Annual Report 2014

Lancefield & Romsey Community Financial Services Limited

ABN 44 093 517 714

Lancefield and Romsey **Community Bank**® branches

Contents

Chairman's report

For year ending 30 June 2014

Once again we have seen a year full of challenges and excitement for your **Community Bank**® company. The business operations continue to grow under the leadership of our Senior Branch Manager Rod Browning, ably supported by Michael O'Gorman – who was appointed to the position of Lancefield **Community Bank**® Branch Manager in July 2013. The support of our branch staff to the operational leaders cannot be underestimated – our expectation is that our branch team members are not only bankers, but leading members of our community who simultaneously provide a great banking service to the customer base.

The company has been a catalyst for local change and enhancement, dating back to the initial Steering Committee for the Lancefield branch in 1998. This past year has seen that role of community leadership expand again with:

- another round of significant community grants that will impact on important local infrastructure projects, with an emphasis this year on Lancefield,
- a major financial investment in a continuing project to build a permanent home in Romsey to bank proof the town, and
- the recent major announcement of State Government funding that sees a much-needed local health initiative delivered to the eastern corridor of the Macedon Ranges Shire in partnership with Cobaw Community Health.

These bold and visionary projects are only made possible by the determination and commitment of the constituents and stakeholders who want to make a positive impact on our community, our shareholders, Directors and staff, with the support of our customers.

The **Community Bank**® model in partnership with Bendigo Bank is designed to enable those with a positive attitude to make a positive impact in the local region. Our Board members and support team have been challenged time and again in recent years. On each occasion we have stood up in the face of adversity knowing that, whilst not every decision can be perfect for every person, our role is to use the **Community Bank**® model to serve our most important stakeholders, the local community and our shareholders who made a genuine commitment to this company and our region's future.

From time to time shares become available in the company due to a number of reasons (estates, relocation from the region, financial needs). We welcome any person or group interested in engaging with the company through the purchase of shares to contact the executive team.

One of our most empowering innovations of recent years has been the appointment of a support team to the company. The roles of Alice McMahon and Emily Blades are worthy of special mention, as each has taken on so many tasks with great enthusiasm to provide the perfect balance to the roles of our volunteer Directors. This investment in expert skills has helped to grow the outcomes of the company both financially and socially within our community. I would also like to thank Chris Banon who has donated a significant amount of time, energy and expertise to support the Board in relation to the project at 105 Main Street, Romsey.

My final note of sincere thanks is saved for the volunteer Directors who commit time, energy and passion beyond any reasonable expectation. In particular, we pay a special note of appreciation to Doug Newnham who resigned as a Director of this community company during the year. Doug's contribution dates back to the initial formation of the company and included a period of two years as company chairman which oversaw challenging periods post the Global Financial Crisis. We are certainly a stronger company for Doug's contribution which spanned over a decade and we wish Doug and Carol all the best for the next phase of their lives.

Chairman's report (continued)

Like any great leadership team there are a range of diverse views within this group, which makes the company strong and well rounded. The one view that is shared though is that we are here to serve our community and our committed shareholders, both now and for the long term.

Timothy McCarthy
Chairman

Lancefield Manager's report

For year ending 30 June 2014

Time flies when you've got your focus on the betterment of your community. I can't believe I've been with the **Community Bank**® company for more than 12 months already!

I have thoroughly enjoyed being involved with such a vibrant community and dedicated Board of selfless volunteers. I would like to thank and congratulate the staff of both branches for their dedication and professionalism in attending to the needs of our customers.

The efforts of all in the 2013/14 financial year saw the Lancefield **Community Bank**® Branch achieve a major milestone of $80 million in lending and deposits.

Record low interest rates have assisted in the provision of home loans for first home buyers, investors, down sizers and tree changers. On the flip side, it has made it harder on the investors who rely on interest.

The focus for the current financial year is to let our one-and-two product clients know that we provide a full financial solutions package with a personal touch, and to encourage them to commit more to us. Besides home loans and deposit accounts, we offer all the business products, wealth advice and insurance. The more people bank with us, the more the community will benefit.

Our Community Investment evening in October was a great success, where our contribution to the community is playing a major role in delivering on some fantastic community initiatives.

Thank you to our very supportive clients for making the Lancefield and Romsey communities so successful.

Michael O'Gorman
Manager Lancefield.

Romsey Manager's report

For year ending 30 June 2014

We continue to see improvement to our overall performance at Romsey **Community Bank**® Branch. I have no doubt that the efforts of all staff in ensuring we give professional, friendly service and advice at all times is a major factor which contributes to our continued success.

I believe our point of difference is continually being seen out and about in our community, via our connections with the many groups who work so hard to make our community a better place.

In such a very competitive banking market, the past 12 months has seen Romsey **Community Bank**® Branch add a further $7.4 million to our overall portfolio, comprising $4.4 million in lending and $3 million in deposits.

Our over-the-counter transactions continue to increase, which reflects an increase to our account holders of 114 accounts - to a total of 2,913. We also have seen over the past 12 months an increase in our products per customer, which demonstrates that they are becoming more focused on Bendigo Bank being their bank of choice.

We pride ourselves on being able to demonstrate to people why we are their bank, which will always assist our local community. It reiterates our commitment to not only "face to face" banking, but taking a long-term view of banking services and concerns for the future prosperity of our community.

I would like to thank all of our customers for their ongoing support, and look forward to being able to continue to contribute to the success of our community.

I would also like to thank our devoted board members, who work so diligently in creating a better community for us all – their valuable contribution as volunteers with our **Community Bank**® branch is a true measurement of our success.

Rod Browning.
Senior Manager/Manager Romsey.

Directors' report

For the financial year ended 30 June 2014

Your directors submit the financial statements of the company for the financial year ended 30 June 2014.

Directors

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

Timothy Gerard McCarthy
Chairperson
Occupation: Accountant
Qualifications, experience and expertise: Certified Practising Accountant. Bachelor of Business. Chairperson since 1 August 2011. Former President of Romsey Football Club. Current Treasurer and former Secretary & President of Romsey Cricket Club.
Special responsibilities: Chairperson, Member of the and Finance and 105 Main St Panels.
Interest in shares: 12,000

Maureen Patricia Wiltshire
Deputy Chairperson
Occupation: Legal Practitioner
Qualifications, experience and expertise: Bachelor of Arts, Bachelor of Laws & Masters of Applied Law. Deputy Chairperson since 6 July 2010. Involvement in community organisations.
Special responsibilities: Deputy Chairperson. Member of 105 Main St Panel.
Interest in shares: 16,933

Kenneth Douglas Cribbes
Treasurer
Occupation: Retired Company Executive
Qualifications, experience and expertise: Marketing & finance background. Former Director of Royal Freemasons, Freemasons Hospital, Euroa Health and Pacific Dunlop Group Companies.
Special responsibilities: Treasurer, Member of Finance, Audit & Governance Panel.
Interest in shares: Nil

David Ross Plunkett
Secretary
Occupation: Legal Practitioner
Qualifications, experience and expertise: Bachelor of Laws. Company Secretary since 7 November 2011. Resident of Lancefield for over 10 years. General Counsel and Company Secretary at Qenos Ptd for 13 years providing commercial, risk and governance advice.
Special responsibilities: Secretary, Audit & Governance Panels.
Interest in shares: Nil

Russell David Pattinson
Director
Occupation: Management Consultant
Qualifications, experience and expertise: Bachelor of Agricultural Science (Hon). Master of Applied Science. Local sporting and community interests. Consulting business. Chair of National Wool Industry committees.
Special responsibilities: Chair of Marketing & Community Investment Panels.
Interest in shares: 5,200

Directors (continued)

Graeme James Walker
Director
Occupation: Journalist
Qualifications, experience and expertise: Family background and interests in the Lancefield area. Background in journalism, leading in to a senior role in government media liaison and issues management. President of Moonee Valley Cricket Club for 7 years. Life member of Moonee Valley Cricket Club and North West Metropolitan Cricket Association.
Special responsibilities: Marketing & Community Investment Panels.
Interest in shares: 4,600

Vanessa Adams
Director
Occupation: Local Government Officer
Qualifications, experience and expertise: Masters in Public Policy Administration (MPA). Lived in local area since December 2010.
Special responsibilities: Member of Marketing & Community Investment and Audit & Governance Panels.
Interest in shares: Nil

Michael Meehan
Director
Occupation: University Professor
Qualifications, experience and expertise: BA (Monash), LLB (Adelaide), PhD (Cambridge). Involvement in Deep Creek Landcare.
Special responsibilities: Member of Marketing & Community Investment Panel.
Interest in shares: Nil

Douglas Newnham
Director (Resigned 16 December 2013)
Occupation: Earthmoving Contractor
Qualifications, experience and expertise: Former Chairperson. Long-serving member of Lions International. Former Shire President (Romsey). Former Councillor.
Special responsibilities: Member of the 105 Main St Panel.
Interest in shares: 60,500

Timothy Nuttall
Director (Resigned 16 August 2013)
Occupation: Company Director
Qualifications, experience and expertise: Masters of Human Resource Management.
Special responsibilities: Chair of Human Resources Panel.
Interest in shares: Nil

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is David Plunkett. David was appointed to the position of secretary on 7 November 2011.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2014 $	Year ended 30 June 2013 $
264,111	(9,753)

Remuneration report

Directors' remuneration

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Timothy Gerard McCarthy	7,000	5,000	12,000
Maureen Patricia Wiltshire	16,933	-	16,933
Kenneth Douglas Cribbes	-	-	-
David Ross Plunkett	-	-	-
Russell David Pattinson	5,200	-	5,200
Graeme James Walker	4,600	-	4,600
Vanessa Adams	-	-	-
Michael Francis Meehan	-	-	-
Douglas Colin Newnham (Resigned 16 December 2013)	60,500	-	60,500
Timothy James Nuttall (Resigned 16 August 2013)	-	-	-

Dividends

	Year ended 30 June 2014	
	Cents	$
- Dividends paid in the year	6	60,642

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 or the financial statements.

Events since the end of the financial year

On September 11th 2014, the Victorian State Government made a public announcement of $769,290 funding to Cobaw Community Health Inc. for a project at 105 Main St Romsey. At this stage, the company is not party to any contracts pertaining to this announcement.

There are no 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 facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended	
	Eligible	**Attended**
Timothy Gerard McCarthy	11	11
Maureen Patricia Wiltshire	11	10
Kenneth Douglas Cribbes FAIM	11	9
David Ross Plunkett	11	9
Russell David Pattinson	11	8
Graeme James Walker	11	10
Vanessa Adams	11	8
Michael Francis Meehan	11	11

Directors' report (continued)

Directors' meetings (continued)

	Board Meetings Attended	
	Eligible	**Attended**
Douglas Colin Newnham (Resigned 16 December 2013)	6	4
Timothy James Nuttall (Resigned 16 August 2013)	2	1

The Board has five sub-committees in place; 105 Main St (property development), Finance, Human Resources, Community Investment and Marketing and Audit and Governance. The sub-committees meet on an as needs basis and present reports/recommendations to the monthly Board meetings where required.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit and governance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit and governance committee to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11.

Signed in accordance with a resolution of the board of directors at Romsey, Victoria on 29 September 2014.

Timothy Gerard McCarthy,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Lancefield & Romsey Community Financial Services Limited

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 29 September 2014

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from ordinary activities	4	1,445,073	1,423,182
Employee benefits expense		(639,240)	(607,242)
Charitable donations, sponsorship, advertising and promotion		(114,415)	(117,251)
Occupancy and associated costs		(76,304)	(76,465)
Systems costs		(37,589)	(38,156)
Depreciation and amortisation expense	5	(41,541)	(45,858)
Finance costs	5	(1,358)	(570)
General administration expenses		(157,325)	(161,706)
Impairment of property, plant and equipment		-	(272,907)
Profit before income tax expense		**377,301**	**103,027**
Income tax expense	6	(113,190)	(112,780)
Profit/(loss) after income tax expense		**264,111**	**(9,753)**
Total comprehensive income for the year		**264,111**	**(9,753)**
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	22	27.21	(1.0)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	183,947	399,056
Trade and other receivables	8	123,164	122,394
Total Current Assets		**307,111**	**521,450**
Non-Current Assets			
Property, plant and equipment	9	1,023,577	967,925
Intangible assets	10	34,356	58,240
Deferred tax assets	11	31,559	26,879
Total Non-Current Assets		**1,089,492**	**1,053,044**
Total Assets		**1,396,603**	**1,574,494**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	91,647	103,399
Current tax liabilities	4	13,681	8,019
Borrowings	12	17,882	58,022
Provisions	13	101,065	92,131
Total Current Liabilities		**224,275**	**261,571**
Non-Current Liabilities			
Borrowings	13	7,106	355,801
Provisions	13	4,631	-
Deferred tax liabilities		-	-
Total Non-Current Liabilities		**11,737**	**355,801**
Total Liabilities		**236,012**	**617,372**
Net Assets		**1,160,591**	**957,122**
Equity			
Issued capital	15	667,869	667,869
Retained earnings	16	492,722	289,253
Total Equity		**1,160,591**	**957,122**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2014

	Issued capital $	Retained earnings $	Total equity $
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 period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(50,535)	(50,535)
Balance at 30 June 2013	**667,869**	**289,253**	**957,122**
Balance at 1 July 2013	**667,869**	**289,253**	**957,122**
Total comprehensive income for the year	**-**	**264,111**	**264,111**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(60,642)	(60,642)
Balance at 30 June 2014	**667,869**	**492,722**	**1,160,591**

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		1,575,315	1,556,291
Payments to suppliers and employees		(1,166,630)	(1,100,863)
Interest received		11,096	8,961
Interest paid		104	(536)
Income taxes paid		(112,208)	(137,244)
Net cash provided by operating activities	**17**	**307,677**	**326,609**
Cash flows from investing activities			
Payments for property, plant and equipment		(73,309)	(83,221)
Payments for intangible assets		-	(27,068)
Net cash used in investing activities		**(73,309)**	**(110,289)**
Cash flows from financing activities			
Proceeds from borrowings			-
Repayment of borrowings		(388,835)	(23,584)
Dividends paid		(60,642)	(50,535)
Net cash used in financing activities		**(449,477)**	**(74,119)**
Net increase/(decrease) in cash held		**(215,109)**	**142,201**
Cash and cash equivalents at the beginning of the financial year		399,056	256,855
Cash and cash equivalents at the end of the financial year	**7(a)**	**183,947**	**399,056**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Adoption of new and amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors' report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Lancefield and Romsey, Victoria.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branches franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branches
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**® partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**® companies remain balanced.

The third source of revenue is a proportion of the fees and charges (i.e. what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. 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, plus related on-costs. 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.

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

Note 1. Summary of significant accounting policies (continued)

e) Cash and cash equivalents

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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.

Classification and subsequent measurement

(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 using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

Note 1. Summary of significant accounting policies (continued)

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) 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 of 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.

n) Contributed equity

Ordinary shares are 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.

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the 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 taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit:

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 where 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 2014 can be seen in the statement of comprehensive income.

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

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2014 $	2013 $

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	1,180,967	1,156,448
- other revenue	254,544	258,344
Total revenue from operating activities	**1,435,511**	**1,414,792**
Non-operating activities:		
- interest received	9,562	8,390
Total revenue from non-operating activities	**9,562**	**8,390**
Total revenues from ordinary activities	**1,445,073**	**1,423,182**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	8,404	5,732
- leasehold improvements	9,253	16,241
Amortisation of non-current assets:		
- franchise agreement	4,314	4,314
- franchise renewal fee	19,570	19,571
	41,541	**45,858**
Finance costs:		
- interest paid	1,256	536
- Borrowing costs	102	34
	1,358	**570**

	2014 $	2013 $
Note 5. Expenses (continued)		
Bad debts	1,646	693
Loss on disposal of non-current assets	-	2,779
Impairment of property, plant and equipment	-	272,907

The freehold land at 105 Main Street, Romsey was independently valued at 7 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.

Note 6. Income tax expense

	2014 $	2013 $
The components of tax expense comprise:		
- Current tax	117,870	114,786
- Movement in deferred tax	(4,680)	(2,006)
	113,190	**112,780**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	377,301	103,027
Prima facie tax on profit from ordinary activities at 30%	113,190	30,908
Add tax effect of:		
- non-deductible expenses	-	81,872
- timing difference expenses	4,680	-
- origination and reversal of temporary differences	-	2,006
	117,870	**114,786**
Movement in deferred tax	(4,680)	(2,006)
	113,190	**112,780**

Note 7. Cash and cash equivalents

	2014 $	2013 $
Cash at bank and on hand	63,947	139,056
Investment account	120,000	260,000
	183,947	**399,056**

	2014 $	2013 $

Note 7. Cash and cash equivalents (continued)

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2014 $	2013 $
Cash at bank and on hand	63,947	139,056
Investment account	120,000	260,000
	183,947	**399,056**

Note 8. Trade and other receivables

	2014 $	2013 $
Trade receivables	121,994	119,586
Other receivables and accruals	999	2,535
Other assets	171	273
	123,164	**122,394**

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	52,013	52,013
Less accumulated depreciation	(36,482)	(34,263)
	15,531	**17,750**
Leasehold improvements		
At cost	299,273	299,273
Less accumulated depreciation	(240,121)	(230,868)
	59,152	**68,405**
Motor vehicle		
At cost	33,636	33,636
Less accumulated depreciation	(8,051)	(1,866)
	25,585	**31,770**
Land (at valuation)		
At independent valuation	850,000	850,000
Less accumulated depreciation	-	-
	850,000	**850,000**

	2014 $	2013 $
Note 9. Property, plant and equipment (continued)		
Works in progress (105 Main Street, Romsey)		
At cost	73,309	-
	73,309	**-**
Total written down amount	**1,023,577**	**967,925**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	17,750	20,234
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,219)	(2,484)
Carrying amount at end	**15,531**	**17,750**
Leasehold improvements		
Carrying amount at beginning	68,405	79,051
Additions	-	5,595
Disposals	-	-
Less: depreciation expense	(9,253)	(16,241)
Carrying amount at end	**59,152**	**68,405**
Motor vehicle		
Balance at the beginning of the reporting period	31,770	10,523
Additions	-	33,636
Disposals	-	(9,143)
Depreciation expense	(6,185)	(3,246)
Balance at the end of the reporting period	**25,585**	**31,770**
Land (at valuation)		
Balance at the beginning of the reporting period	850,000	1,018,214
Additions	-	104,693
Disposals	-	-
Revaluation decrements	-	(272,907)
Depreciation expense	-	-
Balance at the end of the reporting period	**850,000**	**850,000**

Notes to the financial statements (continued)

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

Works in progress (105 Main Street, Romsey)		
Balance at the beginning of the reporting period	-	-
Additions	73,309	-
Disposals	-	-
Depreciation expense	-	-
Balance at the end of the reporting period	**73,309**	**-**
Total written down amount	**1,023,577**	**967,925**

The freehold land at 105 Main Street, Romsey was independently valued at 7 August 2013 by an independent Certified Practising Valuer, Patrick Brady of WBP Property Group and a subsequent revaluation decrement was included in the 2013 accounts. The Company has continued with its plans to progress the development of the site during the 2014 financial year. The Company has an endorsed permit to construct a bank (170m2) plus an additional building offering 878m2 of floor space at 105 Main Street, Romsey. The bank construction commenced in September 2014, and an independent valuation will be obtained upon completion.

	2014 $	2013 $

Note 10. Intangible assets

Franchise fee		
At cost	131,570	131,570
Less: accumulated amortisation	(125,188)	(120,874)
	6,382	**10,696**
Renewal processing fee		
At cost	97,853	97,853
Less: accumulated amortisation	(69,879)	(50,309)
	27,974	**47,544**
Total written down amount	**34,356**	**58,240**

Note 11. Tax

Current:		
Income tax payable	**13,681**	**8,019**

	2014 $	2013 $

Note 11. Tax (continued)

Non-Current:		
Deferred tax assets		
- accruals	149	-
- employee provisions	31,709	27,640
	31,858	**27,640**
Deferred tax liability		
- accruals	(300)	(761)
	(300)	**(761)**
Net deferred tax asset	**31,559**	**26,879**
Movement in deferred tax charged to statement of comprehensive income	**(4,679)**	**(2,006)**

Note 12. Trade and other payables

Trade creditors	18,045	29,643
Other creditors and accruals	73,602	73,756
	91,647	**103,399**

Note 13. Borrowings

Current:		
Bank loans	7,706	48,396
Equipment Loan	10,176	9,626
	17,882	**58,022**
Non-Current:		
Bank loans	-	338,519
Equipment Loan	7,106	17,282
	7,106	**355,801**

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% (2013: 6.81%). 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% (2013: 5.59%).

	2014 $	2013 $

Note 14. Provisions

	2014 $	2013 $
Current:		
Provision for annual leave	34,680	34,336
Provision for long service leave	66,385	57,795
	101,065	**92,131**
Non-Current:		
Provision for long service leave	**4,631**	**-**

Note 15. Contributed equity

	2014 $	2013 $
970,700 ordinary shares fully paid (2013: 970,700)	970,700	970,700
Less: return of share capital	(252,675)	(252,675)
Less: equity raising expenses	(50,156)	(50,156)
	667,869	**667,869**

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branches have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

Note 15. Contributed equity (continued)

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the “10% limit”).

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member’s associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

	2014 $	2013 $

Note 16. Retained earnings

Balance at the beginning of the financial year	289,253	349,541
Net profit/(loss) from ordinary activities after income tax	264,111	(9,753)
Dividends paid or provided for	(60,642)	(50,535)
Balance at the end of the financial year	**492,722**	**289,253**

Note 17. Statement of cash flows

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

Profit/(Loss) from ordinary activities after income tax	264,111	(9,753)
Non cash items:		
- depreciation	17,657	21,973
- amortisation	23,884	23,885
- loss on disposal of non-current assets	-	2,779
- revaluation decrement	-	272,907

	2014 $	2013 $
Note 17. Statement of cash flows (continued)		
Changes in assets and liabilities:		
- increase in receivables	(770)	(148)
- increase in other assets	(4,680)	(2,005)
- decrease in payables	(11,752)	(47,029)
- increase in provisions	13,565	57,887
- increase in current tax liabilities	5,662	6,113
Net cash flows provided by operating activities	**307,677**	**326,609**

Note 18. Leases

	2014 $	2013 $
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	10,882	10,882
- between 12 months and 5 years	7,255	18,137
- greater than 5 years	-	-
Minimum lease payments	**18,137**	**29,019**
Less future finance charges	(855)	(2,111)
Present value of minimum lease payments	**17,282**	**26,908**
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% (2013: 5.59%).		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	30,281	29,773
- between 12 months and 5 years	65,844	94,139
- greater than 5 years	-	-
	96,125	**123,912**

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

	2014 $	2013 $

Note 19. Auditor's remuneration

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

- audit and review services	4,773	4,899
- share registry services	3,620	3,926
- non audit services	1,150	963
	9,543	**9,788**

Note 20. Director and related party disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

	2014 $	2013 $

Note 21. Dividends paid or provided

	2014 $	2013 $
a. Dividends paid during the year		
Current year dividend		
100% (2013: 100%) franked dividend - 6 cents (2013: nil cents) per share	**60,642**	**50,535**
The tax rate at which dividends have been franked is 30% (2013: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	361,998	277,673
- franking credits that will arise from payment of income tax payable as at the end of the financial year	40,145	8,019
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	(26,879)
Franking credits available for future financial reporting periods:	**402,143**	**258,813**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**402,143**	**258,813**

Notes to the financial statements (continued)

Note 22. Earnings per share

		2014 $	2013 $
(a)	Profit/(Loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	264,111	(9,753)
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	970,700	970,700

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Lancefield & Romsey, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
20A High Street Lancefield VIC 3435	20A High Street Lancefield VIC 3435

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial assets												
Cash and cash equivalents	63,947	139,056	120,000	260,000	-	-	-	-	-	-	2.44	2.33
Receivables	-	-	123,164	122,394	-	-	-	-	-		N/A	N/A
Financial liabilities												
Trade and other payables	-	-	91,647	103,399	-		-		-	-	N/A	N/A
Loans and borrowings	-	-	17,882	58,022	7,106	210,866	-	144,935	-		N/A	N/A

Net Fair Values

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

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

Note 27. Financial instruments (continued)

Sensitivity Analysis (continued)

As at 30 June 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2014 $	2013 $
Change in profit/(loss)		
Increase in interest rate by 1%	639	1,391
Decrease in interest rate by 1%	639	1,391
Change in equity		
Increase in interest rate by 1%	639	1,391
Decrease in interest rate by 1%	639	1,391

Directors' declaration

In accordance with a resolution of the directors Lancefield and Romsey Community Financial Services Limited, we 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:

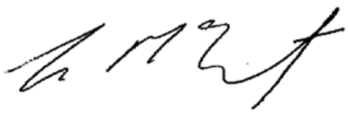
  (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

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

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Timothy Gerard McCarthy,
Chairman

Signed on the 29th of September 2014.

Independent audit report

Partners in success
Chartered Accountants

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 balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

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. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal controls relevant to the entity's preparation and presentation 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 entity'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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

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Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Lancefield & Romsey Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Lancefield & Romsey Community Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 29 September 2014

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Phone: (03) 5429 1977

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