Lancefield & Romsey Community Financial Services Limited

ABN 44 093 517 714

ANNUAL REPORT 2013

Lancefield and Romsey **Community Bank®** branches

Contents

Chairman's report

For year ending 30 June 2013

It is with great pleasure that I can report to our shareholders and the community that the 2012/13 financial year has been a success again for our **Community Bank®** branch in our region of Lancefield and Romsey.

It is quite an achievement that this company of local shareholders continues to serve our communities with such dignity and pride, and I take this opportunity to express my sincere thanks to all those involved in making this possible.

The teams in both our Romsey and Lancefield **Community Bank®** branches, led by the effervescent Rod Browning, provide a remarkable service to our community – a dedication that is above and beyond the expectations of traditional banking services. This has long been our standard, which we are proud and determined to maintain.

Our company recently welcomed Michael O'Gorman to our team as the Branch Manager of Lancefield **Community Bank®** Branch. His immediate impact provides us with confidence that the branch will continue to grow under Michael's leadership.

We also wish his predecessor, James Smithwick, the greatest of success as he develops his role with the Kyneton Branch of Bendigo Bank. We have had the honor of providing the platform for the development of James' skills within the banking environment, and we anticipate that Bendigo and Adelaide Bank will be the beneficiary of his skills as he continues his career with our partner company.

This year our company continued to provide financial strength and support for our loyal shareholders who, it must never be forgotten, were the original drivers in achieving our quest of providing our region with the **Community Bank®** experience we enjoy today.

The operating profit of Lancefield & Romsey Community Financial Services Limited before charitable donations and sponsorship was $220,278, after allowing for an impairment loss of $272,907 resulting from a current market appraisal of 105 Main Street, Romsey. In the prevailing economic conditions, both locally and globally, this achievement demonstrates the continued stability that the **Community Bank®** concept provides to Lancefield and Romsey.

The challenges relating to our property development at 105 Main Street, Romsey since we purchased the site in May 2010, have been well documented. Despite the delays, both our company Directors and the wider community will have a lot to be excited about over the next 12 months as we move towards construction stage. This will result in another great community asset and local employment opportunities.

It will also usher in a new era for our **Community Bank®** branch and further enhance our company's commitment from the day of inception to 'bank proof' our region for the long term.

Our shareholders can be satisfied that we have provided a fully franked dividend again of 5 cents per share. For our initial shareholders, it is quite exciting to realise that their original $1 investment has now returned 52 cents in dividend and capital return as well as a 1:10 bonus share issue. This represents a 57.20% financial return for the original investors in the company since the first shareholder payment in January 2008.

While this return alone is extremely rewarding, it is far more fulfilling to report that, during this same period, the company has returned in excess of $500,000 to the local community via grants and sponsorships.

This is the unique difference that makes this company so special within our local community – this business is an enabler for local projects, local communities, local people. This **Community Bank®** company and this business is all about creating a better community through a great product and facility.

Chairman's report (continued)

This is only possible through the absolute commitment of the volunteer Board members and dedicated support team. These brilliant community members are often invisible, and yet they are truly the people to which the larger community is indebted. Each brings with them to our company an enormous skillset, but more importantly, a commitment to serve our local community with no expectation of reward. That in itself is a unique trait and one we should be thankful for, both as individuals and as a community.

Finally, I thank you for the opportunity to serve our community and I look forward to being part of this team as it continues to deliver great outcomes to the region of Romsey and Lancefield as our **Community Bank®** branches maintain and enhance its role as the pre-eminent and unique local enabler.

Timothy McCarthy
Chairman

Manager's report

For year ending 30 June 2013

Both our Lancefield and Romsey **Community Bank®** branches continue to make major contributions in growing our portfolio base – our branch now has more than 6,500 accounts and $138 million in funds under management.

This is all of significant benefit to our community. Our branches provide a vehicle for local residents and businesses to invest and grow their funds. And in turn we are a major contributor with housing loans to families making Romsey and Lancefield their home, and to business lending for local businesses helping to grow our community.

While our branches are at the forefront in offering a full array of banking products at competitive interest rates along with friendly, professional and personalised service, we also provide our clients an opportunity to contribute to securing a prosperous future for our community.

Our staff are local people who know our community, and so we are not just a voice at the end of the telephone. We all take pride in assisting the many community groups, schools, sporting clubs and other volunteer groups. They are all valuable members of our community who play such an important part of the prosperity of our towns, and they have our full support.

Our branch and our staff play an active role in enhancing the long-term economic prospect of our community. It is always encouraging to see the community supporting their local branches, which offer face-to-face banking and a full suite of Bendigo and Adelaide Bank's products and services.

Towards the end of the financial year we engaged a new Manager at Lancefield **Community Bank®** Branch. Michael O'Gorman has an extensive and impressive banking background of more than 30 years, and is adding to the strength of our team.

I would like to thank the customers and the Board for their ongoing support, and especially my staff – who offer our customers professional and friendly service. Without their contribution we would not be as successful as we are in engaging with and making a real contribution to our local community.

Rod Browning
Senior Manager

Directors' report

For the financial year ended 30 June 2013

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

Directors

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

Name and position held	Qualifications	Experience and other Directorships
Timothy McCarthy Chairperson Board member since 2005	Certified Practising Accountant Bachelor of Business (Bus. Admin.)	Chairperson since 1 August 2011 Active with sporting groups in Romsey
Douglas Newham Director Board member since 2000		Former Chairperson Earthmoving Contractor Long-serving member of Lions International Former Shire President (Romsey) Former Councillor Member of the Premises Panel
Maureen Wiltshire Deputy Chairperson Board member since 2000	Bachelor of Arts Bachelor of Laws & Masters of Applied Law (Family Law)	Former Chairperson Deputy Chairperson since 6 July 2010 Legal Practitioner Involvement in community organisations
Russell Pattinson Director Board member since 2000	Bachelor of Agricultural Science (Hon) Master of Applied Science	Local sporting and community interests Member of Marketing & Community Investment Panel
Graeme Walker Director Board member since 2000		Journalist Family background and interests in the Lancefield area Member of Marketing & Community Investment Panel
David Plunkett Company Secretary Board member since 2011	Bachelor of Laws	Director and Company Secretary since 7 November 2011 Legal Practitioner Member of Audit & Governance Panel Lived in Lancefield for over 10 years
Kenneth Cribbes FAIM Director Appointed 4 February 2013		Treasurer since July 2013 Retired Company Executive Chair of Finance Panel since July 2013 Member of Audit & Governance Panel

Directors (continued)

Vanessa Adams Director Appointed 4 February 2013	Masters in Public Policy Administration (MPA)	Public Sector Executive Lived in local area since December 2010 Member of Marketing & Community Investment and Audit & Governance Panels
Michael Meehan Director Appointed 4 February 2013	Emeritus Professor in Communication and Creative Arts, Deakin University BA (Monash), LLB (Adelaide), PhD (Cambridge)	Member of Marketing & Community Investment Panel Involvement in Deep Creek Landcare
Timothy Nuttall Director Appointed 10 September 2012 Resigned 5 August 2013	Masters of Human Resource Management	Company Director Chair of Human Resources Panel Owner and sole Director Oktane Consulting Group Pty Ltd
Matthew Jarvis Treasurer Board member since 2011 Resigned 1 February 2013	Bachelor of Business Graduate Diploma in Accounting	Treasurer since 7 November 2011 Member of the Finance Panel Finance Manager
Denis Graham Director Board member since 2011 Resigned 1 January 2013	Bachelor of Arts Graduate Diploma in Education	Teacher Director of Teaching and Learning at Sacred Heart College Kyneton Past president and life member of Lancefield Cricket Club Member of Marketing & Community Investment 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.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited. There has been no significant changes in the nature of these activities during the year.

Review of operations

The loss of the company for the financial year after provision for income tax was $9,753 (2012: profit of $260,416), which is a 104% decrease as compared with the previous year. This result is largely due to the impairment loss incurred upon the revaluation of the property at 105 Main Street, Romsey.

The net assets of the company have also decreased as a result to $957,122 (2012: $1,017,410).

Dividends

	Year ended 30 June 2013	
	Cents per share	**$**
Dividends paid in the year (final dividend):	5	50,535

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

During 2011 Lancefield & Romsey Community Financial Services Limited submitted an application for a permit to construct a two-storey building that would contain two offices (including a bank), café, and seven shops at 105 Main Street, Romsey. In August 2013, the Macedon Ranges Shire Council endorsed plans that were lodged by the company as being in accordance with the planning permit granted in respect of 105 Main Street.

No other matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Remuneration report

Remuneration policy

There has been no remuneration policy developed as Director positions are held on a voluntary basis and Directors are not remunerated for their services.

Remuneration benefits and payments

Other than detailed below, 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 of 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.

Melissa McCarthy, wife of Director Timothy McCarthy, was the company bookkeeper until January 2012. During the 2012 year payments amounting to $4,160 were made to the TG&MA McCarthy Family Trust for bookkeeping services provided to the company. There were no payments made in the 2013 year.

Simone Plunkett, wife of Director and Company Secretary David Plunkett, is an employee of Think Outside the Square Marketing. This business provided market research services to the company during the 2012 year. Payments made for the these services amounted to $13,900. There were no services provided by or payments made to Think Outside the Square Marketing in the 2013 year.

Indemnifying Officers or Auditor

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.

Directors' meetings

The number of Directors' meetings held during the year were 11. Attendances by each Director during the year were as follows:

Director	Meetings#
Timothy Gerard McCarthy	10 (11)
Douglas Colin Newnham	9 (11)
Russell David Pattinson	10 (11)
Graeme James Walker	6 (11)
Maureen Patricia Wiltshire	7 (11)
David Ross Plunkett	10 (11)
Kenneth Douglas Cribbes (Appointed 4 February 2013)	5 (5)
Vanessa James Adams (Appointed 4 February 2013)	5 (5)
Michael Francis Meehan (Appointed 4 February 2013)	5 (5)
Timothy James Nuttall (Appointed 3 September 2012, Resigned 16 August 2013)	9 (9)
Matthew Peter Jarvis (Resigned 1 February 2013)	4 (6)
Denis Bowman Graham (Resigned 1 January 2013)	3 (6)

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

The Board has four sub-committees in place for Finance, Human Resources, Marketing & Community Investment and Premises. The sub-committees meet on an as needs basis and present reports/recommendations to the monthly Board meetings where required. A review of the current Board and sub-committee structure is being undertaken. As part of this an Audit and Governance sub-committee was established in July 2013.

Likely developments

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

Environmental regulations

During the year the company was issued with a compliance notice by the Environmental Protection Agency (EPA) Victoria in relation to the property at 105 Main Street, Romsey. The compliance notice related to contamination under the premises from previous operations at the site and the company did not contribute to or exacerbate this contamination. The company has complied with the requirements stipulated by the EPA, with the notice subsequently lifted.

The company is not subject to any further significant environmental regulation. The Board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

Directors' report (continued)

Proceedings on behalf of company

During the year the company applied for leave to the court of appeal in relation to a decision handed down by the Victorian Civil and Administrative Tribunal. The company withdrew its application before the hearing.

No other person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

Company Secretary

David Plunkett was appointed Company Secretary on 7 November 2011. David holds a Bachelor of Law and is currently General Counsel at Qenos Pty Ltd, Australia's only polyethylene manufacturer.

Non audit services

The Directors are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 10 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Romsey, Victoria on 30 September 2013.

Timothy McCarthy
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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30 September 2013

The Directors
Lancefield & Romsey Community Financial Services Limited
20A High Street
LANCEFIELD VIC 3435

Dear Directors

To the Directors of Lancefield & Romsey Community Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2013 there has been:

(i) No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) No contraventions of any applicable code of professional conduct in relation to the audit.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Richmond Sinnott & Delahunty
ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Financial statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue	2	1,423,182	1,397,635
Employee benefits expense	3	(607,242)	(621,191)
Depreciation and amortisation expense	3	(45,858)	(44,167)
Systems costs		(38,156)	(40,821)
Bad and doubtful debts expense	3	(693)	(2,682)
Occupancy and associated costs		(76,465)	(80,922)
Finance costs	3	(570)	-
Impairment of property, plant and equipment		(272,907)	-
Other expenses		(161,013)	(132,023)
Operating profit before charitable donations & sponsorships		**220,278**	**478,511**
Charitable donations and sponsorships		(117,251)	(133,256)
Profit before income tax expense		**103,027**	**345,255**
Tax expense	4	112,780	84,839
Profit/(loss) for the year		**(9,753)**	**260,416**
Other comprehensive income		-	-
Total comprehensive income		**(9,753)**	**260,416**
Profit/(loss) attributable to:			
Members of the company		(9,753)	260,416
Total		**(9,753)**	**260,416**

Earnings per share (cents per share)			
- basic for profit for the year	21	(0.96)	25.77
- diluted for profit for the year	21	(0.96)	25.77

The accompanying notes form part of these financial statements.

Statement of financial position
as at 30 June 2013

	Notes	2013 $	2012 $
Assets			
Current assets			
Cash and cash equivalents	6	399,056	256,855
Trade and other receivables	7	122,394	122,246
Total current assets		**521,450**	**379,101**
Non-current assets			
Property, plant and equipment	8	967,925	1,128,022
Deferred tax asset	4	26,879	24,874
Intangible assets	9	58,240	82,125
Total non-current assets		**1,053,044**	**1,235,021**
Total assets		**1,574,494**	**1,614,122**
Liabilities			
Current liabilities			
Trade and other payables	10	103,399	45,511
Borrowings	11	58,022	52,236
Provisions	12	92,131	86,018
Current tax liabilities	4	8,019	55,048
Total current liabilities		**261,571**	**238,813**
Non current liabilities			
Borrowings	12	355,801	357,899
Total non current liabilities		**355,801**	**357,899**
Total liabilities		**617,372**	**596,712**
Net assets		**957,122**	**1,017,410**
Equity			
Issued capital	13	667,869	667,869
Retained earnings	14	289,253	349,541
Total equity		**957,122**	**1,017,410**

The accompanying notes form part of these financial statements.

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

	Notes	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2011		**667,869**	**139,660**	**807,529**
Total comprehensive income for the year		-	260,416	260,416
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	(50,535)	(50,535)
Balance at 30 June 2012		**667,869**	**349,541**	**1,017,410**
Balance at 1 July 2012		**667,869**	**349,541**	**1,017,410**
Total comprehensive income for the year		-	(9,753)	(9,753)
Transactions with owners, in their capacity as owners				
Shares issued during the year		-	-	-
Dividends paid or provided	22	-	(50,535)	(50,535)
Balance at 30 June 2013		**667,869**	**289,253**	**957,122**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2013

	Notes	2013 $	2012 $
Cash flows from operating activities			
Receipts from clients		1,556,291	1,515,105
Payments to suppliers and employees		(1,100,863)	(1,140,075)
Interest received		8,961	4,818
Interest paid		(536)	-
Income tax paid		(137,244)	(98,842)
Net cash flows from operating activities	**15b**	**326,609**	**281,006**
Cash flows from investing activities			
Purchase of property, plant & equipment		(83,221)	(89,815)
Payments for capitalised interest		(27,068)	(32,161)
Net cash flows used in investing activities		**(110,289)**	**(121,976)**
Cash flows from financing activities			
Repayment of borrowings		(23,584)	(22,220)
Dividends paid		(50,535)	(50,535)
Net cash flows used in financing activities		**(74,119)**	**(72,755)**
Net increase in cash held		**142,201**	**86,275**
Cash and cash equivalents at start of year		256,855	170,580
Cash and cash equivalents at end of year	**15a**	**399,056**	**256,855**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

The financial statements and notes represent those of Lancefield and Romsey Community Financial Services Limited.

Lancefield and Romsey Community Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 30 September 2013.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS).

Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

(b) 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. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

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

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

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

Class of asset	Depreciation rate
Leasehold improvements	2.5-30%
Furniture and fittings	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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment 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.

(e) 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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. Cash flows are presented on a gross basis.

Note 1. Summary of significant accounting policies (continued)

(e) Goods and services tax (continued)

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) Cash

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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.

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and are recognised as a current liability.

(k) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

Note 1. Summary of significant accounting policies (continued)

(k) New accounting standards and interpretations not yet adopted (continued)

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(l) Loans and borrowings

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

(m) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

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

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.

(n) 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. Summary of significant accounting policies (continued)

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value. Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

	2013 $	2012 $
Note 2. Revenue and other income		
Revenue		
- services commissions	1,156,448	1,142,115
- other revenue	258,344	247,596
	1,414,792	**1,389,711**
Other revenue		
- interest received	8,390	7,924
- other revenue	-	-
	8,390	**7,924**
Total revenue	**1,423,182**	**1,397,635**

Notes to the financial statements (continued)

	Note	2013 $	2012 $

Note 3. Expenses

Employee benefits expense			
- wages and salaries		522,229	540,855
- superannuation costs		46,284	47,636
- workers compensation		1,342	1,993
- payroll tax		2,897	-
- other costs		34,490	30,707
		607,242	**621,191**
Depreciation of non-current assets:			
- plant and equipment		5,732	4,932
- leasehold improvements		16,241	15,221
Amortisation of non-current assets:			
- intangible assets		23,885	24,014
		45,858	**44,167**
Finance costs:			
- Interest paid		536	-
- Borrowing costs		34	-
		570	**-**
Bad debts		693	2,682
Impairment of property, plant and equipment	8	272,907	-

The freehold land and buildings at 105 Main Street, Romsey were independently valued at 7th August 2013 by independent Certified Practising Valuer, Patrick Brady of WBP Property Group. The valuation resulted in a total revaluation decrement of $272,907. In accordance with Australian Accounting Standard AASB 116 - Property, Plant and Equipment this decrement is recognised as an impairment loss in the Statement of Profit or Loss and Other Comprehensive Income.

	2013 $	2012 $

Note 4. Tax expense

a. The components of tax expense comprise		
- current tax expense	114,786	103,726
- deferred tax expense relating to the origination and reversal of temporary differences	(2,006)	(150)
- adjustment to tax expense of prior periods	-	(18,737)
	112,780	**84,839**

	2013 $	2012 $

Note 4. Tax expense (continued)

b. The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

	2013 $	2012 $
Prima facie tax on profit before income tax at 30% (2012: 30%)	30,908	103,576
Add tax effect of:		
- origination and reversal of temporary differences	2,006	150
- movement in deferred tax	(2,006)	(150)
- non-deductible expenses	81,872	-
- adjustment to tax expense of prior periods	-	(18,737)
Current income tax expense	**112,780**	**84,839**
Income tax attributable to the entity	**112,780**	**84,839**
The applicable weighted average effective tax rate is	30.00%	24.57%
Deferred tax asset		
Balance at the beginning of the financial year	24,874	24,724
Deferred tax on provisions	2,005	150
Balance at the end of the financial year	**26,879**	**24,874**
Current tax liability		
Current tax liability	**8,019**	**55,048**

The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2013 $	2012 $
- Audit or review of the financial report	**3,950**	**3,900**

Note 6. Cash and cash equivalents

	2013 $	2012 $
Cash at bank and on hand	139,056	46,855
Investment account	260,000	210,000
	399,056	**256,855**

	2013 $	2012 $

Note 7. Trade and other receivables

Current

Trade debtors	119,586	119,140
Other assets	2,808	3,106
	122,394	**122,246**

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or company of counterparties other than those receivables specifically provided for and mentioned within Note 7. The main sources of credit risk to the company are considered to relate to the classes of assets described as trade and other receivables and "loans" (see Note 11).

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired			Not past due
			< 30 days	31-60 days	> 60 days	
2013						
Trade receivables	119,586	-	-	-	-	119,586
Other receivables	2,808	-	-	-	-	2,808
Total	**122,394**	**-**	**-**	**-**	**-**	**122,394**
2012						
Trade receivables	119,140	-	-	-	-	119,140
Other receivables	3,106	-	-	-	-	3,106
Total	**122,246**	**-**	**-**	**-**	**-**	**122,246**

Note 8. Property, plant and equipment

	2013 $	2012 $
Office furniture and equipment		
At cost	52,009	52,009
Less accumulated depreciation	(34,259)	(31,775)
	17,750	**20,234**
Leasehold improvements		
At cost	299,273	293,677
Less accumulated depreciation	(230,868)	(214,626)
	68,405	**79,051**
Motor vehicle		
At cost	33,636	30,585
Less accumulated depreciation	(1,866)	(20,062)
	31,770	**10,523**
Capital works in progress		
At cost	-	1,018,214
At independent valuation (2013)	850,000	-
Less accumulated depreciation	-	-
	850,000	**1,018,214**
Total written down amount	**967,925**	**1,128,022**
Movements in carrying amounts		
Office furniture and equipment		
Balance at the beginning of the reporting period	20,234	19,788
Additions	-	2,949
Disposals	-	-
Depreciation expense	(2,484)	(2,503)
Balance at the end of the reporting period	**17,750**	**20,234**
Leasehold improvements		
Balance at the beginning of the reporting period	79,051	89,233
Additions	5,595	5,039
Disposals	-	-
Depreciation expense	(16,241)	(15,221)
Balance at the end of the reporting period	**68,405**	**79,051**

		2013 $	2012 $

Note 8. Property, plant and equipment (continued)

		2013 $	2012 $
Motor vehicle			
Balance at the beginning of the reporting period		10,523	12,952
Additions		33,636	-
Disposals		(9,143)	-
Depreciation expense		(3,246)	(2,429)
Balance at the end of the reporting period		**31,770**	**10,523**
Capital works in progress			
Balance at the beginning of the reporting period		1,018,214	904,227
Additions		104,693	113,987
Disposals		-	-
Revaluation decrements	3	(272,907)	-
Depreciation expense		-	-
Balance at the end of the reporting period		**850,000**	**1,018,214**

Note 9. Intangible assets

	2013 $	2012 $
Franchise fee		
At cost	131,570	131,570
Less accumulated amortisation	(120,874)	(116,560)
	10,696	**15,010**
Renewal processing fees		
At cost	97,853	97,853
Less accumulated amortisation	(50,309)	(30,738)
	47,544	**67,115**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	15,010	19,324
Additions	-	-
Disposals	-	-
Amortisation expense	(4,314)	(4,314)
Balance at the end of the reporting period	**10,696**	**15,010**

	2013 $	2012 $

Note 9. Intangible assets (continued)

Renewal processing fees		
Balance at the beginning of the reporting period	67,115	86,815
Additions	-	-
Disposals	-	-
Amortisation expense	(19,571)	(19,700)
Balance at the end of the reporting period	**47,544**	**67,115**

Note 10. Trade and other payables

Current		
Unsecured liabilities:		
Sundry creditors	103,399	45,511
	103,399	**45,511**

Note 11. Borrowings

Current		
Bank loan	48,396	52,236
Equipment loan	9,626	-
	58,022	**52,236**
Non-current		
Bank loan	338,519	357,899
Equipment loan	17,282	-
	355,801	**357,899**

The bank loan is repayable monthly with the final instalment due on 23 November 2020. Interest is recognised at an average rate of 6.81% (2012: 7.65%). The loan is secured by a first mortgage over the property located at 105 Main Street, Romsey.

The equipment loan is repayable monthly with the final instalment due on 18 February 2016. Interest is recognised at an average rate of 5.59% (2012: -).

	2013 $	2012 $

Note 12. Provisions

	2013 $	2012 $
Employee benefits	**92,131**	**86,018**
Movement in employee benefits		
Opening balance	86,018	82,414
Additional provisions recognised	58,131	50,286
Amounts utilised during the year	(52,018)	(46,682)
Closing balance	**92,131**	**86,018**
Current		
Annual Leave	34,336	41,439
Long-service leave	57,795	44,579
	92,131	**86,018**

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

Note 13. Share capital

	2013 $	2012 $
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)

	2013 $	2012 $

Note 13. 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**

Movements in share capital

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.

The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 2013 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

	2013 $	2012 $

Note 14. Retained earnings

	2013 $	2012 $
Balance at the beginning of the reporting period	349,541	139,660
Dividends payable	(50,535)	(50,535)
Profit after income tax	(9,753)	260,416
Balance at the end of the reporting period	**289,253**	**349,541**

Note 15. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows

	2013 $	2012 $
As per the statement of financial position	399,056	256,855
less Bank overdraft	-	-
As per the statement of cash flow	**399,056**	**256,855**

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

	2013 $	2012 $
Profit after income tax	(9,753)	260,416
Non cash items		
- Depreciation	21,973	20,153
- Amortisation	23,885	24,014
- Loss on disposal of non-current assets	2,779	-
- Revaluation decrement	272,907	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	(148)	(9,645)
- (Increase) decrease in deferred tax asset	(2,005)	(150)
- Increase (decrease) in income tax payable	(47,029)	(13,853)
- Increase (decrease) in payables	57,887	(3,533)
- Increase (decrease) in provisions	6,113	3,604
Net cash flows from operating activities	**326,609**	**281,006**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to $0 (2012: $0). This may be terminated at any time at the option of the bank. At 30 June 2013, $0 of this facility was used (2012: $0). Variable interest rates apply to these overdraft and bill facilities.

Note 16. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

Melissa McCarthy, wife of Director Timothy McCarthy, was the company bookkeeper until January 2012. During the 2012 year payments amounting to $4,160 were made to the TG&MA McCarthy Family Trust for bookkeeping services provided to the company. There were no payments made in the 2013 year.

Simone Plunkett, wife of Director and Company Secretary David Plunkett, is an employee of Think Outside the Square Marketing. This business provided market research services to the company during the 2012 year. Payments made for the these services amounted to $13,900. There were no services provided by or payments made to Think Outside the Square Marketing in the 2013 year.

(d) Key management personnel shareholdings

The number of ordinary shares in Lancefield & Romsey Community Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2013	2012
Timothy Gerard McCarthy	7,000	7,000
Douglas Colin Newnham	60,500	60,500
Russell David Pattinson	5,000	5,000
Graeme James Walker	4,000	4,000
Maureen Patricia Wiltshire	18,100	18,100
David Ross Plunkett	-	-
Kenneth Douglas Cribbes (Appointed 4 February 2013)	-	-
Vanessa James Adams (Appointed 4 February 2013)	-	-
Michael Francis Meehan (Appointed 4 February 2013)	-	-
Timothy James Nuttall (Appointed 3 September 2012, Resigned 16 August 2013)	-	-

Note 16. Related party transactions (continued)

(d) Key management personnel shareholdings (continued)

	2013	2012
Matthew Peter Jarvis (Resigned 1 February 2013)	-	-
Denis Bowman Graham (Resigned 1 January 2013)	-	-

There was no movement in key management personnel shareholdings during the year.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 17. Events after the reporting period

During 2011 Lancefield & Romsey Community Financial Services Limited submitted an application for a permit to construct a two-storey building that would contain two offices (including a bank), café, and seven shops at 105 Main Street, Romsey. In August 2013, the Macedon Ranges Shire Council endorsed plans that were lodged by the company as being in accordance with the planning permit granted in respect of 105 Main Street.

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

Note 18. Contingent liabilities and assets

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Lancefield & Romsey, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2012: 100%).

Note 20. Company details

The registered office & principle place of business is:

20A High Street
Lancefield VIC 3435

	2013 $	2012 $

Note 21. 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:

	2013 $	2012 $
Profit/(loss) after income tax expense	**(9,753)**	**260,416**
Weighted average number of ordinary shares for basic and diluted earnings per share	**1,010,700**	**1,010,700**

Note 22. Dividends paid or provided for on ordinary shares

	2013 $	2012 $
(a) Dividends paid during the year		
(i) Previous year final		
Franked dividends - 5 cents per share (2012: 5 cents per share)	**50,535**	**50,535**
(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	277,673	162,086
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	8,019	55,048
- Franking debits that will arise from deferred tax assets as at the end of the financial year	(26,879)	(24,874)
	258,813	**192,260**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans. The totals for each category of financial instruments measured in accordance with AASB 139 as detailed in the accounting policies are as follows:

	Note	2013 $	2012 $

Note 23. Financial risk management (continued)

	Note	2013 $	2012 $
Financial assets			
Cash & cash equivalents	6	399,056	256,855
Trade and other receivables	7	122,394	122,246
Total financial assets		**521,450**	**379,101**
Financial liabilities			
Trade and other payables	10	103,399	45,511
Loans & borrowings	11	413,823	410,135
Total financial liabilities		**517,222**	**455,646**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and is assisted in this area by an internal audit function. The Board has recently established an Audit Committee that will monitor risk management activities and report to the Board on a regular basis.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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

None of the assets of the company are past due (2012: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

	2013 $	2012 $

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

Cash and cash equivalents:

	2013 $	2012 $
A rated	**399,056**	**256,855**

(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.

In addition the company has established an overdraft facility of $0 with Bendigo and Adelaide Bank Limited. Financial liability and financial asset maturity analysis:

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2013					
Financial liabilities due					
Trade and other payables	10	103,399	103,399	-	-
Loans and borrowings	11	413,823	58,022	210,866	144,935
Total expected outflows		**517,222**	**161,421**	**210,866**	**144,935**
Financial assets - realisable					
Cash & cash equivalents	6	399,056	399,056	–	–
Trade and other receivables	7	122,394	122,394	–	–
Total anticipated inflows		**521,450**	**521,450**	**–**	**–**
Net (outflow)/inflow on financial instruments		**4,228**	**360,029**	**(210,866)**	**(144,935)**

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012					
Financial liabilities due					
Trade and other payables	10	45,511	45,511	-	-
Loans and borrowings	11	410,135	52,236	208,944	148,955
Total expected outflows		**455,646**	**97,747**	**208,944**	**148,955**
Financial assets - realisable					
Cash & cash equivalents	6	256,855	256,855	–	
Trade and other receivables	7	122,246	122,246	–	
Total anticipated inflows		**379,101**	**379,101**	**–**	
Net (outflow)/inflow on financial instruments		**(76,545)**	**281,354**	**(208,944)**	**(148,955)**

(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 is the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

Financial assets	2013 %	2012 %
Cash and cash equivalents (net of bank overdrafts)	2.33%	2.56%
Loans receivable	0.00%	0.00%

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	(148)	(148)
	(148)	**(148)**
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	(1,533)	(1,533)
	(1,533)	**(1,533)**

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Directors' declaration

In accordance with a resolution of the Directors of Lancefield and Romsey Community Financial Services Limited, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 11 to 36 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2013 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This resolution is made in accordance with a resolution of the Board of Directors.

Timothy McCarthy
Director

Signed at Romsey, Victoria on 30 September 2013.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LANCEFIELD & ROMSEY
COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Lancefield & Romsey Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme
approved under Professional
Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Lancefield & Romsey Community Financial Services Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Lancefield & Romsey Community Financial Services Limited is in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

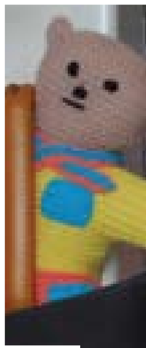
Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 30 September 2013



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(BMPAR13008) (06/13)

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