

Maldon & District
Financial Services Limited
ABN 46 086 749 886

2008 annual report



Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Maldon & District Financial Services Ltd will be held at;

7.30pm, Monday 27 October 2008

Maldon Community Centre, Francis Street, Maldon Victoria.

AGENDA

1. Apologies.
2. To receive and adopt minutes of the 2007 Annual General Meeting.
3. To receive and adopt the Directors' report.
4. To receive and adopt the Manager's report
5. To receive and adopt the Financial report of Maldon & District Financial Service Ltd for the financial year ended 30 June 2008 together with the Auditors Report thereon.
6. To confirm appointment of Directors.

By Order of the Board



Sandra Lynn Nevill
Company Secretary

25 September, 2008

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Directors' report

For year ending 30 June 2008

1. Directors' report

Your Directors present their report on the Company and its controlled entities for the financial year ending 30 June, 2008.

1.1 Director details

The names of Directors in office at any time during or since the end of the financial year are:

Mark Boyd-Graham (Resigned 31/08/08)	Peter G. Smith
Ian R. French	Andre J. Farley
Trudi A. O'Donnell (Resigned 31/03/08)	Andrew C. R. Leckie
Sandra L. Nevill	Ronald J. Snep
Karly B. Smith	Simon Morrison
Joy Nicholson	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

1.2 Principal activities

The principal activities of the economic entity during the financial year were to:

- Manage a franchise of the Bendigo Bank Ltd, in the Maldon District.
- Provide a full array of banking services at competitive interest rates.
- Provide Community Enterprise products and services.
- Continue to conduct friendly, professional and personalised service.
- Provide ongoing encouragement and support to the Maldon & District **Community Bank**[®] Manager, ensuring that the business focus is on creating strong relationships with the communities we support.
- Play an active role in enhancing the long-term economic and social prospects of the Maldon and District Community.
- Provide Community Grants and Sponsorships from the Maldon & District Financial Services profit share.
- Conduct strategy planning days to set short and long term business initiatives.

There were no significant changes in the nature of the economic entity's principal activities during the financial year.

Directors' report continued

1.3 Operating results

The consolidated profit and extraordinary items of the economic entity after providing for income tax and eliminating outside equity interests amounted to a net profit of \$111,211.00.

1.4 Review of operations

Maldon & District Financial Services Limited has had a very successful trading year to the end of June 2008.

In what has been a difficult year for the financial sector, our businesses at Dunolly and Newstead have continued to perform well, showing steady growth, while the Maldon branch has exceeded budget expectations. Our total book at the end of June 2008 was a very pleasing \$88,120,000. Our excellent end of year profit reflects this growth, while expenses remained in line with target guidelines.

The Board of management, who govern your Company, has worked conscientiously and imaginatively throughout the year to further the branch's growth and profile, and I would like to thank all Directors who put in so much voluntary time and effort to these ends. Several Directors attended training courses and **Community Bank**[®] national and state conferences during the year, and the Board continues to maintain its responsibilities as required by ASIC regulations.

Our staff deserve thanks for their willingness to step up when needed, and congratulations for the year's great result. During the year we farewelled our manager Trudi O'Donnell, who accepted the position of manager of the Pall Mall branch in Bendigo. Trudi, who was held in great affection and respect by the Board, staff and clients of the branch, was a tough act to follow, but the Board is delighted to welcome Ben Rodda as the branch's new manager. Ben has a proven background in banking, an engaging personality, and in just a few months at the helm, has shown his ability to grow our business and connect to the communities of Maldon, Newstead and Dunolly.


I would particularly like to thank Mark Boyd-Graham who has chaired the Board since its inception. Mark has decided not to re-nominate this year and while we will miss his energy and inspirational leadership, his legacy is that he leaves a strong and positive Board eager to tackle the exciting challenges ahead.

Last year, the Company returned approximately \$116,000 in new sponsorships to the communities of Maldon, Newstead and Dunolly. In addition, \$55,000 was distributed during the year to projects which included over \$20,000 to the Driver Education program. Through our partnership with MACGP (Mount Alexander Community Grants Program) \$9,000 was contributed to the development of Wesley Hill and to the Driver Education program.

Your Board is committed to pursuing an environmentally responsible policy. Two examples of several initiatives during the year illustrate this commitment. The Company co-ordinated the replacement of practically every light globe in Maldon with a power-saving CFL (compact fluoro light). With an 80% saving of electricity usage and a valuable contribution to the coffers of community groups like the CFA and CERT, who were paid for changing the bulbs, it was a "win-win" result for the environment and the community. We also sponsored a well-attended solar hot water information meeting evening arranged by the Mount Alexander Sustainability Group.

Directors' report continued

Finally, the Directors and staff would like to thank the communities that continue to support the Company at its three locations. Your business, and your recommendations to friends and family to bank with us, is vital to our continuing growth, which will allow the benefits to flow through to the communities for years to come.



Andrew Leckie
Chairman

1.5 Directors' and Executive Officers' Emoluments

Disclosure relating to Directors' and executive Officers' emoluments has been included in Note 6 of the financial report.

1.6 Director information

Mark Boyd-Graham	Chairman and Director (Resigned 31/08/2008)
Experience	Appointed Chairman 1999. Director and Board member since 1999. Director of Hastill Pty Ltd since 1984 with 22 years of service with the Company. Owner/Manager Café for 9 years and Winery 8 years. Currently Senior Manager Bendigo Adelaide Bank Ltd
Andrew Leckie	Director & Deputy Chair
Qualifications	Bachelor of Arts – Deakin.
Experience	Board member and Director since 2001. Director of Pickford Heights since 1989. Small Business Management Retail and Wholesale.
Special Responsibilities	Member of Marketing Committee.
Sandra Nevill	Director & Company Secretary
Experience	Board member since 2001, appointed Director 2001. 12 years experience in various business units of the Banking industry. Primary roles including; Regional Administrator; Bank Manager, Special Projects and Project Management. 11 Years experience in the Information Technology Industry. Current position; IT Business Analyst and Project Manager with Slender Teal Pty Ltd providing evaluation, business requirements and functional design of systems and software for use in retail banking environments.
Special responsibilities	Member of the Marketing Sub-Committee.

Directors' report continued

Joy Nicholson	Director & Company Treasurer
Experience	Board member and Director since February 2007 appointed 2007. 25 years experience in Training and Documentation in the Information Technology industry. Currently: Retail proprietor in Maldon.
Special responsibilities	Company Treasurer
Ian French	Director
Qualifications	Senior Associate – Financial Services Institute of Australasia.
Experience	Board member since 1999, appointed Director 1999. Past Board member of various community groups. Presently partner of several local businesses. 39 years in all facets of Banking, extensive accounting experience and retail business management.
Trudi O'Donnell	Director (Resigned 31/03/2008)
Experience	Board member since 2004, appointed Director 2004. Resigned March 2008. Past Company Secretary - Maldon & District Financial Services. 8 years of Banking Experience. Current position: Bank Manager, Bendigo Bank
Special responsibilities	Branch Manager and also involved in special projects.
Andre Farley	Director
Experience	Board member since 2000, appointed Director 2000. Contract Business Operator.
Special responsibilities	Member of the Audit Sub-Committee.
Ron Snep	Director
Qualifications	Diploma of Science. Diploma of Professional writing.
Experience	Board member and Director since 2002. Wine Maker 21 years. Board Member Mt Alexander Sustainability Group 2008.
Special responsibilities	Newstead RTC Representative.
Peter Smith	Director
	Peter is a Director of "Woodstock Holdings" since 1981.
Qualifications	Attended Marcus Oldham Agriculture College 1977 –1979. Diploma Farm Management.
Experience	Board member and Director since 1999, past Deputy Chairman 2004. Past Dunolly sub-committee representative and special projects. Farmer and Property Developer for 32 years.

Directors' report continued

Simon Morrison	Director
Experience	Board member and Director since 2006, appointed 2006. Farmer & Manager / Director of Eddington Engineering. Community member of Eddington CFA & Golf club
Special responsibilities	Dunolly sub-committee representative and special projects

Karly Smith	Director
Qualifications	Bachelor of Arts (Honours)
Experience	Joined the Board in February 2007. Ten years experience as a geographer, working in project management and research in corporate and academic organisations
Special responsibilities	Newstead Representative

1.6 Meetings of Directors

During the financial year, there were 14 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were:

Directors	Commenced / Resigned during the financial year	Number of meetings attended	Number of meetings eligible to attend
Mark Boyd-Graham	(Resigned 31/08/08)	18	18
Ian French		16	18
Peter Smith		6	18
Andrew Leckie		14	18
Andre Farley		7	18
Sandra Nevill		15	18
Ronald Snep		12	18
Trudi O'Donnell	(Resigned 31/03/08)	10	12
Simon Morrison		15	18
Joy Nicholson		13	18
Karly Smith		13	18

2. Manager's report

Maldon & District **Community Bank**[®] Branch has completed another outstanding year and can look forward to continued growth leading into its tenth year of business. With the challenges of the current economic climate, it's comforting to see our business showing a large profit base for the previous financial year.

Whilst the financial year will not show business growth as large as the previous, the branch still achieved an increase of \$4.288 million, an excellent result.

Directors' report continued

Total business as at 30 June 2008 stands at \$88,120,000 with strong results in lending growth for the year. We have customers who have over 4700 relationships with our branch, including bank accounts, insurance and superannuation.

Most pleasing was the continued growth of account holders at our Rural Transaction Centres in Newstead, from 544 to 591 and in Dunolly from 713 to 779. We look forward to continuing the strong partnerships we have formed in these towns into the future.

Once again the Maldon & District **Community Bank**[®] Branch were involved in a number of community driven initiatives and the branch takes great pride in being allowed the opportunity to be involved in such events. The staff are aware of the role our branch plays in the local community and look forward to further involvement in the future.

The coming year provides us with more exciting opportunities at the branch with the addition of a Customer Relationship Officer & Customer Service Officer, further enhancing our levels of service. I would like to congratulate the branch staff on their continued excellence in assisting all customers.

In my short time at the branch I'd like to thank everyone in the Maldon, Newstead and Dunolly communities, who have made me welcome. I look forward to providing a high standard of service to all of our current and prospective clients.



Ben Rodda
Branch Manager

3. Proceedings on behalf of Maldon & District Financial Services Ltd

No person has applied for leave of Court to bring proceedings on behalf of the Maldon & District Financial Services Ltd or intervene in any proceedings to which the Maldon & District Financial Services Ltd is a party for the purpose of taking responsibility on behalf of the Maldon & District Financial Services Ltd for all or any part of those proceedings.

The Maldon & District Financial Services Ltd was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Board of Directors.



Joy Nicholson
Director

Dated 25 September 2008.

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	2	938,329	831,764
Revenues - Mt Alexander community grants		9,767	14,554
Employee benefits expense		(291,760)	(326,608)
Administration, agency & occupancy costs		(230,609)	(216,421)
Depreciation & amortisation expense	3	(10,464)	(9,939)
Community sponsorship		(178,424)	(52,719)
Other expenses from ordinary activity		(65,416)	(69,657)
Expenses - Mt Alexander community grants		(10,523)	(10,985)
Profit from ordinary activities before income tax expense		160,899	159,988
Income tax expense relating to ordinary activities	4	(49,688)	(53,121)
Profit from ordinary activities after related income tax expense/(revenue)		111,211	106,868
Extraordinary revenue (expenditure) after income tax expense	5	-	-
Net profit / (loss)		111,211	106,868
Net profit attributable to outside equity interest		-	-
Net profit attributable to members of the Maldon & District Financial Services Ltd		111,211	106,868
Increase in asset revaluation reserve		-	-
Increase in retained profits and reserves on adoption of revised accounting standard		-	-
Total revenues, expenses and valuation adjustments attributable to members of the Maldon & District Financial Services Ltd and recognised directly in equity		-	-
Total changes in equity other than those resulting from transactions with owners as owners		111,211	106,868

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash assets	8	390,304	289,331
Receivables	9	93,657	84,384
Other	10	4,203	3,582
Total current assets		488,164	377,297
Non-current assets			
Property, plant and equipment	11	59,655	43,458
Intangible assets	12	1,628	3,628
Other	13	9,876	15,646
Total non-current assets		71,159	62,731
Total assets		559,324	440,029
Current liabilities			
Payables	14	241,838	202,740
Provisions	15	26,030	47,189
Other	16	25,061	24,994
Total current liabilities		292,930	274,924
Non-current liabilities			
Payables	17	5,833	-
Provisions	18	12,455	27,905
Total non-current liabilities		18,288	27,905
Total liabilities		311,218	302,829
Net assets		248,106	137,200
Equity			
Capital reserves	20	7,431	7,431
Retained profits	20	240,980	129,769
Total equity		248,411	137,200

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from members and non-members		907,499	811,394
Payments to suppliers and employees		(1,007,805)	(722,433)
Interest received	2a	21,557	16,072
Borrowing costs		-	-
Net cash flows from operating activities		(78,749)	105,033
Cash flows from investing activities			
Acquisition of property, plant and equipment	11a	(45,461)	(2,889)
Disposal of property, plant and equipment	11a	11,818	-
Lease payments		(6,478)	(6,478)
Term deposits		101,557	6,068
Net cash flows from investing activities		61,436	(3,299)
Net(decrease)/increase in cash		(17,313)	101,734
Add opening cash brought forward		(136,975)	(238,709)
Closing cash carried forward	14	(154,289)	(136,975)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of Maldon & District Financial Services Ltd and the controlled entities and Maldon & District Financial Services Ltd as an individual parent entity. Maldon & District Financial Services Ltd is an unlisted not-for-profit public Company limited by guarantee, incorporated and domiciled in Australia.

The financial report of Maldon & District Financial Services Ltd and the controlled entities and Maldon & District Financial Services Ltd as an individual parent entity complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety. Compliance with AIFRS ensures that the financial statements and notes to the Company and controlled entities comply with International Financial Reporting Standards ('IFRS').

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

Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting policies

a. Principles of consolidation

A controlled entity is any entity that Maldon & District Financial Services Ltd has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. There are no controlled entities as at the report date.

All inter-Company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation (when appropriate).

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Accounting policies (continued)

b. Income tax

The consolidated group adopts the principles of tax-effect accounting.

In assessing its income tax liability, Maldon & District Financial Services Ltd applies standard income tax principles to its revenue and expenses. Due to the Australian Taxation Office's Interpretative Decision ATO ID 2002/93, and private ruling (Authorisation No. 42845) dated 22 July 2004, Maldon & District Financial Services Ltd is a taxable not-for-profit organisation.

Income tax expense is calculated on the operating result at current taxation rates for not-for-profit entities.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available.

Maldon & District Financial Services Ltd and its wholly-owned Australian subsidiaries have not formed an income tax consolidated group under the Tax Consolidation System.

c. Inventories

Inventories are measured at the lower of cost and net realisable.

d. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction). It is the policy of the economic entity to have an independent valuation every three years, with annual appraisals being made by the Directors. No property is held by Maldon & District Financial Services Ltd as at 30 June 2008.

The revaluation of freehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

Plant and equipment

Plant & equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Accounting policies (continued)

d. Property, plant and equipment (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of fixed asset	Depreciation rate
Buildings and leasehold improvements	2.5%
Computer equipment	37.5%
Furniture and fittings	6.0%
Leased assets	15.0%
Motor vehicles	12.5%
Plant and equipment	5.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated group, 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.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Accounting policies (continued)

e. Leases (continued)

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.

f. Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management and within the requirements of AASB 139: Financial Instruments: Recognition and Measurement. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less impairment.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Accounting policies (continued)

f. Financial instruments (continued)

Impairment

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

g. Impairment of assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Intangibles

Intangibles are recorded at cost less accumulated amortisation and impairment where they have a finite life. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period. Where the intangibles are considered to have an indefinite life the impairment is measured annually by reference to the discounted future inflows of the asset.

i. Foreign currency transactions and balances

Foreign currency transactions are translated into functional currency using exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Accounting policies (continued)

j. Employee benefits

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.

Contributions to defined superannuation contribution plans are expensed when incurred.

k. Provisions

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

l. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

m. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a 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).

n. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Accounting policies (continued)

o. Comparative figures

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

p. Changes to accounting policies

Adoption of new and revised Accounting Standards:

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

At the date of authorisation of the financial report, the Directors anticipate that the adoption of Standards and Interpretations that were issued but not yet effective will have no material financial impact on the financial statements of the Company.

	Note	2008 \$	2007 \$
Note 2. Revenue			
Operating activities			
- Maldon banking operations	2b	846,449	742,427
- Agency income		68,267	68,354
- Interest income	2a	21,557	16,072
- Other income		2,056	4,911
		938,329	831,764
Non-operating activities			
- Proceed on disposal of property, plant and equipment		-	-
- Proceed on disposal of non-current investments		-	-
		-	-
Total revenue		938,329	831,764

Notes to the financial statements continued

	2008 \$	2007 \$
Note 2. Revenue (continued)		
a. Interest revenue from:		
- Subsidiary corporations	-	-
- Other related parties	-	-
- Directors	-	-
- Other parties	21,557	16,072
Total interest revenue	21,557	16,072
b. Maldon banking operations revenue from:		
- Margin income	538,020	469,932
- Trailers	119,115	95,545
- Fees income	79,377	74,888
- Other income	109,936	102,063
Total Maldon banking revenue	846,449	742,427

Note 3. Profit from ordinary activities

Profit from ordinary activities before income tax has been determined after

a. Expenses

Depreciation of non-current assets:

- Buildings and improvements	222	192
- Computer Equipment	338	436
- Furniture and fittings	1,476	1,473
- Leased assets	-	-
- Motor Vehicles	4,348	4,037
- Plant and equipment	2,080	1,801
Total depreciation	8,464	7,939
Amortisation:		
- Franchise Fees	2,000	2,000
Total amortisation	2,000	2,000

Notes to the financial statements continued

	2008 \$	2007 \$
Note 3. Profit from ordinary activities (continued)		
Bad and doubtful debts:		
- Trade debtors	-	-
- Related parties	-	-
Total bad and doubtful debts	-	-
Interest expense		
- Other related parties	25,061	24,995
- Other parties	382	926
Total interest expense	25,443	25,921
b. Revenue and net gains		
Net gain on disposal of non-current assets:		
- Property, plant and equipment	-	-
- Investments	-	-
Foreign currency transaction gains	-	-

Note 4. Income tax

The prima facie tax on profit from ordinary activities

Prima facie tax on operating profit	48,270	47,996
Tax effect of permanent differences	1,418	3,774
Underprovision of previous year	-	1,350
Income tax expense/(revenue) attributable to ordinary activities	49,688	53,121

Note 23 refers to the tax exempt status of the Maldon & District Financial Services Ltd.

Note 5. Extraordinary revenue (expenditure)

No extraordinary revenue or expenditure was incurred during the year ended 30 June 2008.

Notes to the financial statements continued

Note 6. Directors' remuneration

a. Directors' and Executives' remuneration

	Salary \$	Benefits \$	Super-annuation \$
Trudi Anne O'Donnell (Director)			
- Total salary	56,456	-	5,081
- Less salary due to employment	56,456	-	5,081
- Directors remuneration	-	-	-
Sandra Lyn Nevill (Secretary)			
- Directors remuneration	5,054	-	-
Ian Russell French (Treasurer)			
- Directors remuneration	1,250	-	-

The service and performance criteria set to determine remuneration are included per Note (b). No other salaries or fees have been paid to executives or Directors unless specified above.

b. Remuneration practices

"The Maldon & District Financial Services Ltd's policy for determining the nature and amount of emoluments of Board members and senior executives of the Maldon & District Financial Services Ltd is as follows:

The remuneration structure for executive Officers, including executive Directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Maldon & District Financial Services Ltd. The contracts for service between the Maldon & District Financial Services Ltd and specified Directors and executives are on a continuing basis the terms of which are not under review."

2008 \$	2007 \$
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Note 7. Auditors' remuneration

Remuneration of the Auditor of the parent entity for:

- Auditing or reviewing the financial report	1,182	1,182
- Other services	-	-
- Services by related practice of Auditor	-	-

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Cash assets		
Cash on hand	133	142
Cash at bank	-	-
Cash at bank - Mt Alexander community grants	619	1,193
Deposits at call	389,553	287,996
	390,304	289,331

Note 9. Receivables (current)

Trade debtors	92,841	82,329
Trade/other debtors - Mt Alexander community grants	817	2,056
Income tax refundable	8,207	-
	101,864	84,384

Note 10. Other assets (current)

Prepaid expenses	4,203	3,582
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Note 11. Property plant and equipment

Buildings & improvements

At cost	8,882	7,980
Accumulated depreciation	(1,610)	(1,388)
Total buildings & improvements	7,272	6,592

Computer equipment

At cost	2,641	2,641
Accumulated depreciation	(2,079)	(1,741)
Total computer equipment	562	900

Notes to the financial statements continued

	2008 \$	2007 \$
Note 11. Property plant and equipment (continued)		
Plant and equipment		
At cost	35,814	31,349
Accumulated depreciation	(25,054)	(22,974)
Total plant and equipment	10,760	8,375
Motor vehicles		
At cost	39,395	32,297
Accumulated depreciation	(1,767)	(9,616)
Total motor vehicles	37,628	22,681
Furniture & fittings		
At cost	24,591	24,591
Accumulated depreciation	(21,158)	(19,682)
Total furniture & fittings	3,434	4,910
Total property, plant and equipment	59,655	43,458
a. Movement in non-current assets		
Buildings & improvements		
Balance at the beginning of the year	6,592	5,640
Additions	1,602	1,144
Disposals	-	-
Depreciation expense	(222)	(192)
Balance at the end of the year	7,972	6,592
Computer equipment		
Balance at the beginning of the year	2,641	921
Additions	2,226	415
Disposals	-	-
Depreciation expense	(338)	(436)
Balance at the end of the year	2,303	900

Notes to the financial statements continued

	2008 \$	2007 \$
Note 11. Property plant and equipment (continued)		
Plant and equipment		
Balance at the beginning of the year	12,840	9,236
Additions	6,261	940
Disposals	-	-
Depreciation expense	(2,080)	(1,801)
Balance at the end of the year	17,021	8,375
Leased assets		
Balance at the beginning of the year	-	-
Additions	-	-
Disposals	-	-
Depreciation expense	-	-
Balance at the end of the year	-	-
Motor vehicles		
Balance at the beginning of the year	30,755	26,718
Additions	7,098	-
Disposals	(11,818)	-
Profit/(Loss) on sale of motor vehicle	(8,282)	-
Depreciation expense	(4,348)	(4,037)
Balance at the end of the year	13,405	22,681
Furniture & fittings		
Balance at the beginning of the year	7,454	5,992
Additions	617	391
Disposals	-	-
Depreciation expense	(1,476)	(1,473)
Balance at the end of the year	6,595	4,910
Total balance at the end of the year	47,296	43,458

Notes to the financial statements continued

	2008 \$	2007 \$
Note 12. Intangible assets		
Franchise fees	60,000	60,000
Less franchise fees expensed	(58,372)	(56,372)
Total intangible assets	1,628	3,628

Note 13. Other assets (non-current)

Future Income tax benefits	9,876	15,646
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Note 14. Payables (current)

Trade creditors and accruals	71,965	46,558
FBT payable	130	528
Overdraft account	154,289	136,975
Credit card facility	1,224	1,194
Operating lease liability	-	-
Finance lease liability	10,000	5,699
GST obligation	4,231	11,786
	241,838	202,740

Note 15. Provisions (current)

Provision for income tax	3,714	21,111
Community sponsorships	2,333	3,004
Employee entitlements	19,983	23,074
	26,030	47,189

Note 16. Other liabilities (current)

Interest due	25,061	24,994
Total other liabilities	25,061	24,994

Notes to the financial statements continued

	2008 \$	2007 \$
Note 17. Payables (non-current)		
Operating lease liability	-	-
Finance lease liability	5,833	-
	5,833	-

Note 18. Provisions (non-current)

Community sponsorships	-	-
Employee entitlements	12,455	27,905
	12,455	27,905

Note 19. Contributed equity

In accordance with the Association's Memorandum and Articles of Association, the Maldon & District Financial Services Ltd is limited by guarantee and does not have share capital. Each member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of the Company.

As at 30th June 2008 the number of members was 76.

Note 20. Reserves and retained profits

Capital reserve

Movement in reserves and retained profits	-	-
a. Capital reserve		
Balance at the beginning of the year	7,431	7,431
Balance at the end of the year	7,431	7,431
b. Retained profits		
Balance at the beginning of the year	129,769	22,901
Net profit / (loss)	111,211	106,868
Balance at the end of the year	240,980	129,769

Notes to the financial statements continued

	2008 \$	2007 \$
Note 21. Expenditure commitments		
Operating leases		
Minimum payments		
- Not later than one year	-	3,781
- Later than one year but not later than five years	-	1,808
- Later than five years	-	-
Hire purchase liabilities		
Minimum payments		
- Not later than one year	10,000	5,699
- Later than one year but not later than five years	5,833	-
- Later than five years	-	-

Note 22. Related party transactions

- a. Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.
- b. No Directors contracted with the Maldon & District Financial Services Ltd during the year.

Note 23. Tax status

The Maldon & District **Community Bank**[®] Branch was initially established to be a not-for-profit income tax exempt body, to provide both banking facilities and funding for community services to the Maldon district. The Australian Taxation Office has declared that the bank is not income tax exempt.

2008
\$

2007
\$

Note 24. Employee entitlements and superannuation commitments

As at 30 June 2008, the Company has employees and their superannuation obligations are as shown in the accounts.

Amounts outstanding are as below.

Employee entitlement

- Annual leave provision	14,616	15,039
- Annual leave loading provision	1,851	1,831
- Personal/Sick leave provision	13,597	23,808
- Long service leave provision	2,373	14,647
- Superannuation payable	-	-

Note 25. Subsequent events

There have been no significant events which have occurred subsequent to the 30 June 2008.

Note 26. Contingent liabilities

There are no known contingent liabilities as at the report date.

Note 27. Financial instruments

a. Net fair value of financial assets and liabilities

The carrying amounts of cash, cash equivalents and non-interest bearing monetary financial assets and liabilities (eg. Accounts receivable and payable) approximate net fair value.

The carrying amounts of all financial assets and liabilities at balance date are measured at cost and approximate their net fair values.

b. Financial risk management policies

The entity's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable. The entity does not have any derivative instruments at 30 June 2008.

i. Treasury risk management

The Board meets regularly at which time consideration is to any financial risk exposure in the context of the most recent economic conditions and forecasts.

Note 27. Financial instruments (continued)

b. Financial risk management policies (continued)

ii. Financial risk exposures and management

The main risks the entity is exposed to through its financial instruments are credit risk, interest rate risk and liquidity risk.

c. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the economic entity. The economic entity has adopted the policy of only dealing with creditworthy counterparts and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial losses from defaults.

Credit risk of trade receivables is managed in the following ways:-

- payment terms are 30 days with follow up every 7 days thereafter.
- revenue from the Bendigo Bank Ltd. is determined with the franchise agreement and is independently audited.

d. Interest rate risk

The entity is exposed to interest rate risk as it has borrowed funds at floating interest rates. The entity's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rate for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the entity's net profit would increase/(decrease) by \$16,850 and decreased by \$3,800 (2007: increase by \$14,250 and decrease by \$5,550). This is mainly attributable to the entity's exposure to interest rates on its variable rate deposits and borrowings.

The Entity's sensitivity to interest rates has increased during the current period due to the increase in deposits invested.

e. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity management framework for the management of the Company's liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continually monitoring forecast and actual cash flows.

Note 27. Financial instruments (continued)

e. Liquidity risk management (continued)

Liquidity and interest risk tables

The following tables detail the entity's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the earliest date on which the entity can be required to pay. The table included both interest and principal cash flows.

	Weighted average effective interest rate %	less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
2008						
Financial assets						
Non-interest bearing		133	97,860	-	-	-
Finance lease liability		-	-	-	-	-
Variable interest rate		619	-	-	-	-
Fixed interest rate	6.59%	-	-	389,553	-	-
Financial guarantee		-	-	-	-	-
Total		752	97,860	389,553	-	-
Financial liabilities						
Non-interest bearing		-	78,529	48,758	12,455	-
Finance lease liability	9.65%	833	1,667	7,500	5,833	-
Variable interest rate	6.00%	155,643	-	-	-	-
Fixed interest rate		-	-	-	-	-
Total		156,476	80,196	56,258	18,288	-

Note 27. Financial instruments (continued)

e. Liquidity risk management (continued)

	Weighted average effective interest rate %	less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years
2007						
Financial assets						
Non-interest bearing		142	87,966	-	-	-
Finance lease liability		-	-	-	-	-
Variable interest rate		1,193	-	-	-	-
Fixed interest rate	6.35%	-	-	287,996	-	-
Financial guarantee		-	-	-	-	-
Total		1,335	87,966	287,996	-	-
Financial liabilities						
Non-interest bearing		-	61,348	69,179	27,905	-
Finance lease liability	7.50%	475	950	4,274	-	-
Variable interest rate	6.00%	138,697	-	-	-	-
Fixed interest rate		-	-	-	-	-
Total		139,172	62,298	73,453	27,905	-

Note 28. Bank overdraft security

The Bank Overdraft is secured by pledge monies provided by persons, who have agreed to support the establishment of a **Community Bank**[®] branch in Maldon. The monies are held in a trust account with the Bendigo Banking Group.

Note 29. Segment information

The Company operates predominantly within the banking industry as a franchise of the Bendigo Bank.

Note 30. Company details

Maldon & District Financial Services Ltd is an unlisted not-for-profit public Company, incorporated and domiciled in Australia.

The registered office of the Maldon & District Financial Services Ltd is:

93 High Street,
Maldon VIC 3463

The principal places of activities during the year are:

93 High Street,
Maldon VIC 3463

109 Broadway,
Dunolly VIC 3472

45 Lyons Street,
Newstead VIC 3462.

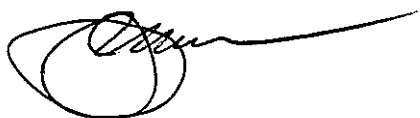
Director's declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 10 to 33 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 2008 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.

On behalf of the Board



Ian French

Director

Maldon

Dated 25 September 2008.

Independent audit report

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS
MALDON & DISTRICT FINANCIAL SERVICES LIMITED
ABN 46 086 749 886**

Report on the Financial Report

We have audited the accompanying financial report of Maldon & District Financial Services Limited which comprises the balance sheet as at 30 June 2008, and the income statement, balance sheet, and statement of cash flows for the year ended on that date, a summary of significant accounting policies and 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 standards require that we comply with 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making these risk assessments, the auditors consider 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.

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS
MALDON & DISTRICT FINANCIAL SERVICES LIMITED
ABN 46 086 749 886**

Auditor's Opinion

In our opinion the financial report of Maldon & District Financial Services Limited is in accordance with the Corporations Act 2001 including:

- a) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
- b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Name of Firm: G C PERRY & CO

Name of Partner:



Geoffrey Charles Perry CPA

Address:

Suite 28B, 255 Drummond Street Carlton 3053

Dated this 25th day of September 2008

Maldon & District **Community Bank**[®] Branch
93 High Street, Maldon VIC 3463
Phone: (03) 5475 1747 Fax: (03) 5475 1757

Franchisee: Maldon & District Financial Services Limited
93 High Street, Maldon VIC 3463
Phone: (03) 5475 1747 Fax: (03) 5475 1757
ABN 46 086 749 886

www.bendigobank.com.au

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8061) (09/08)

