Maldon & District
Financial Services Limited
ABN 46 086 749 886

annual report 2011

Maldon & District **Community Bank**® Branch

Contents

Cover photography – Rob Larson

Chairman's report

For year ending 30 June 2011

It gives me great pleasure to present the Chairman's report for the 2010/2011 financial year. Now into our thirteenth year of operation our business continues to grow and earn considerable profits. We are proud that the community who support our Company, benefit directly from our strong growth as it is the customers in our community who are the backbone of the amazing success story that is Maldon & District **Community Bank®** Branch.

This year our Company has achieved a record profit and the Board have decided to reward our investors' faith, loyalty and continuing support with an increase in return to 12%. Likewise, our community have also received a strong increase in support through sponsorship and grants.

Personnel

This has been a year where we have seen a number of staff and Board Director changes. Our Branch Manager of almost three years, Ben Rodda, has moved on to become the Manager of the Bendigo Bank owned site at Strathdale. His new job sees him looking after a book three times the size of Maldon's and with three times as many staff. Ben's leadership has been a terrific contributor to our branch's strong performance and we wish him well in his new position. Our new Branch Manager, and local resident, Stephen Streeter, comes with many years of experience in all facets of banking and financial products. Already, Steve has used his network of business contacts and his managerial abilities to bring new business to our Company.

This year, we also saw staff member, Alicia Mulholland, move to an internal job with Bendigo and Adelaide Bank Ltd and the recruitment of Natasha Mulcahy. As a small banking business in a large network of both community and Bendigo Bank owned branches, we realise that the opportunities for promotion within our Company are limited and that many of our staff will seek advancement elsewhere. As a responsible employer, we want to see our staff strive for personal and professional development and we are certain that by working with us they will be and are well equipped for a strong future.

Directors, Sandra Nevill and Andre Farley, retired at the last AGM and Ian French resigned earlier this year. All have been long term Directors and their strategic knowledge, advice and experience have been an integral part of the formula of our success. At the same time we welcomed Jacinta Mulholland and Gordon Carter on to the Board. Jacinta has brought her youthful enthusiasm and Gordon, a cool, calm and collected demeanour to the Board. Already we have seen their impact at Board level.

A talented knowledgeable and dedicated Board of Directors is essential for the wellbeing of any Company. We are so fortunate that in the short history of our business, good people with the interests of our community at heart have given so freely of their abilities and their time.

We are also very proud of our staff. Their enthusiasm and great customer service mean that our customers are well looked after. They continue to provide solid financial advice, strong community commitment and a loyalty to the business model that is unsurpassed.

Operations

A potentially major impact to our business growth this past year has been the change in the margin income share with Bendigo and Adelaide Bank Ltd on fixed rate home loan and term deposits of more than 90 days due to the increase in the cost of funding these products. This resulted in a decrease to **Community Bank®** branches

Chairman's report continued

of margin income from 50:50 to 35:65. We expected a drop in income of approximately $50,000 over the year, however Bendigo and Adelaide Bank Ltd have appointed new internal staff to make an extra effort to chase new business leads and this has resulted in a far less impact than anticipated. I believe this has been a great example of the business partnership **Community Bank®** branches hold with Bendigo and Adelaide Bank Ltd where each is working for the collective benefit.

The tale of our new bank building project continues. Our appearance at VCAT early this year resulted in the approval of a planning permit subject to some redesign conditions. These were imposed to ensure the new building would further blend in with the surrounding heritage architecture. The new drawings incorporating the changes are currently with council awaiting their approval. The next stage of the process will be to seek approval of building plans and a call for tenders to construct the building.

Community

We continue to support the Learner Driver and Business Coaching programs initiated by our Company and note these are now being taken up by other **Community Bank®** branches who have seen the value better drivers and better businesses bring to their communities and their local economy. Each year about 30 - 35 local young new drivers are put through the driver program and 12 businesses learn new ways of thinking about their business. These initiatives are of tremendous social and economic benefit to all of us.

Our business is especially proud to have made our largest sponsorship so far of $50,000 to the Mount Alexander Support and Respite Group (MASARG). Do you know that Mount Alexander Shire is the only local government area in Victoria not to have a respite house for ageing parents with disabled children? Their plan, with support from the Lions Club, Government, Council, hospitals and local agencies is to build a multi-function centre within our shire. We are pleased to offer monetary support, marketing and business advice to this small and extremely dedicated group.

The bank has also purchased two marquees that are freely available for community use. A 4.5 x 4.5 metre and a 6 x 9 metre marquee in separate dedicated trailers have already made several appearances. Please enquire at the branch for details.

In conclusion, we look forward to a strong and vibrant future. We are in a profitable financial position, our staff and Board of Directors remain enthusiastic and committed and we will look to further business opportunities. We have plans and ideas for the future. We will continue to engage with our community.

I remain confident that our great community success story will continue unabated.

Ronald Snep
Chairman

Manager’s report

For year ending 30 June 2011

Maldon & District **Community Bank®** Branch completed the year with excellent growth. This has resulted in the business sitting at the $117.6 million in total lending and deposit footings, resulting in a large profit base for the financial year.

As at 30 June 2011, the branch has deposit footings of $55.1 million and lending footings of $62.5 million.

There are over 5,000 account holders at the **Community Bank®** branch. These are predominantly from the local district, but also come from all over Australia, and have contributed to our strong financial growth in all areas of the business.

A special thanks to all the branch staff and the Board for their outstanding support over the financial year.

Our branch was the leader in “community driven” initiatives such as the Driver Training Program and Business Coaching program. The business coaching program provides business coaching to local businesses, keeping them at the forefront of their industries. This has been a great success and invaluable to these participating businesses.

Another major milestone of note is that Maldon & District **Community Bank®** Branch, during the 2011 business year, has reached over the $1.2 million distributed to our local communities. This is an amazing feat for such a small branch, which could not have happened without the support of all our client account holders.

Whilst I have only been in the position of Branch Manager for a short period of time I would like to thank all of the staff, the Board and people of Maldon, Newstead and Dunolly for making myself feel very welcome.

The staff at the Maldon & District **Community Bank®** Branch will continue to be committed to providing a high standard of service to all of our current and prospective clients.

Steve Streeter
Branch Manager

Marketing committee report

For year ending 30 June 2011

This year we introduced a new process for community groups to apply for and acquit sponsorships. We're asking community groups to supply more detail when applying for sponsorships and we've provided the forms on our website (www.bendigobank.com.au/maldon).

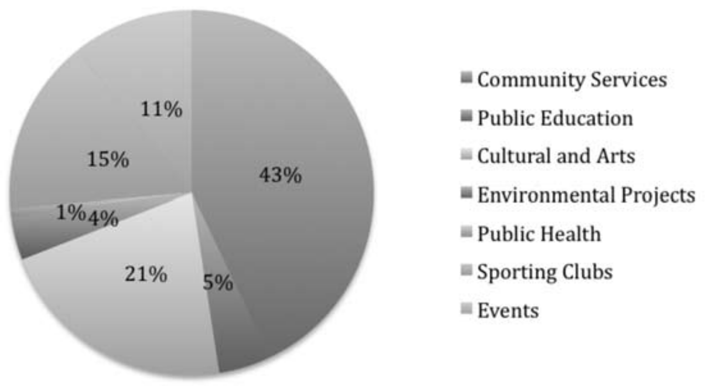
This information will help us build a more detailed picture of which community sectors we're supporting and in what areas. This way we can ensure our sponsorships are spread across our community and are not top heavy in any particular sector or geographical area. Our Marketing Development Manager (MDM), Elissa O'Connor, has worked well to explain this to groups and our sponsorship applications are increasing as a result.

Marketing sorted through sponsorship applications from 50 community groups and organisations. The Board approved 75% of these to a value of $130,000. We thank the community for their support, terrific response and patience. While we have been developing the sponsorship process, our traditional annual grants program has been held over and we look forward to that in the first half of 2012.

Also new this year is a Directors' roster to ensure Directors are more available to attend events and functions as ambassadors for the branches.

Director involvement in marketing took on new meaning when the branch sported its own team in the Cairn Curran Classic team swim/bike/run event in November. Suffice to say, a little more training would serve us well! It was a great event to sponsor.

Major sponsorships this year included the Castlemaine State Festival with our MDM working to leverage cross support through an online 'buy tickets and we'll contribute funds to the festival' promotion. We also supported a program called 'Solving the Jigsaw' at Castlemaine Secondary College, which aims to skill teachers in giving children space to share their worries and to build respect in communication. We also funded a study on school enrolments at Newstead and Maldon Primary Schools. The branch's biggest sponsorship yet, $50,000 towards a respite house to be built by the Mt Alexander Shire Accommodation Respite Group, will involve vital marketing support.



MDFSL sponsorship funding by category, 2010-11

Marketing committee report continued

In May, our Board of Directors and the Marketing Development Manager spent one day at a media communications course, conducted locally. This is part of a wider strategy to equip all directors with basic skills in getting the branch's message across.

Our two new marquees, 4.5m x 4.5m and 9m x 6m, carry the branch's logo and will be great marketing assets. These are available at no cost to community groups and can be booked at the branch in Maldon or agencies in Newstead and Dunolly.

Thanks to the staff who, via their service, are the best marketing allies any branch could have. Thanks also to our MDM, Elissa O'Connor, for her work and passion for helping grow our community.

Genevieve Barlow
Chair, Marketing Committee

Directors' report

For the financial year ended 30 June 2011

Your directors submit the financial statements of the company for the financial year ended 30 June 2011.

Directors

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

Ronald Johannes Snep
Chairman
Occupation: Wine Maker
Experience & expertise: Board member and Director since 2002. Winery business owner.
Portfolios: Building, Executive, Marketing, Youth

Karly Brenda Smith
Director and Secretary
Occupation: Community Engagement Worker
Experience & expertise: Bachelor of Arts (Hons). Joined the Board in February 2007. Over ten years experience as a geographer, working in project management and research in corporate and academic organisations. Secretary Newstead 2021 community group.
Portfolios: Executive, Community Development

Arthur 'Gordon' Carter
Director and Treasurer (appointed 26 September 2011)
Occupation: Retired Consultant
Experience & expertise: Diploma Financial Planning; Diploma Project Management, Member Australia Institute of Company Directors. 40 years in project management (IT), analysis, consulting and operations in the retail industry. President of the Maldon Hospital Board.
Portfolios: Finance, Governance

Genevieve Mary Barlow
Director
Occupation: Freelance Journalist
Experience & expertise: 25 years in journalism covering politics, trade, agriculture, education, farming and food production. Currently running a freelance writing business.
Porfolios: Community Development, Marketing

Gavin Hanlon
Director and Treasurer (appointed 22 November 2010)
Occupation: Managing Director
Experience & expertise: Bachelor of Applied Science (Soils, Science and Conservation), Master of Applied Science (Environmental Science) and Master of Business Administration. Graduate Institute of Company Directors. Fellow Institute of Management, Williamson Fellow. Managing Director of Goulburn-Murray Water, ex-Managing Director of Coliban Water. Previously a member of numerous advisory boards for universities and government, member of audit committee of a local government authority.
Portfolios: Finance, Governance

Simon Morrison
Director
Occupation: Farmer & Business Manager/Director
Experience & expertise: Board member and Director since June 2006. Farmer and Manager/Director of Eddington Engineering. Community member of Eddington CFA and Eddington Golf Club.
Portfolios: Community Development, Marketing

Directors (continued)

Peter Griffiths Smith
Director
Occupation: Farmer & Developer
Experience & expertise: Attended Marcus Oldham Agriculture College, Diploma of Farm Management. Director of 'Woodstock Holdings' since 1981. Board member and Director since 1999, past Deputy Chairman. Past Dunolly sub-committee representative and special projects. Farmer and Property Developer for over 30 years.
Portfolios: Building

Jacinta Louise Mulholland
Director (Appointed 25 October 2010)
Occupation: Barista
Experience & expertise: Diploma of Hospitality Management (William Angliss Institute). Worked for past 8 years in hospitality in cafes, bars, restaurants and function centres. Currently working as a barista in a busy Bendigo café.
Portfolios: Youth

Megan Catherine Purcell
Director (Appointed 12 August 2011)
Occupation: Community Liaison
Experience & expertise: Bachelor of Management, Bachelor of Applied Economics. Board Member of Maldon Hospital, Committee Member and Player of Maldon Football Netball Club. Experience in policy advice and community engagement.
Portfolios: Community Development, Youth

Daniel Sutherland Clarke
Director (Appointed 11 September 2011)
Occupation: Engineer
Experience & expertise: Local community involvement including Director of Music Maldon Brass Bank, CFA Deputy Group Officer,and Maldon Easter Fair Committee Member. Working as an engineer specialising in restoration of vintage motor cars.
Portfolio: Youth

Ian Russell French
Director (Resigned 25 February 2011)

Sandra Lynn Nevill
Director (Resigned 25 October 2010)

Andre Jackson Farley
Director (Resigned 25 October 2010)

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

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

Company Secretary

The company secretary is Karly Brenda Smith. Karly was appointed to the position of secretary on 24 November 2008.

She holds a Bachelor of Arts (Honours), employment history includes many years of experience in performing services as a geographer including working in project management and research for several organisations.

Principal Activities

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

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

Directors' report continued

Operating Results

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

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
	82,596	45,331

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Remuneration

During the year the following Directors received remuneration for performing their executive roles:

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
Sandra Lyn Nevill (Treasurer)	2,083	3,749
Karly Brenda Smith (Secretary)	5,000	5,769
Ronald Johannes Snep (Chairman)	5,000	5,769
Genevieve Mary Barlow (Community Engagement/Marketing Officer)	5,000	-

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

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

	Number of Board Meetings	
	Eligible to attend	**Number attended**
Ronald Johannes Snep	11	11
Karly Brenda Smith	11	11
Arthur 'Gordon' Carter (Appointed 25 October 2010)	7	7
Genevieve Mary Barlow	11	8
Gavin Hanlon	11	6
Simon Morrison	11	6
Peter Griffiths Smith	11	6
Jacinta Louise Mulholland (Appointed 25 October 2010)	7	7
Megan Catherine Purcell (Appointed 12 August 2011)	-	-
Daniel Sutherland Clarke (Appointed 11 September 2011)	-	-
Ian Russell French (Resigned 25 February 2011)	6	1
Sandra Lynn Nevill (Resigned 25 October 2010)	4	3
Andre Jackson Farley (Resigned 25 October 2010)	4	1

Non Audit Services

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

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

Directors' report continued

Non Audit Services (continued)

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

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

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the board of directors at Maldon, Victoria on 24 October 2011.

Ronald Johannes Snep, Chairman

Auditor's independence declaration

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Maldon & District Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

- no contraventions of any applicable code of professional conduct in relation to the audit.

GEOFFREY CHARLES PERRY
G C PERRY & CO
Suite 28B/255 Drummond Street
Carlton VIC 3053

7 November 2011

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Revenues from ordinary activities	4	1,115,098	1,003,971
Employee benefits expense		(353,124)	(355,729)
Charitable donations, sponsorship, advertising and promotion		(341,344)	(245,706)
Occupancy and associated costs		(21,915)	(17,227)
Systems costs		(28,020)	(23,240)
Depreciation and amortisation expense	5	(11,501)	(10,739)
Finance costs	5	(1,366)	(553)
General administration expenses		(245,523)	(278,104)
Profit before income tax expense		**112,305**	**72,673**
Income tax expense	6	(29,709)	(27,342)
Profit after income tax expense		**82,596**	**45,331**
Total comprehensive income for the year		**82,596**	**45,331**

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2011

	Note	2011 $	2010 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	346,903	356,455
Trade and other receivables	8	86,676	113,148
Total Current Assets		**433,579**	**469,603**
Non-Current Assets			
Property, plant and equipment	9	344,228	220,816
Intangible assets	10	5,628	7,628
Deferred tax assets	11	11,524	13,289
Total Non-Current Assets		**361,380**	**241,733**
Total Assets		**794,959**	**711,336**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	133,123	106,522
Current tax liabilities	11	7,028	15,337
Borrowings	13	225,950	229,814
Provisions	14	30,119	41,544
Total Current Liabilities		**396,220**	**393,217**
Non-Current Liabilities			
Borrowings	13	1,235	-
Provisions	14	9,870	8,081
Total Non-Current Liabilities		**11,105**	**8,081**
Total Liabilities		**407,325**	**401,298**
Net Assets		**387,634**	**310,038**
Equity			
Capital reserves	15	2,431	7,431
Retained earnings	16	385,203	302,607
Total Equity		**387,634**	**310,038**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2011

	Issued Capital $	Retained Earnings $	Total Equity $
Balance at 1 July 2009	**7,431**	**257,276**	**264,707**
Total comprehensive income for the year	**-**	**45,331**	**45,331**
Transactions with owners in their capacity as owners:			
Transfer to/(from) capital reserve	-	-	-
Balance at 30 June 2010	**7,431**	**302,607**	**310,038**
Balance at 1 July 2010	**7,431**	**302,607**	**310,038**
Total comprehensive income for the year	**-**	**82,596**	**82,596**
Transactions with owners in their capacity as owners:			
Transfer to/(from) capital reserves	(5,000)	-	(5,000)
Balance at 30 June 2011	**2,431**	**385,203**	**387,634**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2011

	Note	2011 $	2010 $
Cash Flows From Operating Activities			
Receipts from customers		1,190,474	976,626
Payments to suppliers and employees		(1,047,680)	(817,286)
Interest received		21,273	14,332
Interest paid		(1,366)	(553)
Income taxes paid		(20,916)	-
Net cash provided by operating activities	**17**	**141,785**	**173,119**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(148,493)	(17,730)
Disposal for property, plant and equipment		-	605
Net cash used in investing activities		**(148,493)**	**(17,125)**
Cash Flows From Financing Activities			
Proceeds from borrowings		27,757	-
Repayment of borrowings		(12,300)	-
Net cash provided by financing activities		**15,457**	**-**
Net increase in cash held		**8,749**	**155,994**
Cash and cash equivalents at the beginning of the financial year		126,426	(29,568)
Cash and cash equivalents at the end of the financial year	**7(a)**	**135,175**	**126,426**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These financial statements are for Maldon & District Financial Services Limited as an individual entity, incorporated and domiciled in Australia. Maldon & District Financial Services Limited is an unlisted not-for-profit Company Limited by Guarantee.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

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

Critical accounting estimates

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

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Adoption of new and revised Accounting Standards (continued)

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

- AASB 101 Presentation of Financial Statements

  In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

- Disclosure impact

  Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

  Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

  Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

  The company's financial statements contain a single statement of comprehensive income.

  Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)
- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

New Accounting Standards for application in future periods (continued)

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue

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

Revenue calculation

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

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

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

c) Income Tax

Current tax

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

Deferred tax

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

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Deferred tax (continued)

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

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

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

Current and deferred tax for the period

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

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Note 1. Summary of Significant Accounting Policies (continued)

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, Plant and Equipment

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

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

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

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years
- motor vehicle	8 years

h) Intangibles

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

<u>Recognition and initial measurement</u>

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

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

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

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

Note 1. Summary of Significant Accounting Policies (continued)

m) Provisions (continued)

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

n) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

Note 2. Financial Risk Management (continued)

(v) Cash flow and fair value interest rate risk

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Note 4. Revenue from Ordinary Activities

	2011 $	2010 $
Operating activities:		
- services commissions	1,090,176	987,825
- other revenue	2,074	1,814
Total revenue from operating activities	**1,092,250**	**989,639**
Non-operating activities:		
- interest received	22,848	14,332
Total revenue from non-operating activities	**22,848**	**14,332**
Total revenues from ordinary activities	**1,115,098**	**1,003,971**

	Note	2011 $	2010 $

Note 5. Expenses

	Note	2011 $	2010 $
Depreciation of non-current assets:			
- plant and equipment		9,501	8,739
Amortisation of non-current assets:			
- franchise agreement		2,000	2,000
		11,501	**10,739**
Finance costs:			
- interest paid		**1,366**	**553**
Bad debts		**6,470**	**414**
Loss on disposal of fixed asset		**10,795**	**-**

Note 6. Income Tax Expense/Credit

	Note	2011 $	2010 $
The components of tax expense comprise:			
- Current tax		27,944	23,124
- Movement in deferred tax		6,729	4,218
- Recoup of prior year tax loss		-	-
- Under/(Over) provision of tax in the prior period		(4,964)	-
		29,709	**27,342**
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		112,305	72,673
Prima facie tax on profit from ordinary activities at 30%		33,692	21,802
Add tax effect of:			
- non-deductible expenses		981	1,322
- timing difference expenses		(6,729)	4,218
- other deductible expenses		-	-
		27,944	**27,342**
Movement in deferred tax	11	6,729	-
Under/(Over) provision of income tax in the prior year		(4,964)	-
		29,709	**27,342**

	Note	2011 $	2010 $

Note 7. Cash and Cash Equivalents

	Note	2011 $	2010 $
Cash at bank and on hand		390	1,215
Term deposits		346,513	355,240
		346,903	**356,455**
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:			
Note 7.(a) Reconciliation of cash			
Cash at bank and on hand		390	1,215
Term deposits		346,513	355,240
Bank overdraft	13	(211,728)	(230,029)
		135,175	**126,426**

Note 8. Trade and Other Receivables

	Note	2011 $	2010 $
Trade receivables		80,349	103,201
Other receivables and accruals		1,575	1,010
Prepayments		4,752	8,937
		86,676	**113,148**

Note 9. Property, Plant and Equipment

	Note	2011 $	2010 $
Land & Buildings (79-81 High Street)			
At cost		**198,177**	**167,652**
Land & Buildings (Rear 79-81 High Street)			
At cost		**64,388**	**-**
Plant and equipment			
At cost		65,760	42,753
Less accumulated depreciation		(32,972)	(29,621)
		32,788	**13,132**
Furniture and fittings			
At cost		27,457	27,457
Less accumulated depreciation		(23,925)	(23,387)
		3,532	**4,070**

	2011 $	2010 $
Note 9. Property, Plant and Equipment (continued)		
Computer equipment		
At cost	2,641	2,641
Less accumulated depreciation	(2,503)	(2,421)
	138	**220**
Leasehold improvements		
At cost	10,602	10,205
Less accumulated depreciation	(2,590)	(2,243)
	8,012	**7,962**
Motor vehicle		
At cost	41,755	39,395
Less accumulated depreciation	(4,562)	(11,615)
	37,193	**27,780**
Total written down amount	**344,228**	**220,816**
Movements in carrying amounts:		
Land & Buildings (79-81 High Street)		
Carrying amount at beginning	167,652	151,268
Additions	30,525	16,384
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	**198,177**	**167,652**
Land & Buildings (Rear 79-81 High Street)		
Carrying amount at beginning	-	-
Additions	64,388	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	**64,388**	**-**

	2011 $	2010 $
Note 9. Property, Plant and Equipment (continued)		
Plant and equipment		
Carrying amount at beginning	13,132	13,999
Additions	23,007	1,346
Disposals	-	-
Less: depreciation expense	(3,351)	(2,213)
Carrying amount at end	**32,788**	**13,132**
Furniture and fittings		
Carrying amount at beginning	4,070	5,218
Additions	-	-
Disposals	-	(605)
Less: depreciation expense	(538)	(543)
Carrying amount at end	**3,532**	**4,070**
Computer equipment		
Carrying amount at beginning	220	351
Additions	-	-
Disposals	-	-
Less: depreciation expense	(82)	(131)
Carrying amount at end	**138**	**220**
Leasehold improvements		
Carrying amount at beginning	7,962	8,285
Additions	397	-
Disposals	-	-
Less: depreciation expense	(347)	(323)
Carrying amount at end	**8,012**	**7,962**
Motor vehicles		
Carrying amount at beginning	27,780	32,704
Additions	41,755	-
Disposals	(27,780)	-
Less: depreciation expense	(4,562)	(4,924)
Carrying amount at end	**37,193**	**27,780**
Total written down amount	**344,228**	**220,816**

	2011 $	2010 $

Note 10. Intangible Assets

	2011 $	2010 $
Franchise fee		
At cost	70,000	70,000
Less: accumulated amortisation	(64,372)	(62,372)
Total written down amount	**5,628**	**7,628**

Note 11. Tax

	2011 $	2010 $
Current:		
Income tax payable	**7,028**	**15,337**
Non-Current:		
Deferred tax assets		
- accruals	-	-
- employee provisions	11,997	13,289
	11,997	**13,289**
Deferred tax liability		
- accruals	473	-
- deductible prepayments	-	-
	473	**-**
Net deferred tax asset/(liability)	**11,524**	**13,289**
Movement in deferred tax charged to statement of comprehensive income	**1,765**	**-**

Note 12. Trade and Other Payables

	2011 $	2010 $
Trade creditors	25,102	60,292
Interest due to pledgeholders	29,993	25,131
Other creditors and accruals	78,028	21,100
	133,123	**106,523**

	Note	2011 $	2010 $

Note 13. Borrowings

	Note	2011 $	2010 $
Current:			
Bank overdrafts		211,728	229,814
Lease liability	18	14,222	-
		225,950	**229,814**
Non-Current:			
Lease liability	18	1,235	-
		1,235	**-**

Bank chattel mortgage on the motor vehicle is repayable monthly with the final instalment due in July 2012. Interest is recognised at an average rate of 7.6%. The loans are secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

	2011 $	2010 $
Current:		
Provision for annual leave	20,119	33,544
Provision for staff bonuses	10,000	8,000
	30,119	**41,544**
Non-Current:		
Provision for long service leave	**9,870**	**8,081**

Note 15. Capital Reserves

	2011 $	2010 $
Balance at the beginning of the financial year	7,431	7,431
Transfer to/(from) capital reserves	(5,000)	-
Balance at the end of the financial year	**2,431**	**7,431**

Note 16. Retained Earnings

	2011 $	2010 $
Balance at the beginning of the financial year	302,607	257,276
Net profit from ordinary activities after income tax	82,596	45,331
Balance at the end of the financial year	**385,203**	**302,607**

	2011 $	2010 $

Note 17. Statement of Cashflows

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

	2011 $	2010 $
Profit from ordinary activities after income tax	82,596	45,331
Non cash items:		
- depreciation	9,501	8,739
- amortisation	2,000	2,000
- loss on disposal of fixed assets	10,795	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	26,472	(16,448)
- decrease in other assets	1,765	746
- increase in payables	26,601	33,300
- increase/(decrease) in provisions	(9,636)	84,114
- increase/(decrease) in current tax liabilities	(8,309)	15,337
Net cashflows provided by operating activities	**141,785**	**173,119**

Note 18. Leases

Finance lease commitments

	2011 $	2010 $
Payable - minimum lease payments		
- not later than 12 months	14,910	-
- between 12 months and 5 years	1,243	-
- greater than 5 years	-	-
Minimum lease payments	**16,153**	**-**
Less future finance charges	(696)	-
Present value of minimum lease payments	**15,457**	**-**

The finance lease of the motor vehicle which commenced in August 2010, is a 24 month lease. Interest is recognised at an average rate of 7.6%.

Notes to the financial statements continued

	2011 $	2010 $

Note 19. Auditors' Remuneration

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

	2011 $	2010 $
- audit and review services	1,386	1,364
- non audit services	-	-
	1,386	**1,364**

Note 20. Contributed Equity

In accordance with the Association's Memorandum and Articles of Association, the Maldon & District Financial Services Limited 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 30 June 2011 the number of members was 81 (2010: 81).

Note 21. Related Party Transactions

a) Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

   Director, Ian French provided bookkeeping and other financial services. The total payments were $5,930 (2010: $630).

b) No other Director contracted with the Maldon & District Financial Services Limited during the year.

Note 22. Events Occurring After the Balance Sheet Date

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

Note 23. Contingent Liabilities

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

Note 24. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Maldon and surrounding districts, including Dunolly and Newstead, pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered Office/Principal Place of Business

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

Registered Office	Principal Place of Business
93 High Street	93 High Street
Maldon VIC 3463	Maldon VIC 3463
	109 Broadway
	Dunolly VIC 3472
	45 Lyons Street
	Newstead VIC 3462

Note 26. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 %	2010 %
Financial Assets												
Cash and cash equivalents	390	1,215	346,513	355,240	-	-	-	-	-	-	5.6	5.5
Receivables	-	-	-	-	-	-	-	-	80,349	103,201	N/A	N/A

Notes to the financial statements continued

Note 26. Financial Instruments (continued)

Interest Rate Risk (continued)

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 $	2010 $	2011 %	2010 %
Financial Liabilities												
Interest bearing liabilities	-	-	14,222	-	1,235	-	-	-	-	-	7.6	N/A
Non-interest bearing liabilities	-	-	-	-	-	-	-	-	211,728	229,814	Nil	Nil
Payables	-	-	-	-	-	-	-	-	55,095	85,423	N/A	N/A

Directors' declaration

In accordance with a resolution of the directors of Maldon & District Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

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

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

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

Ronald Johannes Snep, Chairman

Signed on the 24th of October 2011.

Independent audit report

Independent Auditor's Report To The Members Of Maldon & District Financial Services Limited

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 2011, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

1) The financial report of Maldon & District Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Maldon & District Financial Services Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

GEOFFREY CHARLES PERRY

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7 November 2011

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