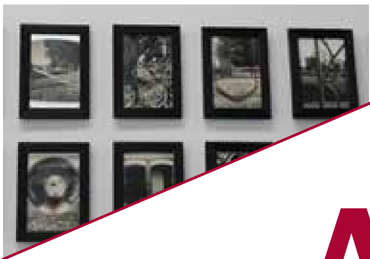

Annual Report 2016

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 2016

In a year that has seen many changes, it is impressive that the business has performed so well and achieved so much, both in terms of our financial performance and community investment.

Financially, the company has had its best year ever. Our trading profit, before the payment of community grants and sponsorships was over $400,000, with an after tax profit of just under $250,000. This result enabled us to invest over $150,000 in the community as well as set aside (in the form of a payment to the Community Enterprise Foundation™) an additional $80,000 for future projects. The payment of a fully franked 6c dividend brings our total dividend return to 45c, which means we have returned to each original shareholder nearly 75% of their initial investment in the company.

Unfortunately our performance in 2016/17 will be impacted by the introduction of a new revenue sharing mechanism with Bendigo Bank. While the mechanism is transparent, it has resulted in the products that are subject to the most competition (eg home loans and certain term deposits) yielding lower margins, and therefore a smaller return to our company. We expect our revenues this year to be around $80,000 lower than they would have been had the margins not been adjusted. Despite that, and thanks to the efforts of our energised branch team, we still expect to improve upon this year’s results. You, our shareholders, can help. If you know of anyone looking to open up a bank account or change banks, ask them to contact our branch teams. Once they’re in the door, our team’s attention to great customer service will do the rest.

Your investment and continued support of our business has enabled the company to reach its most significant achievement. We have now committed over $1 million to community projects and organisations since our formation. Many projects that we have invested in would not have been possible without your investment in the company, and the community members who have chosen to bank with us.

This year, one of the projects supported by a community grant was recognised by the broader **Community Bank**® network. The upgrade of the kitchen at the Lancefield Mechanics Institute Hall, in which we invested $40,000, was nominated for a ‘Community Choice Award’, ranking it amongst the top five **Community Bank**® branch investments in Regional Victoria. What is particularly gratifying about this project was that the kitchen was critical to the ability for our community to be able to provide support to the CFA and other volunteers in fighting the Lancefield/Benloch bushfire.

There were a number of significant achievements for the company this financial year, which included:

- The completion of the landscaping for the Romsey branch, providing Romsey with another public space close to the main shopping centre
- New Franchise Agreements for our branches were entered into with Bendigo Bank, securing our business for at least another 10 years
- The renewal of the lease for the Lancefield **Community Bank**® Branch, which, including options, will secure that branch for another 15 years
- The Lancefield **Community Bank**® Branch (and our company) celebrated its 15th birthday and we celebrated 10 years of having a branch in Romsey
- Our total funds under management have exceeded $100 million for the Lancefield branch and over $200 million for the branches combined.

A company is defined by its employees and we could not wish for a better definition. Our branch teams, led by Rod Browning and Michael O’Gorman, are dedicated to providing a friendly and helpful environment for our customers. They are also dedicated to the community, attending many community events in their own time, including proudly representing our company at the annual Relay for Life. This year the team was joined by two new members Jodie Dobbs and Nicole Morvell, and they are already making a valuable contribution.

Chairman's report (continued)

I also wish to thank the Board's dedicated support team (currently Sally Peeler and Georgie Davie), who work, mostly, behind the scenes making sure the company operates efficiently and meets its compliance obligations. Congratulations to Kalma Tappin, who, after a great job as our Executive Officer for most of the year, had her second child in July.

Like any company, we need to continue to seek to improve, refresh and renew. To this end the Board has adopted a new Strategic Plan. The company has committed to a number of new strategies, defining our purpose as 'Leading Sustainable Community Growth'. This strategy is founded on the inspiration that drove the **Community Bank®** concept – strong communities drive strong companies. With approximately 80% of our net profits being invested back into the community, our vision is to see the community grow, which will ultimately benefit our customers and shareholders. This is why we consider our grants and sponsorships as investments. By providing prize money to a bowling club to run a regional tournament, to bring visitors to our community and helping the club grow, or invest in community assets, like the Mechanic's Institute Halls in Lancefield and Romsey and a Skate Park, we are helping to provide critical infrastructure to our community.

The Board of Directors has also been refreshed and renewed. We have had four new Directors join the Board and in December we rotated the key roles of Chair, Secretary and Treasurer. This process has not only refreshed the Board but has broadened its collective skills and experience. Unfortunately, we have seen a number of valued Directors leave our Board. Most significantly, Maureen Wiltshire, a former Chair and, more importantly, one of our foundation Directors who drove the formation of our company, resigned earlier this year. I have not been given enough space in this report to do justice to Maureen's contribution to our company. All of the Board and staff of the company wish Maureen and her family all the best.

Finally, I'd like to thank you, our shareholders and customers, for continuing to support our business and community.

David Plunkett
Chairman

Lancefield Manager's report

For year ending 30 June 2016

The 2015/16 financial year was another year of highlights in demonstrating how we have become part of the fabric of our community.

At the Lancefield **Community Bank**® Branch, we celebrated our 15th year of providing financial services to our residents and local businesses.

We smashed through the $100 million mark in lending and deposits during the course of the year, with the Lancefield **Community Bank**® Branch book growing by $12.6 million. This was mainly due to clients making us their main bank, refinancing from other institutions and buying homes locally.

The success of the branch is a reflection of the dedication and professionalism of our branch team. The experience they have in all facets of banking, including general insurance and wealth products, assists clients make informed decisions. That's what face-to-face banking is all about.

During the year we have also been able to support community events such as our 'nearing retirement' forum and skills development day, 'Let's Nut It Out'. We will continue to support important information sessions that the community will benefit from.

On a wider level, our community investment by way of grants and sponsorship assisted projects such as the skate park in Lancefield, the Romsey Mechanics Institute, the Men's Shed, all the schools and other groups and sporting associations.

A big thank you to our volunteer Board on the time an effort you have put in and proactively help the business grow.

I have really enjoyed another year, being out and about in these fantastic communities.

Michael O'Gorman
Lancefield Community Bank® Branch Manager

Romsey Manager's report

For year ending 30 June 2016

The economic environment has certainly continued to make things very challenging for business over the past 12 months and our branch is certainly not immune to this. Of particular note are record low interest rates.

These rates can be a two-edged sword – making things difficult for depositors and investors, but providing opportunities for borrowers.

This low interest rate period makes it difficult for some of our mature-aged deposit customers to survive off the interest for cash investments alone, which has made them look to alternatives.

Thankfully our Wealth Planner has been able to assist, giving customers the ability to consider other investment options. We've been kept busy over this time as a result.

We have seen a huge debt reduction in regard to our home loans, as low lending interest rates have also brought about the option for customers to continue repaying the same amount as in previous years, which means they are paying down their debts quicker. This can assist our business by enabling loan customers to take advantage of their increased equity in their properties, and possibly position themselves for further investment borrowing.

We have more than 3,200 accounts now at the Romsey **Community Bank**® Branch, and have seen a significant increase in business accounts over the last 12 months. We have a total portfolio of over $91 million, and our product range of accounts is as competitive as it has ever been.

Our experienced, trained staff are able to give valuable advice in regard to daily banking needs, and we pride ourselves in being our community's first port of call when it comes to all financial requirements.

Our **Community Bank**® company has continued to provide substantial support back into our local and surrounding community, and I know that our staff take great pride in this contribution.

The more successful and committed our customers are, the more successful our local community will be, which in turn makes us a successful **Community Bank**® branch.

I would also like to thank our volunteer Board of Directors for all the time they commit to making Romsey **Community Bank**® Branch the success that it is.

Rod Browning
Romsey Community Bank® Branch Manager

Directors' report

For the financial year ended 30 June 2016

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

Directors

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

David Ross Plunkett

Chairperson

Occupation: Lawyer

Qualifications, experience and expertise: David has been a practising Lawyer since graduating with a LLB in 1994. He has been the General Counsel and Company Secretary for Qenos Pty Ltd since 2001, being responsible for all legal and governance related matters. David has lived in Lancefield since 2003. He has two children that attend schools in the Macedon Region.

Special responsibilities: Chairperson from February 2016, Company Secretary until February 2016, Member of 105 Main St Panel,

Interest in shares: Nil

Timothy Gerard McCarthy

Director

Occupation: Accountant

Qualifications, experience and expertise: Certified Practising Accountant. B. Bus (Accounting). L&RCFSL Chairperson from 1 August 2011 - 31 January 2016. Former President of Romsey Football Club. Current Treasurer and former Secretary & President of Romsey Cricket Club. Life Member of Romsey Cricket Club.

Special responsibilities: Chairperson to January 2016, Treasurer, Chair of Finance & Audit Panel and 105 Main St Panels.

Interest in shares: 12,000

Russell David Pattinson

Director

Occupation: Management Consultant & Business Owner

Qualifications, experience and expertise: B. Ag. Science (Hon), Masters of Applied Science, Director of Management Consulting Company. Comprehensive agribusiness experience. Chair of various Australian industry committees. Local sporting, community and business interests.

Special responsibilities: Chair of Marketing & Community Investment Panel and member of HR Panel.

Interest in shares: 5,200

Graeme James Walker

Director

Occupation: Journalist

Qualifications, experience and expertise: Considerable past newspaper experience as a Journalist, leading in to a senior role in Government media liaison and issues management. In ninth year as President of Moonee Valley Cricket Club. Life Member of both Moonee Valley Cricket Club and North West Metropolitan Cricket Association. Member of North West Metropolitan Cricket Association Juniors committee (in 14th year).

Special responsibilities: Member of Marketing & Community Investment Panel.

Interest in shares: 4,660

Directors (continued)

Michael Francis Meehan

Director

Occupation: Retired

Qualifications, experience and expertise: Qualifications, experience and expertise: Retired Emeritus University Professor. Head of School and Deputy Dean (Faculty of Arts, Deakin). BA (Monash), LLB (Adelaide), PhD (Cambridge). Chairman of Deep Creek Landcare. Former Chairman of Lancefield Megafauna. Former Chair of Adelaide Writers Week. Worked in Editing and Marketing for Edward Arnold Publishers (London). Novelist (4 novels, NSW Premiers Prize, 2000).

Special responsibilities: Company Secretary, Chair of Governance & Risk Panel and member of Board Recruitment & Succession Panel.

Interest in shares: Nil

Andrea Elyse Knight

Director

Occupation: Business Owner

Qualifications, experience and expertise: Andrea is an experienced professional in the fields of law, recruitment, marketing/business development and general business management. B. of Arts/Laws, Grad. Dip. in Secondary Education and Master of Laws. From 1994, Andrea was a practising Lawyer in the fields of family law and commercial litigation. She also has extensive experience in the recruitment industry and since April 2009, Andrea has managed the family business, Granite Hills Winery, alongside husband, Llew. Andrea has been an active member of the local community since May 2000.

Special responsibilities: Chair of Human Resources Panel and member of Board Recruitment & Succession Panel.

Interest in shares: 2,100

Donna Gay Fabris

Director (Appointed 6 May 2016)

Occupation: Manager - Healthcare

Qualifications, experience and expertise: With 30 years experience in the Heathcare sector, Donna brings broad management and leadership skills to her Directorship. Currently Managing Director of her own, local, family run, mobile Healthcare company, she also holds a special interest in Governance and Finance. Donna has broad Board experience locally, and is an active member of her local community.

Special responsibilities: Member of the Governance & Risk and Finance & Audit Panels.

Interest in shares: Nil

Kenneth John Allender

Director (Appointed 6 May 2016)

Occupation: Retired

Qualifications, experience and expertise: B. Bus. (Accounting). Ken brings his extensive experience in senior managerial positions (Bulk Liquid Fuels Distribution & associated Finance activities) within the Australian and NZ Oil Industry, to his directorship. He is an active member of his local community and is currently Secretary with Deep Creek Landcare and Treasurer for the Lancefield Mercury.

Special responsibilities: Co-Chair of Premises Panel and member of Finance & Audit Panel.

Interest in shares: Nil

Directors (continued)

Neville George Henderson

Director (Appointed 6 May 2016)

Occupation: Retired

Qualifications, experience and expertise: B. App. Sc. (Metallurgy) and B. App. Sc. (Psychology) part complete. Trained with Rio Tinto in HR and then had a career with BHP's mining division in Australia and internationally. Broad based HR skills in recruitment, remuneration, performance management, career development and succession planning. Chairman of Mt Newman Provident Fun and JP for 30 years. Current Director of TALGA (The Australian Lavender Growers Association) and is establishing a lavender business in Pastoria East.

Special responsibilities: Member of HR and Board Recruitment & Succession Panels.

Interest in shares: Nil

Robert William Bryant

Director (Appointed 6 May 2016)

Occupation: Business Owner

Qualifications, experience and expertise: Director on the Board of a public company from 1996 to 1999. Robert brings his extensive local community awareness and retail expertise to his Directorship, having been a local Hardware Owner/Operator since 2000.

Special responsibilities: Co-Chair of Premises Panel and Member of 105 Main St Panel.

Interest in shares: 3,750

Patrick Alan Holt

Director (Appointed 14 July 2015 - Resigned 31 October 2015)

Occupation: CEO of the Accident Compensation Conciliation Service

Qualifications, experience and expertise: 2008: Enrolled as a Barrister & Solicitor before the Supreme Court of Victoria, Australia. A seasoned attorney with over thirty years in practice with commercial business, company, international, banking law and litigation. Former University Law Lecturer, Justice Court Judge and founding Board member of a bank in the USA.

2006: Enrolled as a Barrister & Solicitor before the High Court of New Zealand; Christchurch, Canterbury

1983: Admitted as lawyer to State Bar of Montana, Supreme Court of Montana, and U. S. Federal District Court.

Special responsibilities: Nil

Interest in shares: Nil

Sandra Evaline Chestnutt

Director (Resigned 5 July 2016)

Occupation: Community Engagement Coordinator

Qualifications, experience and expertise: A very diverse career spanning 20 years in finance, public/private administration and program management. Several roles within the Public, Non-Government Organisations (NGO) and Private sectors, and over 14 years experience in the development field with the United Nations (UN) and international NGOs.

Special responsibilities: Chair of Board Recruitment & Succession Panel and member of 105 Main St Panel.

Interest in shares: 2,292

Directors (continued)

Maureen Patricia Wiltshire

Director (Resigned 14 April 2016)

Occupation: Legal Practitioner

Qualifications, experience and expertise: B. Arts, B. Laws & Masters of Applied Law. Deputy Chairperson since 6 July 2010. Extensive involvement in community organisations. Member of original steering committee and Director since inception in 2001.

Special responsibilities: Nil

Interest in shares: 16,933

Kenneth Douglas Cribbes FAIM

Treasurer (Resigned 7 December 2015)

Occupation: Retired Grazier

Qualifications, experience and expertise: Marketing & finance background. Former Director of Royal Freemasons Homes Limited, Freemasons Hospital, Euroa Health and Pacific Dunlop Group Companies. Fellow of Australian Institute of Management.

Special responsibilities: Nil

Interest in shares: Nil

Vanessa Jane Adams

Director (Resigned 31 October 2015)

Occupation: Public Sector Executive

Qualifications, experience and expertise: Masters in Public Policy Administration (MPA). Lived in local area since December 2010 until November 2015.

Special responsibilities: Nil

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

David Plunkett is the Company Secretary. David was appointed to the Secretary position on 7 November 2011.

The other Company Secretary is Michael Meehan. Michael was appointed to the Secretary position 1 February 2016.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate franchised branches 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 2016 $	Year ended 30 June 2015 $
239,051	(50,403)

Dividends

	Year ended 30 June 2016	
	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.

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.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest.

Indemnification and insurance of directors and officers

The company has indemnified all directors, branch managers and the Executive officer in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors, branch managers or executive officer of the company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' 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	10
David Ross Plunkett	11	10
Russell David Pattinson	11	8
Graeme James Walker	11	8
Michael Francis Meehan	11	6
Andrea Elyse Knight	11	10
Donna Gay Fabris (Appointed 6 May 2016)	2	2
Kenneth John Allender (Appointed 6 May 2016)	2	2
Neville George Henderson (Appointed 6 May 2016)	2	1
Robert William Bryant (Appointed 6 May 2016)	2	2

Directors' meetings (continued)

	Board Meetings Attended	
	Eligible	**Attended**
Patrick Alan Holt (Appointed 14 July 2015 - Resigned 31 October 2015)	3	2
Sandra Evaline Chestnutt (Resigned 5 July 2016)	11	11
Maureen Patricia Wiltshire (Resigned 14 April 2016)	8	6
Kenneth Douglas Cribbes FAIM (Resigned 7 December 2015)	6	3
Vanessa Jane Adams (Resigned 31 October 2015)	4	3

The Board has seven panels in place; 105 Main St (property development), Human Resources, Board Recruitment and Succession, Marketing and Community Investment, Finance and Audit, Governance and Risk, and Premises. The panels 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 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:

- having reviewed the auditor's protocols in relation to independence and non-audit services, the board is comfortable that the provision of such services will not impact upon 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 12.

Signed in accordance with a resolution of the board of directors at Romsey, Victoria on 24 September 2016.

David Ross Plunkett,
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

As lead auditor for the audit of Lancefield & Romsey Community Financial Services Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 20 September 2016

David Hutchings
Lead Auditor

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	1,658,680	1,502,791
Employee benefits expense		(759,747)	(686,825)
Charitable donations, sponsorship, advertising and promotion		(198,350)	(147,359)
Occupancy and associated costs		(84,381)	(90,803)
Systems costs		(54,094)	(46,176)
Depreciation and amortisation expense	5	(48,270)	(39,043)
Finance costs	5	(15,737)	(7,322)
General administration expenses		(152,290)	(206,376)
Profit before income tax expense		**345,811**	**278,887**
Income tax expense	6	(96,510)	(85,402)
Profit after income tax expense		**249,301**	**193,485**
Revaluation of investments	9	(10,250)	(243,888)
Total Other Comprehensive Income		**(10,250)**	**(243,888)**
Total comprehensive income for the year		**239,051**	**(50,403)**
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	23	24.63	(5.19)

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	44,845	115,093
Trade and other receivables	8	150,852	128,270
Current tax asset	11	21,767	34,792
Total Current Assets		**217,464**	**278,155**
Non-Current Assets			
Property, plant and equipment	9	1,362,428	1,353,048
Intangible assets	10	97,618	10,472
Deferred tax asset	11	24,111	32,963
Total Non-Current Assets		**1,484,157**	**1,396,483**
Total Assets		**1,701,621**	**1,674,638**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	130,573	173,082
Borrowings	13	41,138	42,519
Provisions	14	114,235	101,386
Total Current Liabilities		**285,946**	**316,987**
Non-Current Liabilities			
Borrowings	13	180,848	296,793
Provisions	14	6,872	11,312
Total Non-Current Liabilities		**187,720**	**308,105**
Total Liabilities		**473,666**	**625,092**
Net Assets		**1,227,955**	**1,049,546**
Equity			
Issued capital	15	667,869	667,869
Retained earnings	16	560,086	381,677
Total Equity		**1,227,955**	**1,049,546**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2016

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014	**667,869**	**492,722**	**1,160,591**
Total comprehensive income for the year	**-**	**(50,403)**	**(50,403)**
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 2015	**667,869**	**381,677**	**1,049,546**
Balance at 1 July 2015	**667,869**	**381,677**	**1,049,546**
Total comprehensive income for the year	**-**	**239,051**	**239,051**
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 2016	**667,869**	**560,086**	**1,227,955**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		1,811,039	1,646,524
Payments to suppliers and employees		(1,510,739)	(1,290,361)
Interest received		471	1,624
Interest paid		(15,737)	(7,322)
Income taxes paid		(74,633)	(135,279)
Net cash provided by operating activities	**17**	**210,401**	**215,186**
Cash flows from investing activities			
Payment of intangible assets		(67,781)	-
Payments for property, plant and equipment		(34,901)	(537,722)
Net cash used in investing activities		**(102,682)**	**(537,722)**
Cash flows from financing activities			
Proceeds from borrowings		-	649,271
Repayment of borrowings		(117,325)	(334,947)
Dividends paid		(60,642)	(60,642)
Net cash provided by/(used in) financing activities		**(177,967)**	**253,682**
Net increase/(decrease) in cash held		**(70,248)**	**(68,854)**
Cash and cash equivalents at the beginning of the financial year		115,093	183,947
Cash and cash equivalents at the end of the financial year	**7(a)**	**44,845**	**115,093**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

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.

Application of new and amended accounting standards

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
AASB 16 Leases	1 January 2019
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2015. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

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.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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:

- 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

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank**® model, known as 'Project Horizon'. This was conducted in consultation with the **Community Bank**® network. The objective of the review was to develop a shared vision of the **Community Bank**® model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank**® companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as ‘core banking products’. It may change the products and services which are identified as core banking products by giving the company at least 30 days’ notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited’s interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as ‘bank fees and charges’ charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank**® companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank**® model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank**® companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

The Board has assessed the full impact of the above changes on our revenue moving forward and based upon data provided by Bendigo and Adelaide Bank Limited anticipates the change will result in a reduction in income for the company. This reduction in income will be partially supplemented with transitional payments from Bendigo and Adelaide Bank Limited over the next two years ending 30 June 2018

The Board is continuing to work with Bendigo and Adelaide Bank Ltd to understand any potential changes to revenue and will provide further details as appropriate in due course.

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.

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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 Profit or Loss and Other 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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

Plant and equipment, leasehold and freeholds 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 and freehold 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.

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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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 Profit or Loss and Other 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 Profit or Loss and Other Comprehensive Income.

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.

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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 holds the land and buildings for the Romsey branch as part of the day to day operations and therefore deem the risk insignificant. The directors have determined to represent the asset at the fair value obtained from the independent valuation. The independent valuation was obtained on 22nd October 2014.

(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.

Note 2. Financial risk management (continued)

(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 2016 can be seen in the Statement of Profit or Loss and Other 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.

Note 3. Critical accounting estimates and judgements (continued)

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 Profit or Loss and Other 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.

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.

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Note 3. Critical accounting estimates and judgements (continued)

Fair value measurement (continued)

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

	2016 $	2015 $

Note 4. Revenue from ordinary activities

	2016 $	2015 $
Operating activities:		
- services commissions	1,408,614	1,246,005
- other revenue	247,400	255,159
Total revenue from operating activities	**1,656,014**	**1,501,164**
Non-operating activities:		
- interest received	471	1,627
- other revenue	2,195	-
Total revenue from non-operating activities	**2,666**	**1,627**
Total revenues from ordinary activities	**1,658,680**	**1,502,791**

Note 5. Expenses

	2016 $	2015 $
Depreciation of non-current assets:		
- plant and equipment	8,174	5,906
- motor vehicle	4,165	-
- leasehold improvements	8,445	9,253
- buildings	4,737	-
Amortisation of non-current assets:		
- franchise agreement	4,142	4,314
- franchise renewal fee	18,607	19,570
	48,270	**39,043**

	2016 $	2015 $

Note 5. Expenses (continued)

Finance costs:		
- interest paid	15,523	7,177
- borrowing costs	214	145
	15,737	**7,322**
Bad debts	**1,047**	**744**
Loss on disposal of asset	**-**	**35,268**

Note 6. Income tax expense

The components of tax expense comprise:		
- Current tax	87,658	86,807
- Movement in deferred tax	7,975	(3,140)
- Adjustment to deferred tax to reflect change to tax rate in future periods	877	1,735
	96,510	**85,402**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	335,561	34,999
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	95,635	10,500
Add tax effect of:		
- non-deductible expenses	-	73,167
- timing difference expenses	(7,977)	3,140
	87,658	**86,807**
Movement in deferred tax	7,975	(3,140)
Adjustment to deferred tax to reflect change of tax rate in future periods	877	1,735
	96,510	**85,402**

Note 7. Cash and cash equivalents

Cash at bank and on hand	39,845	114,093
Term deposits	5,000	1,000
	44,845	**115,093**

	2016 $	2015 $

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:

	2016 $	2015 $
Cash at bank and on hand	39,845	114,093
Term deposits	5,000	1,000
	44,845	**115,093**

Note 8. Trade and other receivables

	2016 $	2015 $
Trade receivables	136,360	127,515
Other receivables and accruals	14,492	687
Other assets	-	68
	150,852	**128,270**

Note 9. Property, plant and equipment

	2016 $	2015 $
Land and buildings		
Land (at valuation)		
At Independent valuation	850,000	850,000
Buildings (at valuation)		
At Independent valuation	380,000	380,000
Less accumulated depreciation	(4,737)	-
	375,263	**380,000**
Leasehold improvements		
At cost	161,921	140,438
Less accumulated depreciation	(109,853)	(101,408)
	52,068	**39,030**
Plant and equipment		
At cost	109,929	96,511
Less accumulated depreciation	(43,228)	(35,054)
	66,701	**61,457**

	2016 $	2015 $

Note 9. Property, plant and equipment (continued)

	2016 $	2015 $
Motor vehicles		
At cost	35,664	35,664
Less accumulated depreciation	(17,268)	(13,103)
	18,396	**22,561**
Total written down amount	**1,362,428**	**1,353,048**
Movements in carrying amounts:		
Land (at valuation)*	850,000	850,000
Buildings*		
Carrying amount at beginning	380,000	-
Additions	-	380,000
Disposals	-	-
Less: depreciation expense	(4,737)	-
Carrying amount at end	**375,263**	**380,000**
Leasehold improvements		
Carrying amount at beginning	16,486	59,152
Additions	21,483	-
Disposals	-	(34,589)
Less: depreciation expense	(8,445)	(8,077)
Carrying amount at end	**29,524**	**16,486**
Plant and equipment		
Carrying amount at beginning	84,002	15,531
Additions	13,418	71,180
Disposals	-	(679)
Less: depreciation expense	(8,174)	(2,030)
Carrying amount at end	**89,246**	**84,002**
Motor vehicles		
Carrying amount at beginning	22,560	25,585
Additions	-	2,027
Disposals	-	-
Less: depreciation expense	(4,165)	(5,052)
Carrying amount at end	**18,395**	**22,560**

	2016 $	2015 $

Note 9. Property, plant and equipment (continued)

Works in progress (105 Main Street. Romsey)*		
Carrying amount at beginning	-	73,309
Additions	10,250	-
Disposals	(10,250)	(73,309)
Carrying amount at end	**-**	**-**
Total written down amount	**1,362,428**	**1,353,048**

* Upon completion of the building of the new Romsey Branch at 105 Main Street, Romsey the company had a carrying value of $1,473,888 for the land and buildings. On 22nd October, 2014 an independent valuation was obtained from Certified Practicing Valuers Justin Thomas and Patrick Brady of WBP Property Group on an “as if complete” basis at $1,230,000. The directors have determined to represent the asset at the fair value obtained from the independent valuation.

	2016 $	2015 $
Land 105 Main Street. Romsey	1,230,000	850,000
Works in progress as at beginning of period	-	73,309
Expenditure during the year	10,250	544,806
Holding Costs for the period	-	5,773
Less revaluation	(10,250)	(243,888)
Land and buildings valuation	**1,230,000**	**1,230,000**

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	151,290	131,570
Less: accumulated amortisation	(133,644)	(129,502)
	17,646	**2,068**
Renewal processing fee		
At cost	188,028	97,853
Less: accumulated amortisation	(108,056)	(89,449)
	79,972	**8,404**
Total written down amount	**97,618**	**10,472**

Notes to the financial statements (continued)

	Notes	2016 $	2015 $

Note 11. Tax

Current:			
Income tax refundable		**21,767**	**34,792**
Non-Current:			
Deferred tax assets			
- accruals		920	844
- employee provisions		33,304	32,119
		34,224	**32,963**
Deferred tax liability			
- property, plant and equipment		10,113	-
		10,113	**-**
Net deferred tax asset		**24,111**	**32,963**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		**8,852**	**(1,404)**

Note 12. Trade and other payables

Trade creditors		65,446	16,895
Other creditors and accruals		65,127	156,187
		130,573	**173,082**

Note 13. Borrowings

Current:			
Equipment Loan	18	-	7,106
Bank Loan		41,138	35,413
		41,138	**42,519**
Non-Current:			
Bank Loan		180,848	296,793
		180,848	**296,793**

The bank loan is an interest only loan for the first 12 months commencing 17th September 2015. After the first 12 months the loan will be repayable monthly with the final instalment due on 17 March 2035. Interest is recognised at an average rate of 4.89%. The loan is secured by a first mortgage over the property located at 105 Main Street, Romsey. The original withdrawal of the loan was for $649,271, due to repayments made during the period they are not obligated to repay any principal of the loan for a significant time.

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% (2015: 5.59%).

	2016 $	2015 $

Note 14. Provisions

	2016 $	2015 $
Current:		
Provision for annual leave	39,076	33,501
Provision for long service leave	75,159	67,885
	114,235	**101,386**
Non-Current:		
Provision for long service leave	**6,872**	**11,312**

Note 15. Contributed equity

	2016 $	2015 $
1,010,700 ordinary shares fully paid (2015: 1,010,700)	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**® branch 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 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.

	2016 $	**2015 $**

Note 16. Retained earnings

Balance at the beginning of the financial year	381,677	492,722
Net profit/(loss) from ordinary activities after income tax	239,051	(50,403)
Dividends paid or provided for	(60,642)	(60,642)
Balance at the end of the financial year	**560,086**	**381,677**

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	239,051	(50,403)
Non cash items:		
- depreciation	25,521	15,159
- amortisation	22,749	23,884
- revaluation of investment	-	243,888
- loss on disposal of asset	-	35,268

	2016 $	2015 $

Note 17. Statement of cash flows (continued)

Changes in assets and liabilities:

- decrease in receivables	(22,582)	(5,106)
- (increase)/decrease in other assets	21,877	(36,196)
- decrease in payables	(84,624)	(4,629)
- increase in provisions	8,409	7,002
- increase/(decrease) in current tax liabilities	-	(13,681)
Net cash flows provided by operating activities	**210,401**	**215,186**

Note 18. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Available-for-sale financial assets				
Property, Plant and Equipment				
Freehold land	-	850,000	-	850,000
Buildings	-	380,000	-	380,000
Plant and equipment	-	-	-	-
Total assets at fair value	**-**	**1,230,000**	**-**	**1,230,000**

At 30 June 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Available-for-sale financial assets				
Property, Plant and Equipment				
Freehold land	-	850,000	-	850,000
Buildings	-	380,000	-	380,000
Plant and equipment	-	-	-	-
Total assets at fair value	**-**	**1,230,000**	**-**	**1,230,000**

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.

Note 18. Fair value measurement (continued)

Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.

Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

	2016 $	2015 $

Note 19. Leases

Finance lease commitments

	2016 $	2015 $
Payable - minimum lease payments:		
- not later than 12 months	-	7,255
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
Minimum lease payments	**-**	**7,255**
Less future finance charges	-	(149)
Present value of minimum lease payments	**-**	**7,106**

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% (2015: 5.59%).

Operating lease commitments

	2016 $	2015 $
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	20,000	9,413
- between 12 months and 5 years	80,000	-
- greater than 5 years	1,667	-
	101,667	**9,413**

The operating lease for the Lancefield branch is a non-cancellable lease with a five-year term which is due to expire in July 2021. Rent payable monthly in advance.

The operating lease for the Romsey branch was terminated in June 2015. The branch now operates from a freehold premises owned by the company.

Note 20. Auditor's remuneration

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

	2016 $	2015 $
- audit and review services	4,100	3,950
- share registry services	5,350	5,441
- other non audit services	2,510	2,410
	11,960	**11,801**

Note 21. Director and related party disclosures

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

David Ross Plunkett
Timothy Gerard McCarthy
Russell David Pattinson
Graeme James Walker
Michael Francis Meehan
Andrea Elyse Knight
Donna Gay Fabris (Appointed 6 May 2016)
Kenneth John Allender (Appointed 6 May 2016)
Neville George Henderson (Appointed 6 May 2016)
Robert William Bryant (Appointed 6 May 2016)
Patrick Alan Holt (Appointed 14 July 2015)
Sandra Evaline Chestnutt (Resigned 5 July 2016)
Maureen Patricia Wiltshire (Resigned 14 April 2016)
Kenneth Douglas Cribbes FAIM (Resigned 7 December 2015)
Vanessa Jane Adams (Resigned 31 October 2015)

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

	2016	2015
Directors' shareholdings		
David Ross Plunkett	-	-
Timothy Gerard McCarthy	12,000	12,000
Russell David Pattinson	3,000	3,000
Graeme James Walker	4,660	4,660
Michael Francis Meehan	-	-
Andrea Elyse Knight	2,100	-
Donna Gay Fabris (Appointed 6 May 2016)	-	-
Kenneth John Allender (Appointed 6 May 2016)	-	-
Neville George Henderson (Appointed 6 May 2016)	-	-

Note 21. Director and related party disclosures (continued)

	2016	2015
Directors' shareholdings (continued)		
Robert William Bryant (Appointed 6 May 2016)	-	-
Patrick Alan Holt (Appointed 14 July 2015)	-	-
Sandra Evaline Chestnutt (Resigned 5 July 2016)	2,292	2,292
Maureen Patricia Wiltshire (Resigned 14 April 2016)	16,933	16,933
Kenneth Douglas Cribbes FAIM (Resigned 7 December 2015)	-	-
Vanessa Jane Adams (Resigned 31 October 2015)	-	-
Andrea Knight was the only director to purchase shares during the year.		

	2016	2015
Key Management Personnel Shareholdings		
Ordinary shares fully paid	38,733	38,733

	2016 $	2015 $

Note 22. Dividends paid or provided

	2016 $	2015 $
a. Dividends paid during the year		
Current year dividend		
100% (2015: 100%) franked dividend - 6 cents (2015: 6 cents) per share	**60,642**	**60,642**
The tax rate at which dividends have been franked is 30% (2015: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	523,190	466,495
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	4,915	(107,959)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**528,105**	**358,536**
- 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	**528,105**	**358,536**

Note 23. Key Management Personnel 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.

	2016 $	2015 $
Note 24. Earnings per share		
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	239,051	(50,403)

	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	970,700	970,700

Note 25. 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 26. 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 27. Segment reporting

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

Note 28. 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

20A High Street
Lancefield VIC 3435

Principal Place of Business

20A High Street
Lancefield VIC 3435

Note 29. 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.

	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 %**	**2015 %**
Financial assets												
Cash and cash equivalents	39,445	113,693	5,000	1,000	-	-	-	-	400	400	0.36	1.00
Receivables	-	-	-	-	-	-	-	-	136,360	127,515	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	41,138	42,519	180,848	296,793	-	-	-	-	5.17	3.51
Payables	-	-	-	-	-	-	-	-	65,446	16,895	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 29. Financial instruments (continued)

Sensitivity Analysis (continued)

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2016 $	2015 $
Change in profit/(loss)		
Increase in interest rate by 1%	(1,775)	(2,246)
Decrease in interest rate by 1%	(1,775)	(2,246)
Change in equity		
Increase in interest rate by 1%	(1,775)	(2,246)
Decrease in interest rate by 1%	(1,775)	(2,246)

Directors' declaration

In accordance with a resolution of the directors of Lancefield & 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 2016 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.

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

David Ross Plunkett,
Chairman

Signed on the 24th of September 2016.

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 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 that gives a true and fair view 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 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 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 fair 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.

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

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 2016 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.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 20 September 2016

David Hutchings
Lead Auditor

Lancefield **Community Bank**® Branch
20A High Street, Lancefield VIC 3435
Phone: (03) 5429 1977
www.bendigobank.com.au/lancefield

Romsey **Community Bank**® Branch
105 Main Street, Romsey VIC 3434
Phone: (03) 5429 5526
www.bendigobank.com.au/romsey

Franchisee: Lancefield & Romsey Community
Financial Services Limited
20A High Street, Lancefield VIC 3435
ABN: 44 093 517 714

www.bendigobank.com.au
(BNPAR16016) (07/16)

Bendigo Bank
Bigger than a bank.

bendigobank.com.au