Lancefield & Romsey Community Financial Services Limited

ABN 44 093 517 714

2019 **Annual Report**

Lancefield and Romsey
Community Bank® branches

Contents

Chair's report

For year ending 30 June 2019

I am delighted to be reporting to you again as the Chairman of our Community Bank branches in Lancefield and Romsey. This is the 21st anniversary of the launch of the Community Bank model which has now grown to over 324 branches throughout Australia and a reminder of how much has been achieved to allow significant contributions to our communities. Our continued commitment to our community has once again resulted in us achieving growth, strong financial performance and providing excellent customer service. This is built on the trust that we earn in the community and one that we deliver with immense pride.

The closure of the NAB branch in Romsey last year provided us with a great opportunity for us to work more closely with our communities and demonstrate our ongoing commitment to their growth and prosperity. Whilst our results have remained strong, the year has been challenging with our net profitability falling by 47% during the financial year. Notwithstanding this, our ongoing profitability allows us to declare an annual dividend of 5 cents per share, while our investments in the community were $165,000 in the year.

Through the dedication of our branch teams, our gross profit before the payment of community grants and sponsorships was approximately $400,000. This was a decrease from last year's result, however it does demonstrate the wealth and prosperity that can be generated and retained in our communities through our collective ability to work together to achieve great things. Notwithstanding the challenges in the economy and in our communities, our continued work with our communities continues to build on the trust and faith that our shareholders and customers show in us by bringing their business to our Community Bank branches. Thank you to all.

Our continued financial performance allowed us to invest another $165,000 towards community groups, clubs and events, making the total amount contributed back to the community since we first opened in 2001, to over $1.5 Million. It is this investment and co-contribution to our communities' wealth that is the foundation of the Community Bank model. A large proportion of our profits are invested back into the community in the form of grants and sponsorships. This allows our community to grow, having access to better services, bringing more customers to the doors of our Community Bank branches in Romsey and Lancefield to allow us to continue our contribution. The more customers we have, the more we can invest in the community. It's a virtuous and incredibly powerful circle.

In fact, if you include employment costs and dividends (with virtually all of our shareholders having a community connection), of the $1.8 million that our Community Bank branches earn in revenue, approximately $1.2 million is returned to the community.

This year our Community Investment Program (grants and sponsorships) contributed more than 60 local groups. A particular highlight was the contribution of $40,000 towards the production of Lancefield Dreaming – a video proving insights to the characters, culture and history of Lancefield. The viewing evenings in August were very well attended with terrific audience response.

We continued our regular support of local schools and emergency services (approximately $10,000 to each group). Significant investments to sporting clubs and associations allowed them to upgrade their equipment and facilities. Some other major contributions included $6000 each to Romsey and Lancefield Primary schools for master planning of playgrounds and $5000 to St Mary's for equipment for the new Protolab. Romsey CFA were also supported for a new fire fighting monitor.

A key sponsorship was for the Lancefield Agricultural Society initial Working Yard Dog Trials.

We continued to engage with the Macedon Ranges Shire Council (MSRC) through their 'Let's talk Romsey' forum, as they seek to identify the needs of our fast growing communities. The forum is exploring opportunities in infrastructure, transport and facilities to service our communities as they grow apace. We look forward to collaborating with the MRSC and the community to identify opportunities where the Community Bank can contribute to these initiatives and better serve our communities.

In September 2018, we welcomed Ken Allender as our first General Manager. Ken stepped down as a Board Director of the bank after three years of service to accept this role. Ken's role is designed to assist with the governance and structure of the organization and assist the branch teams identify growth opportunities to enable the bank to meet its strategic goals. Michael O'Gorman's continues as Senior Branch Manager leading our Community Bank branches. Our continued profitability and contribution to our community, demonstrates Michael and the teams commitment to the branches, the customers and the community. Our thanks and congratulations to Ken, Michael and both of our branch teams for another outstanding year supporting our business. Also, I would like to thank Sally Peeler, our Marketing Consultant, for her dedicated work on our Community Investment Program. I would also like to thank Georgie, our Company Secretary and Executive Officer, who resigned from the bank in September 2019, for her commitment and contribution over the three years she was with us.

We warmly welcome Bronwyn Meadows Smith, who joined is in September as Company Secretary and Executive Officer and who we look forward to working with.

In November 2018, we saw the retirement of Tim McCarthy. Tim was first appointed to the board in 2005, served as Chair from 2011 until 2016 and for the last two years until the end of 2018 he has been Treasurer of our company. Tim has been a very active member of our community where he has served as President of the Romsey Lancefield Football & Netball Club and as President, Secretary and Treasurer of the Romsey Cricket Club. Tim has made an enormous contribution to the bank and the Community which included the development of the Romsey branch and ensuring the growth that we see in our company over the years.

In addition, in May 2019, Donna Fabris, our Deputy Chair retired after three dedicated years on the board where she also served as Chair of the People and Performance Committee. Until recently, Donna ran a successful healthcare business in the Macedon Ranges and is actively involved in the local community. I would like to thank Donna for her significant contribution to our bank and the community.

I would like to sincerely thank all of our Directors for their hard work and dedication to our Community Bank and for the enthusiast contribution they continue to make to ensure that we are feeding prosperity back into the community not feeding off it.

It all began with you, our shareholders. Your faith, trust and commitment to our community allowed these Community Bank branches to begin. Thank you. With your support we will continue to grow and prosper and I very much look forward to building the wealth and prosperity of our community together.

S.M. Ewart

Suzie Ewart
Chair
Lancefield & Romsey Community Financial Services Limited

General Manager's report

For year ending 30 June 2019

This year has provided many challenges from a range of perspectives.

Our business has operated within an industry which has had a very public profile in 2018-9 due to the Federal Government initiated Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Combined with both State and Federal elections and previous changes to legislation related to investment property rules it was apparent that our customers were hesitant to make changes and new commitments to their financial arrangements. This was evident for the finance industry generally.

However, once both election results were finalized we saw a reasonable degree of activity returning to our business. In the outcome our overall results provided an increase in the value of our Loan portfolio of $4.4 million with our level of deposits up by $0.5 million compared to the previous year. Although growth was positive it was well below our business plan growth targets and resulted in our gross income being about 6% below plan. On top of this over expenditure budget items, (cost of trainees, community contributions) resulted in a net profit 24% below plan.

Our customer base increased marginally by 2%. Despite the growth in this area transactions handled by staff at our branches were down by nearly 4% reflecting the increasing customer use of internet banking. Saturday opening is a key point of difference with our major competitors, as well as extended weekday trading hours, but transaction volumes also continue to reduce slightly.

We have shown an improvement in Insurance sales this year and will continue to offer our customers competitive quotes for a wide range of insurance options.

In 2020 our business will continue to change. Of note is the fact that Bendigo Bank has sold their financial planning arm to Bridges Financial. We will have the opportunity to refer our customers to Bridges, in a similar way to previously, for quality financial advice in a similar manner to the past but our referral earnings will vary.

Our staff have provided the traditional dedication and high-quality service to our customers that is one of the key Lancefield / Romsey Community Bank differences. Our staff have continued to develop their skills with completion of regular internal training programs to ensure we are updated with the latest compliance requirements and product information. New staff joining our team this year included two young people designated as trainees. Both are studying for tertiary qualifications whilst working part time with us. Our staff have trained them well and they are both excellent additions to our team.

We continued our overall community contributions support program with Grants and Sponsorships for more than $165,000 over the year. We have also assisted two local students with scholarships for tertiary studies as part of our community contributions program. As part of this program we have supported many other community initiatives and have enjoyed direct involvement through attendance at many events by our management and staff.

Our continued support for Lancefield / Macedon Ranges Relay for Life over 17 years was recognised with the "Spirit of Relay" award. This was most satisfying as it recognised our commitment and involvement with this terrific event. In 2019 alone this event raised more than $90,000 for Cancer Research – a incredible effort.

It is an absolute pleasure to be involved with these vibrant community groups, attending sporting presentations and supporting community projects. We can only do this with the support from our customers.

For everyone in our community who needs financial services we encourage you to come and talk to us. We expect to win your business with a comprehensive and competitive product range and, of course, great service.

Ken Allender
General Manager

Director’s report

For year ending 30 June 2019

The Directors present their report of the company for the financial year ended 30 June 2019.

Directors

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

Suzanne Ewart

Chair

Occupation: Non-Executive Company Director / Business Advisor

Qualifications, experience and expertise: Bachelor of Economics, CPA and Fellow of the Australian Institute of Company Directors, Suzanne is a Company Director and business adviser with a strong background in strategy, treasury, risk management and finance for some of Australia’s major ASX listed companies, including NAB, BTR, Nylex, Pacific Dunlop, Fosters Group and Woodside Petroleum. She has served on several boards and has expansive corporate governance and leadership skills drawn from many years’ experience in large global businesses. Her board and business experience cover a range of sectors including health, biotech, education, financial services and infrastructure. She also holds directorships in TT Line Pty Ltd and Dexus Wholesale Property Fund Ltd and Chairs.au Domain Administration Ltd. She has formerly held directorships in Treasury Corporation Victoria, Peter MacCallum Cancer Institute, Box Hill Institute Group and Cell Therapies.

Special responsibilities: Board chairperson since June 2018, member of Finance & Audit Committee.
Interest in shares: Nil

David Ross Plunkett

Director

Occupation: Lawyer

Qualifications, experience and expertise: David has been a practicing Lawyer since graduating with a LLB in 1994. He was the General Counsel and Company Secretary for Qenos Pty Ltd from 2001 until March 2019, at which time he commenced as General Manager - Legal and Company Secretary at SIMEC Energy Australia, being responsible for all legal and governance related matters. He has two children that attend schools in the Macedon Region and enjoys playing golf courses across the Macedon Ranges shire.

Special responsibilities: Chair Governance & Risk Committee
Interest in shares: Nil

Russell David Pattinson

Director

Occupation: Management Consultant & Business Owner

Qualifications, experience and expertise: Russell has comprehensive agribusiness experience alongside his B. Ag. Science (Hon) and Masters of Applied Science. He is a Director of a private Management Consulting Company and current Chairperson of various Australian industry committees. He has many local sporting, community and business interests.

Special responsibilities: Chair of Marketing & Community Investment Committee.
Interest in shares: 3,000

Robert William Bryant

Director

Occupation: Business Owner/Operator

Qualifications, experience and expertise: Robert was a 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 Property Committee.
Interest in shares: 3,750

Antony James Ede

Director

Occupation: Segment Business Manager APAC

Qualifications, experience and expertise: Tony has extensive experience in business management, sales and marketing management, business development and P&L management in Australian and International markets. He has managed startups and established business and business units in Australia, Indonesia, China and the Middle East. He completed an MBA specialising in International Marketing and Business Management at Deakin University in 2010. Tony and his wife have lived in Romsey since the beginning of 2013. He is currently on the Arts & Culture committee of the Romsey & Regional Business and Tourism Assoc. and is an active member in other community projects such Five Mile Creek Clean Up group.

Special responsibilities: Member of the People & Performance and Marketing & Community Investment Committees.
Interest in shares: Nil

Damien Wayne Tyrrell

Director

Occupation: Director, Indo-Pacific

Qualifications, experience and expertise: Damien brings his experience in the fields of information communications technology, business development, marketing, commercial and general business management to his directorship. He has a MBA, as well as having been active in social welfare, asset management and economic development committees and is also a JP. Damien has been Chairman for the Australia Defence Alliance – Victoria Inc. since November 2018. He served in the Australian Military for 13 years, and from 2000 has held senior leadership roles in several multi-national companies.

Special responsibilities: Co-Chair of the Property Committee and Member of the Governance & Risk Committee.
Interest in shares: Nil

Georgia Morgan

Director

Occupation: Senior Manager Business Foreign Exchange - Financial Markets

Qualifications, experience and expertise: Georgia has more than 25 years' experience in the banking industry. Her roles have ranged across Treasury, Corporate Finance, Marketing and Sales. Georgia holds a B. of Economics and a Masters of App. Finance. She is also a graduate and Member of the Australian Institute of Company Directors. She is an active member in the local community, most recently as a non-executive board member in the health industry and also having served as a past Treasurer for the Macedon Ranges Vignerons Association and Lancefield Football Netball Club.

Special responsibilities: Board Treasurer since November 2018, Chair of Finance & Audit Committee
Interest in shares: Nil

Donna Gay Fabris

Director *(Resigned 28 May 2019)*

Occupation: Health Administrator

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

Special responsibilities: Chair of People & Performance Committee, Member of the Marketing & Community Investment Committee.
Interest in shares: Nil

Timothy Gerard McCarthy

Director *(Resigned 22 November 2018)*

Occupation: Company Director

Qualifications, experience and expertise: Tim is a Certified Practicing Accountant B. Bus (Bus Admin) and Director of Sage Business Group Pty Ltd, a local Accounting firm with the Head Office located in Sunbury. Tim holds his CPA Public Practice Certificate and is a Registered Tax Agent and Financial Planning Authorised Representative of McMahon Osborne Super Strategies Pty Ltd. He was LRCFSL Chairperson from 1 August 2011 to 31 January 2016 before resigning in November 2018. He is the former President of Romsey Football Club Inc. Tim is former President, Secretary and Treasurer of Romsey Cricket Club Inc. and is a Life Member of the club.

Special responsibilities: Nil
Interest in shares: 12,000

Kenneth John Allender

Director *(Resigned 7 September 2018)*

Occupation: General Manager LRFSL

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 Treasurer with Deep Creek Landcare and Treasurer for the Lancefield Mercury.

Special responsibilities: Nil
Interest in shares: 12,420

Directors were in office for this entire year unless otherwise stated.
No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The Company Secretary is Georgina Mary Davie. Georgina was appointed to the position of secretary on 6 February 2017 and resigned with effect 11 September 2019.

Georgina has a 20 year career in Human Resources and executive administration roles including project roles for AXA Australia and Note Printing Australia (RBA). She was Company Secretary of NorCen FSL and in 2016 she became Executive Officer for Lancefield & Romsey Community FSL and on 6 February 2017 she also undertook the role of Company Secretary.

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 of the company for the financial year after provision for income tax was:

	Year ended 30 June 2019	Year ended 30 June 2018
	178,018	333,484

Dividends:	Year ended 30 June 2019	
	Cents	$
	5	50,535

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

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 and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager 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

Attendances by each Director during the year were as follows:

	Board Meetings		Committee Meetings Attended									
			Finance & Audit		Governance & Risk		People & Performance		Property		Marketing & Community Investment	
Director	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Suzanne Ewart	11	11	3	3	-	-	-	-	-	-	-	-
David Ross Plunkett	11	7	-	-	2	2	-	-	-	-	-	-
Russell David Pattinson	11	8	-	-	-	-	-	-	-	-	6	6
Robert William Bryant	11	11	-	-	-	-	-	-	3	3	-	-
Antony James Ede	11	9	-	-	-	-	1	1	-	-	6	6
Damien Wayne Tyrrell	11	9	-	-	2	2	-	-	3	3	-	-
Georgia Morgan	11	9	3	3	-	-	-	-	-	-	-	-
Donna Gay Fabris (1)	10	9	-	-	-	-	1	1	-	-	4	4
Timothy Gerard McCarthy (2)	5	4	-	-	-	-	-	-	-	-	-	-
Kenneth John Allender (3)	2	1	-	-	-	-	-	-	-	-	-	-

A - eligible to attend B - number attended 1 - (Resigned 28 May 2019) 2 - (Resigned 22 November 2018) 3 - (Resigned 7 September 2018)

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. 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.

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

Non audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

Signed in accordance with a resolution of the board of directors at Lancefield, Victoria on 16 September 2019.

S.M. Ewart

Suzanne Ewart
Chair

Auditor's Independence Declaration

Partners in success
Chartered Accountants

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PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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 2019, 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: 16 September 2019

Joshua Griffin
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	1,790,814	1 ,813,395
Employee benefits expense		(985,406)	(811,059)
Charitable donations, sponsorship, advertising and promotion		(183,736)	(167,571)
Occupancy and associated costs		(88,645)	(95,489)
Systems costs		(65,048)	(56,894)
Depreciation and amortisation expense	5	(67,239)	(53,455)
Finance costs	5	(9,230)	(7,789)
General administration expenses		(145,842)	(166,274)
Profit before income tax expense		**245,668**	**454,864**
Income tax expense	6	(67,650)	(121,380)
Profit after income tax expense		**178,018**	**333,484**

		2019 c	2018 c
Earnings per share			
Basic earnings per share	24	17.61	33.00

These financial statements should be read in conjunction with the accompanying notes.

Balance Sheet
as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	427,601	560,533
Trade and other receivables	8	160,121	152,657
Current tax asset	11	33,769	-
Total Current Assets		**621,491**	**713,190**
Non-Current Assets			
Property, plant and equipment	9	1,468,296	1,483,850
Intangible assets	10	31,681	53,660
Deferred tax asset	11	18,869	12,618
Total Non-Current Assets		**1,518,846**	**1,550,128**
Total Assets		**2,140,337**	**2,263,318**
LIABILITIES			
Current Liabilities			
Current tax liabilities	11	-	18,389
Trade and other payables	12	102,870	305,698
Borrowings	13	41,765	46,104
Provisions	14	112,144	99,440
Total Current Liabilities		**256,779**	**469,631**
Non-Current Liabilities			
Borrowings	13	56,212	92,948
Provisions	14	11,096	11,972
Total Non-Current Liabilities		**67,308**	**104,920**
Total Liabilities		**324,087**	**574,551**
Net Assets		**1,816,250**	**1,688,767**
EQUITY			
Issued capital	15	667,869	667,869
Retained earnings	16	1,148,381	1,020,898
Total Equity		**1,816,250**	**1,688,767**

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the year ended 30 June 2019

	Notes	Issued capital $	Retained Earnings $	Total equity $
Balance at 1 July 2017		**667,869**	**758,163**	**1,426,032**
Total comprehensive income for the year		-	333,484	333,484
Transactions with owners in their capacity as owners				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(70,749)	(70,749)
Balance at 30 June 2018		**667,869**	**1,020,898**	**1,688,767**
Balance at 1 July 2018		**667,869**	**1,020,898**	**1,688,767**
Total comprehensive income for the year		-	178,018	178,018
Transactions with owners in their capacity as owners				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(50,535)	(50,535)
Balance at 30 June 2019		**667,869**	**1,148,381**	**1,816,250**

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		1,959,920	1,986,198
Payments to suppliers and employees		(1,634,195)	(1,456,939)
Interest received		5,731	4,618
Interest paid		(9,230)	(7,789)
Income taxes paid		(126,059)	(102,661)
Net cash provided by operating activies	**17**	**196,167**	**4 23,427**
Cash flows from investing activities			
Payments for property, plant and equipment		(237,489)	(1,540)
Net cash used in investing activities		**(237,489)**	**(1,540)**
Cash flows from investing activities			
Repayment of borrowings		(41,075)	(41,730)
Dividends paid	22	(50,535)	(70,749)
Net cash used in financing activities		**(91,610)**	**(112,479)**
Net increase/(decrease) in cash held		**(132,932)**	**309,408**
Cash and cash equivalents at the beginning of the financial year		560,533	251,125
Cash and cash equivalents at the end of the financial year	**7(a)**	**427,601**	**5 60,533**

The accompanying notes form part of these financial statements

Notes to the Financial statements

For the year ended 30 June 2019

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 Standards Board (AASB) 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 which 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 noncurrent 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

There are two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 111 Construction Contracts , AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k).

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2018. These future accounting standards and interpretations therefore have no

Note 1. Summary of significant accounting policies (continued)

impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including AASB 117 Leases and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its branch in Lancefield. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

No significant impact is expected for the company's finance leases.

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $251,430.

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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 any 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

Note 1. Summary of significant accounting policies (continued)

- 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 arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement 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.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

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.

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.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Note 1. Summary of significant accounting policies (continued)

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.

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.

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.

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 payable (or refundable).

Deferred tax

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

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

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

Note 1. Summary of significant accounting policies (continued)

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.

g) Property, plant and equipment

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

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

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

buildings	40	years
leasehold improvements	5 - 15	years
plant and equipment	2.5 - 40	years
motor vehicle	3 - 5	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 (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued)

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

i. Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

ii. Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

Derecognition

i. Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

ii. Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Impairment

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Note 1. Summary of significant accounting policies (continued)

Loss allowance is not recognised for:

- financial assets measured at fair value through profit of loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

<u>Recognition of expected credit losses in financial statements</u>

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

l) Leases

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

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

m) Provisions

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

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Issued capital

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

Note 1. Summary of significant accounting policies (continued)

to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

Note 2. Financial risk management

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

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

i. Market risk

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

ii. Price risk

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

iii. Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history.

<u>Expected credit loss assessment for Bendigo and Adelaide Bank Limited</u>

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency		Long-Term	Short-Term	Outlook
Standard & Poor's		BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable	
Moody's	A3	P-2	Stable	

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo & Adelaide Bank Limited receivable as at 30 June 2019.

<u>Expected credit loss assessment for other customers</u>

The company has performed a historical assessment of the revenue collected from other customers and found no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2019.

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. Interestrate 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.

Note 2. Financial risk management (continued)

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 calculated in accordance with the current LRCFSL Profit Distribution and Retention Policy May 2019.

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 2019 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.

<u>Taxation</u>

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 carried-forward 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.

<u>Estimation of useful lives of assets</u>

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.

<u>Impairment of assets</u>

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 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

Note 3. Critical accounting estimates and judgements (continued)

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.

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.

Note 4. Revenue from ordinary activities

	2019 $	2018 $
Operating activities:		
- gross margin	1,509,584	1,552,476
- services commissions	85,148	60,411
- fee income	104,711	109,665
- ATM income	30,712	31,424
- market development fund	50,833	51,667
Total revenue from operating activities	**1,780,988**	**1,805,643**
Non-operating activities:		
- interest received	5,535	4,731
- other revenue	4,291	3,021
Total revenue from non-operating activities	**9,826**	**7,752**
Total revenue from ordinary activities	**1,790,814**	**1,813,395**

	2019 $	2018 $

Note 5. Expenses

	2019 $	2018 $
Depreciation of non-current assets:		
- buildings	18,304	18,305
- leasehold improvements	3,019	1,606
- plant and equipment	23,937	11,565
Amortisation of non-current assets:		
- franchise agreement	3,944	3,944
- franchise renewal fee	18,035	18,035
Total	**67,239**	**53,455**

	2019 $	2018 $
Finance costs:		
Interest paid:	9,230	7,789
Bad debts:	10	615
Loss on disposal of asset	-	12,046

Note 5. Expenses

	2019 $	2018 $
The components of tax expense comprise:		
- Current tax	73,901	113,462
- Movement in deferred tax	(6,251)	11,623
- Under/over provision in respect to prior years	-	(3,705)
Total	**67,650**	**121,380**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	245,668	454,864
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	67,560	124,265
Add tax effect of:		
- non-deductible expenses	90	3,313
- timing difference expenses	6,251	(14,116)
Total	**73,901**	**113,462**

	2019 $	2018 $
Movement in deferred tax	(6,251)	11,623
Under/over provision in respect to prior years	-	(3,705)
Total	67,650	121,380

	Notes	2019 $	2018 $

Note 7. Cash and cash equivalents

Cash at bank and on hand		177,601	310,533
Term deposits		250,000	250,000
Total		**427,601**	**560,533**

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:

Cash at bank and on hand		177,601	310,533
Term deposits		250,000	250,000
Total		**427,601**	**560,533**

Note 8. Trade and other receivables

Trade receivables		141,238	136,935
Prepayments		16,670	13,951
Other receivables and accruals		2,213	1,771
Total		**160,121**	**152,657**

Note 9. Property, plant and equipment

Land and buildings			
- Freehold land			
- At fair value	18	850,000	850,000
Buildings			
- At fair value		424,027	424,027
- Less accumulated depreciation		(66,303)	(47,999)
Total	**18**	**357,724**	**376,028**
Capital works in progress		29,706	-
Leasehold improvements			
- At cost		215,957	215,957
- Less accumulated depreciation		(98,697)	(95,678)
Total		**117,260**	**120,279**

Note 9. Property, plant and equipment (continued)

	2019 $	2018 $
Plant and equipment		
- At cost	206,895	206,895
- Less accumulated depreciation	(93,289)	(69,352)
Total	**113,606**	**137,543**
Total written down amount	**1,468,296**	**1,483,850**
Movements in carrying amounts:		
Land		
- Carrying amount at beginning	850,000	850,000
- Additions	-	-
- Disposals	-	-
- Less: depreciation expense	-	-
Carrying amount at end	**850,000**	**850,000**
Capital works in progress		
- Carrying amount at beginning	-	-
- Additions	29,706	-
- Disposals	-	-
- Less: depreciation expense	-	-
Carrying amount at end	**29,706**	-
Buildings		
- Carrying amount at beginning	376,028	394,333
- Additions	-	-
- Disposals	-	-
- Less: depreciation expense	(18,304)	(18,305)
Carrying amount at end	**357,724**	**376,028**
Leasehold improvements		
- Carrying amount at beginning	120,279	13,171
- Additions	-	120,760
- Disposals	-	(12,046)
- Less: depreciation expense	(3,019)	(1,606)
Carrying amount at end	**117,260**	**120,279**

	2019 $	2018 $

Note 9. Property, plant and equipment (continued)

Plant and equipment		
- Carrying amount at beginning	137,543	59,171
- Additions	-	89,937
- Disposals	-	-
- Less: depreciation expense	(23,937)	(11,565)
Carrying amount at end	113,606	137,543
Total written down amount	**1,468,296**	**1,483,850**

Note 10. Intangible assets

Franchise fee		
- At cost	151,290	151,290
- Less accumulated amortisation	(145,475)	(141,531)
Total	**5,815**	**9,759**
Renewal processing fee		
- At cost	188,028	188,028
- Less accumulated amortisation	(162,162)	(144,127)
Total	**25,866**	**43,901**
Total written down amount	**31,681**	**53,660**

Note 11. Tax

Current:		
Income tax payable/(refundable)	(33,769)	18,389
Non-Current:		
Deferred tax assets		
- accruals	858	1,030
- employee provisions	33,891	30,638
Total	**34,749**	**31,668**

	2019 $	2018 $

Note 11. Tax (continued)

	2019 $	2018 $
Deferred tax liability		
- accruals	580	635
- property, plant and equipment	15,300	18,415
Total	**15,880**	**19,050**
Net deferred tax asset	18,869	12,618
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(6,251)	11,623

Note 12. Trade and other payables

	2019 $	2018 $
Current:		
Trade creditors	16,690	244,240
Other creditors and accruals	86,180	61,458
Total	**102,870**	**305,698**

Note 13. Borrowings

	2019 $	2018 $
Current:		
Bank loans	41,765	46,104
Non-Current:		
Bank loans	56,212	92,948

The bank loan was an interest only loan that then became repayable monthly with the final instalment due on 17 March 2035. Interest is recognised at an average rate of 5.13%. The loan is secured by a first mortgage over the property located at 105 Main Street, Romsey.

Note 14. Provisions

	2019 $	2018 $
Current:		
Provision for annual leave	61,986	44,477
Provision for long service leave	50,158	54,963
Total	**112,144**	**99,440**
Non-Current:		
Provision for long service leave	11,096	11,972

Note 15. Issued capital

	2019 $	2018 $
1,010,700 ordinary shares fully paid (2018: 1,010,700)	970,700	970,700
Less: return of capital	(252,675)	(252,675)
Less: equity raising expenses	(50,156)	(50,156)
Total	**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 discretion to refuse to register a transfer of shares.

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

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.

	2019 $	2018 $

Note 16. Retained earnings

	2019 $	2018 $
Balance at the beginning of the financial year	1,020,898	758,163
Net profit from ordinary activities after income tax	178,018	333,484
Balance at the end of the financial year	(50,535)	(70,749)
Total	**1,148,381**	**1,020,898**

Note 17. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	178,018	333,484
Non cash items:		
- depreciation	45,260	31,476
- amortisation	21,979	21,979
- loss on disposal of asset	-	12,046
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(7,464)	1,020
- (increase)/decrease in other assets	(40,020)	11,623
- increase/(decrease) in payables	4,955	(4,251)
- increase/(decrease) in provisions	11,828	8 ,954
- increase/(decrease) in current tax liabilities	(18,389)	7,096
Non-Current:	**196,167**	**423,427**

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.

	Level 1 $	Level 2 $	Level 3 $	Total $
At 30 June 2019				
Recurring fair value measurements:				
- Property, Plant and Equipment				
- Freehold land	-	850,000	-	850,000

	Level 1 $	Level 2 $	Level 3 $	Total $
Note 18. Fair value measurement				
- Buildings	-	357,724	-	357,724
- Plant and equipment	-	-	-	-
Total	**-**	**1,207,724**	**-**	**1,207,724**
Total assets at fair value	**-**	**1 ,207,724**	**-**	**1,207,724**
At 30 June 2018				
Recurring fair value measurements:				
- Property, Plant and Equipment				
- Freehold land	-	850,000	-	850,000
- Buildings	-	376,028	-	376,028
- Plant and equipment	-	-	-	-
Total	**-**	**1,226,028**	**-**	**1,226,028**
Total assets at fair value	**-**	**1,226,028**	**-**	**1,226,028**

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 FVTPL 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.
- Level 2: The fair value of property, plant and equipment is based on a valuation performed by WBP Property Group on 22 October 2014 using quoted prices for similar assets in an active market. The property is due to for its next valuation on 22 October 2017.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

	2019 $	2018 $
Note 19. Leases		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	20,808	20,808
- between 12 months and 5 years	22,542	43,350
- greater than 5 years	-	-
Total	**43,350**	**64,158**

The operating lease for the Lancefield branch is a non-cancellable lease which is due to expire in July 2021. There are two additional five-year options available. 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.

	2019 $	2018 $

Note 20. Auditor's remuneration

	2019 $	2018 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,400
- share registry services	5,964	7,282
- non audit services	3,120	2,430
Total	**13,684**	**14,112**

Note 21. Director and related party disclosures

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

Suzanne Ewart
David Ross Plunkett
Russell David Pattinson
Robert William Bryant
Antony James Ede
Damien Wayne Tyrrell
Georgia Morgan
Donna Gay Fabris *(Resigned 28 May 2019)*
Timothy Gerard McCarthy *(Resigned 22 November 2018)*
Kenneth John Allender *(Resigned 7 September 2018)*

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.

Directors Shareholdings

	2019 $	2018 $
Suzanne Ewart	-	-
David Ross Plunkett	-	-
Russell David Pattinson	3,000	3,000
Robert William Bryant	3,750	3,750
Antony James Ede	-	-
Damien Wayne Tyrrell	-	-
Georgia Morgan	-	-
Donna Gay Fabris *(Resigned 28 May 2019)*	-	-
Timothy Gerard McCarthy *(Resigned 22 November 2018)*	12,000	12,000
Kenneth John Allender *(Resigned 7 September 2018)*	12,420	11,100

There was no movement in director's shareholdings during the year.

	2019 $	2018 $

Note 22. Dividends provided for or paid

Dividends paid during the year		
- Current year dividend		
- Fully franked dividend - 5 cents (2018: 7 cents) per share	50,535	70,749
The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).		

Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	742,328	637,888
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(5,781)	40,271
- 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:	736,547	678,159
- 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	736,547	678,159

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.

Note 24. Earnings per share

a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	178,018	3 33,484
	Number	**Number**
b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,010,700	1 ,010,700

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 27. Segment reporting

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

Registered Office	Principal Place of Business
20A High Street Lancefield VIC 3435	20A High Street Lancefield VIC 3435
	105 Main Street Romsey VIC 3434

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 $	1 year or less $	1 to 5 years $	Over 5 years $	Non-interest bearing $	Weighted average %
30th June 2019						
Financial assets						
- Cash and cash equivalents	177,201	250,000	-	-	400	1.25
- Receivables	-	-	-	-	141,238	N/A
Financial liabilities						
- Interest bearing liabilities	-	41,765	56,212	-	-	5 .15
- Payables	-	-	-	-	16,690	N/A
30th June 2018						
Financial assets						
- Cash and cash equivalents	310,133	250,000	-	-	400	1.01
- Receivables	-	-	-	-	136,935	N/A
Financial liabilities						
- Interest bearing liabilities	-	46,104	92,948	-	-	4.89
- Payables	-	-	-	-	244,240	N/A

Note 29. Financial instruments (continued)

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.

As at 30 June 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019 $	2018 $
Change in profit/(loss)		
- Increase in interest rate by 1%	3,292	4,211
- Decrease in interest rate by 1%	(3,292)	(4,211)
Change in equity		
- Increase in interest rate by 1%	3,292	4,211
- Decrease in interest rate by 1%	(3,292)	(4,211)

Director's 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 2019 and of its performance for the financial year ended on that date; and

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

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

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

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

S.M. Ewart.

Suzanne Ewart
Chair

Signed on the 16th of September 2019.

Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
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Independent auditor's report to the members of Lancefield & Romsey Community Financial Services Limited

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying financial report of Lancefield & Romsey Community Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2019 and of its financial performance for the year ended; and
ii. complying with Australian Accounting Standards.

What we have audited
Lancefield & Romsey Community Financial Services Limited's (the company) financial report comprises the:

✓ Statement of profit or loss and other comprehensive income
✓ Balance sheet
✓ Statement of changes in equity
✓ Statement of cash flows
✓ Notes comprising a summary of significant accounting policies and other explanatory notes
✓ The directors' declaration of the company.

Basis for opinion
We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information
The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/home.aspx. This description forms part of our auditor's report.

Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 16 September 2019

Joshua Griffin
Lead Auditor

Notes

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

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

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

(BNPAR18052) (10/18)

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