



Annual Report 2014

Lockhart & District
Financial Services Limited

ABN 14 099 918 680

Lockhart & District **Community Bank**[®] Branch

Contents

| | |
|---|-----------|
| Chairman's report | 2 |
| Manager's report | 3 |
| Bendigo and Adelaide Bank report | 4 |
| Directors' report | 6 |
| Auditor's independence declaration | 8 |
| Financial statements | 9 |
| Notes to the financial statements | 13 |
| Directors' declaration | 20 |
| Independent audit report | 21 |

Chairman's report

For year ending 30 June 2014

Welcome to my second Annual Report as Chairman and the 12th of Lockhart and District Financial Services Limited. The previous year seems to have sped past us once again as our **Community Bank**[®] branch continues to grow and provide a valuable asset to our district.

In a major milestone for our **Community Bank**[®] branch this financial year has seen us return over \$1 million to our community via grants, sponsorships and dividends to shareholders. This is a fantastic result with many clubs and organisations in the Lockhart, Urana and Boree Creek district benefiting from this money enabling them to improve facilities and grow benefits for their members.

Our **Community Bank**[®] branch has also partnered with the Lockhart Shire Council and State and Federal government to leverage even more funding for some of these vital projects. The Showground Grandstand and the Lockhart Museum are two examples of this partnership.

This financial year has seen the Lockhart & District **Community Bank**[®] Branch grow our business by nearly 10%. This is a very pleasing result and we have finished the year with total business footings of \$79.175 million.

This year I am pleased to announce to shareholders a dividend of 7% to be paid in October.

As a Board we are very mindful of corporate governance and our Director responsibilities. We held a Board training day earlier in the year, and in August this year we held a very successful strategic planning and training day. All Directors and our Manager Clare were in attendance and we all left with a clear focus and a set of goals to be achieved over the next three years.

We are continuing to see the development in our agribusiness area via our rural specialists in the Rural Bank. I think it's important to mention again that the Rural Bank is 100% owned by Bendigo and Adelaide Bank. We have a designated team wholly focused on rural banking to meet the needs of our local farmers.

Earlier in the year we farewelled Jacinda Singe from our branch. Jacinda's efforts in travelling across from Pleasant Hills where much appreciated and we wish her well in her new endeavours.

With Jacinda's departure we welcomed Nicole Rohde to our branch. Nicole is originally from Strathalbyn in South Australia. She is a welcome addition to our staff and it's great to be able to offer employment and encourage people to our district.

Our enthusiastic staff lead by Clare are a great asset to the branch and having a full 9.00am to 5.00pm service five days a week with 24-hour access to an ATM enables a full banking service to the district.

Going forward we have set ourselves some exciting and challenging goals as a Board and I look forward to seeing our business continue to grow and flourish.

I would like to finish my report by paying tribute to the Directors of our **Community Bank**[®] company. There has been some talk in the **Community Bank**[®] network of Directors being paid meeting sitting fees as well as additional remuneration paid annually. As a Board we have talked about this and it was unanimously resolved that we would continue to give of our time and expertise freely.

Wishing you all the best for the rest of the year.



Philip Bouffler
Chairman

Manager's report

For year ending 30 June 2014

Welcome to the 12th Annual Report for Lockhart & District Financial Services Limited, and my seventh report as Manager of the branch.

The 2014 financial year has proven to be another very successful year for the Lockhart & District **Community Bank**[®] Branch. Over the past financial year my team of staff assisted in growing our total business footings by \$5.483 million from \$73,692 at 1 July 2013 to \$79.175 million as at end June 2014. We are very excited about reaching the \$80 million milestone in the near future!

The branch has now been open for 12 years and we continue to see our customer numbers grow, and now have a total of 2,373 bank accounts at our branch.

We have also had an extremely successful year in insurance sales after winning 6th place in the statewide NSW/ACT insurance growth sales results.

Lending has also been another major focus within our branch to date with three lenders; myself, Sarah Smyth and Carol Smith being able to complete applications in branch for Home Loans, Personal Loans, Credit Card and Equipment Finance and small business lending. John Walton (Agribusiness Manager) and Anthony McGettigan (Business Banking Manager) continue to do a great job in assisting our branch in writing our larger business and farm loans.

It's great to share these wonderful sales results of our branch but, even more important, is to acknowledge the work of our strong team of staff at the Lockhart & District **Community Bank**[®] Branch who help achieve these results. Our current branch staff includes; Sarah Smyth, Carol Smith, Julie McRae, Zoe Grant, Nicole Rohde and myself. I would also like to extend a big thankyou to Tim Butt our Regional Manager, Michelle Nutt our Retail Operations Manager and Carla Byrne our Retail Operations Officer who are also a great support to our staff and Board.

In April this year our annual "Staff Choice" **Community Bank**[®] branch grant of \$965 went to the local Lockhart Men's shed to enable them to purchase a new router table. As Philip has pointed out in his Chairman's report the total amount of **Community Bank**[®] branch grants and dividends given back by our branch since opening in 2012 has now reached over \$1.07 million as at 30 June 2014.

I would like to thank the Board of Directors for the time and dedication they put towards the running of the **Community Bank**[®] company Lockhart & District Financial Services Limited, in particular Philip Bouffler (Chairman), Christine Mackey (Secretary) and Heidi Gooden (Treasurer) all volunteers and extremely hard working people involved with our **Community Bank**[®] branch.

In closing, I would like to encourage our existing clients, shareholders and supporters to become advocates for our **Community Bank**[®] branch. The staff and I would certainly appreciate any business referred from family, friends and business acquaintances. In turn your banking business will enable the branch to continue to contribute to funding important infrastructure projects, events and community groups within our district.



Clare Hamson
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank**[®] network, celebrating the opening of its 300th branch while also reaching \$120 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**[®] network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its doors.

Sixteen years later, the model has grown into something even bigger than that. It has rapidly developed into a partnership that generates a valued, alternative source of income for a community, funding activities or initiatives that make a local town or suburb a better place to live.

In June 2014, the network welcomed its 305th branch in Penola, South Australia, and in the same week, the Victorian coastal town of Port Fairy introduced its community to our unique style of banking. These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

The **Community Bank**[®] network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund projects that make a difference to a community; improved health services, sports programs, aged care facilities, education initiatives and community events that connect communities and encourage prosperity.

Demand from communities remains strong, with about 30 **Community Bank**[®] branch sites currently in development, and 10 branches expected to open nationally in the next 12 months. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to realise shared aspirations by harnessing the power of community.

At the end of the financial year 2013/14 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$122.2 million
- **Community Bank**[®] branches – 305
- **Community Bank**[®] branch staff – more than 1,500
- **Community Bank**[®] company Directors – 1,900
- Banking business – \$24.46 billion
- Customers – 550,000
- Shareholders – 72,000
- Dividends paid to shareholders since inception – \$36.7 million.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the Community Enterprise Foundation[™] (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green[™] (environment and sustainability initiative), Community Telco[®] (telecommunications solution), tertiary education scholarships and Connected Communities Enterprises that provide **Community Bank**[®] companies with further development options.

Bendigo and Adelaide Bank report (continued)

In September last year the Bank announced it would commence a comprehensive review of the **Community Bank**[®] model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. An update of this review will be provided at the **Community Bank**[®] National Conference in Darwin in September.

Bendigo and Adelaide Bank's vision is to be Australia's most customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we respectfully listen and respond to every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

To this aim, the Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks in an effort to increase customer choice. It takes a principled approach to governing, encouraging banks to consider all members of a community when they do business.

Bendigo and Adelaide Bank is a signatory to the Regional Banking submission in collaboration with Bank of Queensland, Suncorp and ME Bank, while our independent submission focuses on the important role banks play in communities.

Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new www.bendigobank.com.au website. Packed with useful information and easy to access online services, our 1.4 million customers can easily connect with us at home, at work or on their mobile or tablet as well as learn more about our commitment to strengthening and supporting local communities.

In line with increasing demand for "anywhere, anytime" banking, we're excited about the impending introduction of our improved online banking platform to our customers later this year.

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement founded on a whole new way of thinking about banking and the role it plays in modern society.

The **Community Bank**[®] model is the ultimate example of a win/win partnership and I thank you for your important support of your local **Community Bank**[®] branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2014

The Directors present their report together with the accounts of Lockhart & District Financial Services Limited for the year ended 30 June 2014.

Directors

The names of Directors who held office during or since the end of the year are:

| | |
|-----------------------------------|--------------------------|
| Philip James Bouffler | Heidi Eveline Gooden |
| Roderick Neil Fergusson McMicking | Christine Mackey |
| Kenneth John Hogan | Shane Cornell Trotter |
| Warren Noel Jones | Marea Katherine Urquhart |

Directors' meetings

The company of Directors' meetings and number of meetings attended by each of the Directors of the company during the financial year are:

| Director | Number attended | Number eligible to attend | Director | Number attended | Number eligible to attend |
|----------------|-----------------|---------------------------|----------------|-----------------|---------------------------|
| Mr P Bouffler | 11 | 12 | Mrs H Gooden | 10 | 12 |
| Mr R McMicking | 8 | 12 | Mrs C Mackey | 10 | 12 |
| Mr K Hogan | 11 | 12 | Mr S Trotter | 9 | 12 |
| Mr W Jones | 10 | 12 | Mrs M Urquhart | 8 | 12 |

Principal activities

The principle activities of the company during the course of the financial period were in providing **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

Result

The net profit of the company for the financial year after provision for income tax was \$32,841 (2013 \$20,879).

Short and long term objectives

Our short term objective is to continue to offer **Community Bank**[®] services to the Lockhart & district community. Our long term objective is to achieve increased returns for shareholders and further support the community through various sponsorship arrangements.

Key performance indicators

Key performance indicators used by the company to monitor performance include:

- Monthly financial accounts, budgets and forecasts
- Monthly revenue analysis
- Monthly reports from Bendigo and Adelaide Bank Limited.

Directors' report (continued)

Matters subsequent to the end of the reporting period

There are no matters or circumstances that have arisen since the end of the reporting period 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.

Directors interests and benefits

Since the end of the previous financial year no Director has received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts) because of a contract made by the company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial interest.

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 the following page.

Dated at Wagga Wagga this 8 September 2014.

Signed in accordance with a resolution of the Directors:



P J Bouffler
Director

Auditor's independence declaration



■ PARTNERS:
C.J. Long
S.J. Taylor
P.J. King
A.P. Powell
J.K. Maxwell
D.R. Uden

AUDITORS INDEPENDENCE DECLARATION

As lead auditor for the audit of Lockhart & District Financial Services Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) No contraventions of any applicable code of professional conduct in relation to the audit.

John L Bush & Campbell
John L Bush & Campbell
Chartered Accountants

Peter King
Partner

Wagga Wagga
8 September 2014

WAGGA WAGGA
P 02 6938 4600 F 02 6921 7539
30 Blake Street, PO Box 98
Wagga Wagga NSW 2650
ABN: 33 225 395 249

www.bushcampbell.com.au



Liability limited by a
scheme approved
under Professional
Standards Legislation

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|--|------|---------------|---------------|
| Revenues from ordinary activities | 2 | 535,242 | 543,268 |
| Employee expenses | | (283,653) | (234,342) |
| Administration expenses | | (128,087) | (150,492) |
| Depreciation and amortisation | | (27,017) | (27,316) |
| Sponsorship | | (49,784) | (102,531) |
| Net Profit from ordinary activities before income tax expense | | 46,701 | 28,587 |
| Income tax expense relating to ordinary activities | 3 | 13,860 | 7,708 |
| Net profit from ordinary activities after related income tax expense | | 32,841 | 20,879 |
| Total change in equity other than those resulting from transactions with owners as owners | | 32,841 | 20,879 |
| Earnings per share | 22 | 5.97 cents | 3.80 cents |

The Statement of Comprehensive Income is to be read in conjunction with the notes to and forming part of the accounts.

Financial statements (continued)

Statement of financial position as at 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|--------------------------------------|------|----------------|----------------|
| Current assets | | | |
| Cash | 5 | 285,255 | 272,455 |
| Receivables | 6 | 50,113 | 46,098 |
| Other financial assets | 7 | 2,025 | 3,339 |
| Tax assets | 8 | 14,475 | 15,975 |
| Total current assets | | 351,868 | 337,867 |
| Non-current assets | | | |
| Property, plant & equipment | 9 | 167,662 | 173,430 |
| Other financial assets | 7 | 50,840 | 64,684 |
| Total non-current assets | | 218,502 | 238,114 |
| Total assets | | 570,370 | 575,981 |
| Current liabilities | | | |
| Borrowings | 10 | 16 | |
| Payables | 11 | 36,397 | 31,635 |
| Provisions | 12 | 14,348 | 13,755 |
| Tax liabilities | 13 | - | - |
| Total current liabilities | | 50,761 | 45,390 |
| Non current liabilities | | | |
| Provisions | 12 | 15,416 | 15,238 |
| Total non current liabilities | | 15,416 | 15,238 |
| Total liabilities | | 66,177 | 60,628 |
| Net assets | | 504,193 | 515,353 |
| Equity | | | |
| Contributed equity | 14 | 550,009 | 550,009 |
| Retained profits | 15 | (45,816) | (34,656) |
| Total equity | | 504,193 | 515,353 |

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the accounts.

Financial statements (continued)

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

| | Economic entity | | Total equity \$ |
|-----------------------------------|-------------------------|----------------------------|-----------------------|
| | Issued capital \$ | Retained earnings \$ | |
| Balance as at July 1 2012 | 550,009 | (534) | 549,475 |
| Profit for period | - | 20,879 | 20,879 |
| Dividend paid | - | (55,001) | (55,001) |
| Balance as at June 30 2013 | 550,009 | (34,656) | 515,353 |
| Profit for period | - | 32,841 | 32,841 |
| Dividend paid | - | (44,001) | (44,001) |
| Balance as at June 30 2014 | 550,009 | (45,816) | 504,193 |

The accompanying Statement of Changes in Equity form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2014

| | Note | 2014 \$ | 2013 \$ |
|---|---------------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Cash receipts in the course of operations | | 583,969 | 590,958 |
| Cash payments in the course of operations | | (519,779) | (543,636) |
| Net cash used by operating activities | 16(ii) | 64,190 | 47,322 |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | | (7,406) | (3,268) |
| Purchase of franchise fee | | - | (69,221) |
| Net cash used in investing activities | | (7,406) | (72,489) |
| Cash flows from financing activities | | | |
| Payment of dividends | | (44,001) | (55,001) |
| Net cash used in financing activities | | (44,001) | (55,001) |
| Net increase / (decrease) in cash held | | 12,783 | (80,168) |
| Cash at the beginning of the financial year | | 272,455 | 352,622 |
| Cash at the end of the financial year | 16(i) | 285,239 | 272,455 |

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the accounts.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Statement of significant accounting policies

The significant policies that have been adopted in the presentation of these financial statements are:

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with the Accounting Standards, other pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report has been prepared on the basis of historical costs and does not take into account changing money values nor current valuations of the non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

(b) Income tax

The company adopts the liability method of tax effect accounting whereby the income tax expense is based on profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a deferred tax asset.

Deferred tax assets are not brought to account unless it is probable that the benefit will be realised.

(c) Property, plant and equipment

Freehold land and buildings are brought to account on the cost basis.

Plant and equipment are measured on the cost basis.

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity.

The depreciation rates used for each class of depreciable assets are:

| Class of fixed asset | Depreciation rate |
|----------------------|-------------------|
| Buildings | 2.50% |
| Plant and equipment | 20-40% |

(d) Intangibles

Franchise fees

The company has entered into a five year franchise agreement with Bendigo and Adelaide Bank Limited for an initial 5 year term.

(e) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(e) Employee benefits (continued)

Contributions are made by the company entity to employee superannuation funds and are charged as expenses when incurred.

(f) Revenue

Revenue from the rendering of service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Comparative figures

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

| | 2014 \$ | 2013 \$ |
|---------------------------------|----------------|----------------|
| Note 2. Revenue | | |
| Operating activities | | |
| Fees | 45,648 | 42,932 |
| Gross margin | 291,850 | 279,773 |
| Trailers | 135,109 | 160,827 |
| Upfront commission | 4,815 | 3,702 |
| Market development | 50,000 | 50,000 |
| | 527,422 | 537,234 |
| Non-operating activities | | |
| Interest | 7,320 | 4,784 |
| Other income | 500 | 1,250 |
| | 535,242 | 543,268 |

Note 3. Income tax expense

The prima faise tax on profit ordinary activities before income tax and after permanent differences

| | | |
|--|---------------|--------------|
| | 14,010 | 8,576 |
| Adjustment for permanent differences | (150) | |
| Income tax under provided/ over provided for in prior year | | (868) |
| | 13,860 | 7,708 |

Notes to the financial statements (continued)

| | 2014 \$ | 2013 \$ |
|--|------------|------------|
|--|------------|------------|

Note 4. Profit from ordinary activities

Profit from ordinary activities before income tax has been determined after:

(a) Expenses

| | | |
|---|--------|--------|
| Amortisation of intangibles | 13,843 | 14,403 |
| Auditors remuneration - auditing accounts | 8,200 | 8,000 |
| Auditors remuneration - other services | 6,000 | 5,000 |
| Depreciation of non-current assets | 13,174 | 12,913 |

Note 5. Cash assets

| | | |
|--------------|----------------|----------------|
| Cash at bank | 285,255 | 272,455 |
| | 285,255 | 272,455 |

Note 6. Receivables

| | | |
|---------------|---------------|---------------|
| Trade debtors | 50,113 | 46,098 |
| | 50,113 | 46,098 |

Note 7. Other financial assets

Current

| | | |
|-------------|--------------|--------------|
| Prepayments | 2,025 | 3,339 |
| | 2,025 | 3,339 |

Non-current

| | | |
|-------------------------------------|---------------|---------------|
| Current franchise fee | 69,221 | 69,221 |
| Less: accumulated amortisation | (23,381) | (9,537) |
| | 45,840 | 59,684 |
| Southern Agventure shares - at cost | 5,000 | 5,000 |
| | 50,840 | 64,684 |

Note 8. Tax assets

| | | |
|---------------------|---------------|---------------|
| Deferred tax assets | 9,963 | 9,656 |
| Income tax refund | 4,512 | 6,319 |
| | 14,475 | 15,975 |

Notes to the financial statements (continued)

| | 2014 \$ | 2013 \$ |
|--|----------------|----------------|
| Note 9. Property, plant and equipment | | |
| Land - at cost | 27,258 | 27,258 |
| Buildings - at cost | 154,863 | 154,863 |
| Less: accumulated depreciation | (45,603) | (41,692) |
| | 109,260 | 113,171 |
| Plant and equipment - at cost | 129,092 | 121,687 |
| Less: accumulated depreciation | (97,948) | (88,686) |
| | 31,144 | 33,001 |
| | 167,662 | 173,430 |

(b) Movement in carrying amounts

| | Freehold land | Building | Plant & equipment | Total |
|-----------------------------------|---------------|----------------|-------------------|----------------|
| Balance at the beginning of year | 27,258 | 113,171 | 33,001 | 173,430 |
| Additions | - | | 7,406 | 7,406 |
| Depreciation | - | (3,912) | (9,262) | (13,174) |
| Balance at the end of year | 27,258 | 109,259 | 31,145 | 167,662 |

| | 2014 \$ | 2013 \$ |
|--|------------|------------|
|--|------------|------------|

Note 10. Borrowings

| | |
|---|----|
| Bendigo and Adelaide Bank Limited – Credit card | 16 |
|---|----|

Note 11. Payables

| | | |
|-----------------|---------------|---------------|
| Trade creditors | 23,708 | 20,271 |
| GST payable | 12,689 | 11,364 |
| | 36,397 | 31,635 |

Note 12. Provisions

Current

| | | |
|------------------------------|---------------|---------------|
| Employee entitlements | 14,348 | 13,755 |
|------------------------------|---------------|---------------|

Non-current

| | | |
|------------------------------|---------------|---------------|
| Employee entitlements | 15,416 | 15,238 |
|------------------------------|---------------|---------------|

Notes to the financial statements (continued)

| | 2014 \$ | 2013 \$ |
|---------------------------------|------------|------------|
| Note 13. Tax liabilities | | |
| Provisions for income tax | - | - |
| | - | - |

Note 14. Contributed equity

| | | |
|---|----------------|----------------|
| 550,009 fully paid ordinary shares | 550,009 | 550,009 |
|---|----------------|----------------|

Note 15. Retained profits

| | | |
|--|-----------------|-----------------|
| Retained profits at the beginning of the financial year | (34,656) | (534) |
| Net profit / (loss) from ordinary activities | 32,841 | 20,879 |
| Dividend paid | (44,001) | (55,001) |
| Retained profits at the end of the financial year | (45,816) | (34,656) |

Note 16. Cash flow information

(i). Reconciliation of cash

For the purpose of the statement of Cash Flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the Statements of Cash Flows is reconciled to the related items in the statement of financial position as follows:

| | | |
|-----------------------|----------------|----------------|
| Cash at bank (note 5) | 285,155 | 272,455 |
| Credit Card (note 10) | (16) | - |
| | 285,139 | 272,455 |

(ii). Reconciliation of operating profit to net cash used in operating activities:

| | | |
|---|---------------|---------------|
| Profit / (loss) for year: | 32,841 | 20,879 |
| Non cash flows recored in ordinary activities | | |
| Amortisation | 13,844 | 14,403 |
| Depreciation | 13,173 | 12,913 |
| Net cash provided / (used) in operating activities before changes in assets and liabilities during the year | | |
| (Increase) / decrease in other assets | 1,314 | (3,339) |
| (Increase) / decrease in receivables | (4,015) | (46,098) |
| (Increase) / decrease in tax assets | 1,500 | (15,975) |
| Increase / (decrease) in payables | 4,762 | 31,635 |
| Increase / (decrease) in tax liabilities | - | - |
| Increase / (decrease) in provisions | 771 | 28,993 |
| Net cash used in operating activities | 64,190 | 43,411 |

Notes to the financial statements (continued)

Note 17. Segment reporting

The economic entity operates predominately in one business and geographical segment being the provision of finance services.

Note 18. Related party transactions

There were no related party transactions between the company and Directors during the year.

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

| | |
|-----------------------------------|--------------------------|
| Philip James Bouffler | Christine Mackay |
| Roderick Neil Fergusson McMicking | Heidi Eveline Gooden |
| Kenneth John Hogan | Shane Cornell Trotter |
| Warren Noel Jones | Marea Katherine Urquhart |

Note 19. Company details

The registered office of the company is:

Lockhart & District Financial Services Limited
98 Green Street,
Lockhart NSW 2656

Note 20. Financial instruments

Financial risk management

The company's activities expose it to a variety of financial risks including credit, interest rate and liquidity risks. The company does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risks. Further, due to the nature of the company's investments and other financial instruments it is not exposed to significant price risks.

Fair values

The carrying amounts and estimated fair values of financial assets and financial liabilities held at balance date are the same.

Market risk – sensitivity analysis

The company's financial assets which are subject to interest rate risk comprise cash on hand, at bank and on call, and term deposits which are generally short term and are held to maturity. Therefore the company does not consider that a change in risk variable (interest) would have a significant effect on profit or equity.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provision for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the entity.

Notes to the financial statements (continued)

Note 20. Financial instruments (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash or credit facilities to meet the operating requirements of the company. This is managed through committed undrawn facilities and prudent cash flow management.

The exposure to interest rate risk, which is the risk that financial instruments will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of consolidated financial assets and financial liabilities, is as follows:

| | Weighted av interest rate | | Floating interest rate | | Non-interest bearing | | Total | |
|------------------------------------|------------------------------|-----------|---------------------------|----------------|-------------------------|---------------|----------------|----------------|
| | 2014 % | 2013 % | 2014 \$ | 2013 \$ | 2014 \$ | 2013 \$ | 2014 \$ | 2013 \$ |
| Financial assets | | | | | | | | |
| Cash at bank | 3.2 | 4.05 | 285,255 | 272,455 | | | 285,255 | 272,455 |
| Receivable assets | | | | | 50,113 | 46,098 | 50,113 | 46,098 |
| Total financial assets | | | 285,255 | 272,455 | 50,113 | 46,098 | 335,365 | 318,553 |
| Financial liabilities | | | | | | | | |
| Borrowings payable | 8.0 | | 16 | | 36,397 | 31,635 | 36,413 | 31,635 |
| Total financial liabilities | | | 16 | | 36,397 | 31,635 | 36,413 | 31,635 |

Note 21. Dividends

Dividends paid for the year were 8c per share (2013 10c per share).

| | 2014 \$ | 2013 \$ |
|--|------------|------------|
|--|------------|------------|

Note 22. Earnings per share

| | | |
|--|---------|---------|
| Net profit used in calculation of EPS | 32,841 | 20,870 |
| Number of ordinary shares used in calculation of EPS | 550,009 | 550,009 |

Directors' declaration

The Directors of the company declare that:

1. The financial statements and notes, are in accordance with the Corporations Act 2001:
 - a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company and economic entity;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



P J Bouffler
Director

Dated 8 September 2014

Independent audit report



■ PARTNERS:
C.J. Long
S.J. Taylor
P.J. King
A.P. Powell
J.K. Maxwell
D.R. Uden

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

LOCKHART AND DISTRICT FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Lockhart and District Financial Services Limited, which comprises the statement of financial position as at 30 June 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

WAGGA WAGGA
P. 02 6938 4600 F. 02 6921 7539
30 Blake Street, PO Box 98
Wagga Wagga NSW 2650
ABN. 33 225 395 249

www.bushcampbell.com.au



Liability limited by a
scheme approved
under Professional
Standards Legislation

Independent audit report (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Lockhart and District financial Services Limited would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion,

- a. the financial report of Lockhart and District 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 2014 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

John L Bush + Campbell
JOHN L BUSH & CAMPBELL
Chartered Accountants

Peter King
Partner

Wagga Wagga
8 September 2014



Lockhart & District **Community Bank**[®] Branch
98 Green Street, Lockhart NSW 2656
Phone: (02) 6920 4244 Fax: (02) 6920 4233

Franchisee: Lockhart & District Financial Services Limited
98 Green Street, Lockhart NSW 2656
Phone: (02) 6920 4244
ABN: 14 099 918 680

www.bendigobank.com.au/lockhart
(BMPAR14098) (09/14)

 **Bendigo Bank**
Bigger than a bank.

bendigobank.com.au

