, Victoria on 23 September 2011.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

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 2011 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

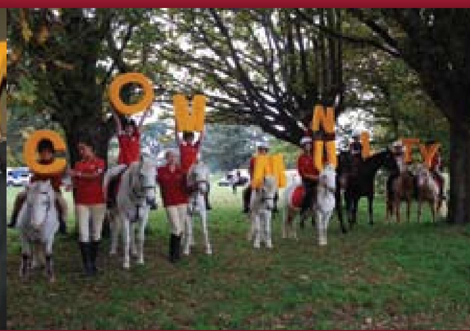
RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 23 September 2011





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