



Maldon & District Financial Services Limited

ANNUAL REPORT 2012

Maldon & District **Community Bank**® Branch ABN 46 086 749 886

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Chairman's report

For year ending 30 June 2012

Now into the fourteenth year of operation our company has again performed extremely well. Our financial standing is strong - and continues to grow; our contribution to community well-being is recognised throughout Australia. Maldon & District **Community Bank**[®] Branch is highly regarded among nearly 300 **Community Bank**[®] branches nationwide and at the September 2011 National **Community Bank**[®] Conference we were inducted into the National Hall of Fame.

We are known as an innovative, entrepreneurial, well organised and functional company. Our achievements are regularly referred to and used as an example of just how successful a **Community Bank**[®] branch can be.

Our people

It is our people that make our company so strong. Director and staff loyalty, service and engagement with our banking business has been the key to our success and the agency for delivery of value to our community.

In the past financial year we have welcomed Narelle Rowland to a newly created staff position. We also said farewell and a happy retirement and safe travels to Linda Brown. Jan Boyer, a seconded employee of Bendigo Bank has filled in for Linda.

Directors Gavin Hanlon and Peter Smith retired at the last AGM and Simon Morrison retired earlier this year. New Directors Megan Purcell and Daniel Clarke were confirmed at the last AGM and Garry Johnstone joined the Board this year.

We really are blessed by the strength and commitment of all Board Directors. The Board is proud of its diversity - we have gender diversity, a wide representation of age, skills and experience. The diversity of representation at Board level provides a range of views and input to our decision making.

It is the work of both staff and directors and the partnership with Bendigo and Adelaide Bank that is the foundation of our success.

Our business

Banking provides the income that enables our company to invest so much into our community. We continually strive to tell the story that banking with the Maldon & District **Community Bank**[®] Branch will lead to direct community benefits. All our sponsorships have this business building requirement. When a sponsorship is approved our marketing team seek to develop opportunities that will promote this message.

To further enhance our community contribution we have applied to the Australian Taxation Office (ATO) for 'not for profit' (NFP) status. A favourable outcome will mean all our profits will be available for community investment. A decision from the ATO is expected very soon and I remain optimistic that our application will be accepted. Two other **Community Bank**[®] branches with similar company structures, operating in similar circumstances and providing the same community benefits and outcomes have also achieved NFP status. However, should our application be unsuccessful the status quo will remain - a significant portion of our pre-tax profits will continue to be placed in to a community foundation for later distribution, a tax deduction created to offset income and company tax paid on the remaining amount.

A new bank building is drawing closer. Following the issue of a planning permit a few months ago, construction drawings have been finalised and building quotes are currently being delivered. At the time of writing an announcement of a builder and construction timeline information is imminent. I still hope to see the new building in operation by early next year and I look forward to the increased business opportunities the new location will provide.

Chairman's report (continued)

Like any business, in order to survive and prosper well in to the future we must look for growth. For our company that means increasing customer numbers and building the size of our book - loans and deposits. While there are still opportunities to be found locally, the staff and Board have been actively engaged in working in our wider region, making ourselves known and developing relationships through sponsorships and community granting.

Ours is a great story of business success and community engagement. It is an easy story to tell and inspire our customers and community.

Our community

The purpose of our business is to provide a banking service. The outcome of that service is profits that are dispersed throughout the community. And once again the community has been the big beneficiary of our business success.

As well as our regular and continuing Driver Training and Business Coaching programs we introduced a new 'InSchool Philanthropy' program. This program, operating in three of our local primary schools, introduces young students to the concept of philanthropy and the practice of putting philanthropy into action. The students made a grants presentation to a panel that included our directors and bank staff in the same way that all community organisations make applications to the bank for funding. So not only is the bank actively engaged in philanthropy, we are also developing the same mind set in our younger people.

The Board's Youth Portfolio has become a local chapter of the international Awesome Foundation and instituted a series of Awesome grants that encourage our community to come up with good, sometimes offbeat and singularly 'awesome' ideas. Ours is the first **Community Bank**® branch in Australia to join the Awesome Foundation. And more banks are now likely to join this highly effective way to reach younger people and make granting easy.

But, undoubtedly, the highlight of the past financial year was another grants presentation in June to many community groups in our region, along with the announcement of the bank's agreement to substantially fund two buses for community use. The grants presentation, our largest to date, attracted significant media and community attention, which has translated to an enhanced reputation and an increase to our business.

Another successful year is again due to the efforts of our staff and Directors. Working together we do amazing things in our community. To all the stakeholders in our business - staff, Directors, members, Bendigo and Adelaide Bank, customers, suppliers, supporters and our community - thank you. We look forward to even greater success to come.



Ron Snep
Chairman

Manager's report

For year ending 30 June 2012

It has been just over 12 months since I joined the Maldon & District **Community Bank**[®] Branch.

In what has been a challenging year in the Financial Markets, I am pleased to advise we have completed the year with growth to both our Lending and Deposit business.

This has resulted in the business sitting at \$123.9 million in total lending and deposit footings, giving a sound profit base for the financial year.

- As at 30 June 2012, the branch has deposit footings of \$62.7 million and lending
- Footings of \$61.2 million, other business \$7 million.
- Our total book is \$131 million.

There are over 5,073 account holders at the Maldon & District **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.

We continue to be the leaders in "community driven" initiatives, primarily through our Driver Training Program and our Business Coaching program. The latter program is aimed at providing business coaching to local businesses, keeping them at the forefront of their industries. This continues to be a great success.

At the **Community Bank**[®] National Conference in Sydney, September 2011. Maldon was inducted into the **Community Bank**[®] Hall of Fame for their outstanding Contribution to Community Banking in Australia.

Another major milestone of note is that Maldon & District **Community Bank**[®] Branch, during the 2011/12 business year, has reached over \$1.5 million given back to our local communities, which is an amazing feat for such a small branch. This could not have happened without the support of all our client account holders.

In the 2011/12 year the Community Grants and sponsorships totalled \$607,090.

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

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 2012

The marketing committee's major job is to market the bank and maximise its exposure. In September 2011 we appointed Elissa O'Connor as our permanent part-time marketing development manager (MDM) and Karly Smith as the marketing assistant (MA). Elissa had been contracted to work on a casual basis up to this point. The MDM's position is two days a week and the MA's position is one day a week. Elissa and Karly work out of an office next to the branch. Employing permanent marketing staff was a significant step for the company. It means we have paid staff to carry out the many tasks needed to maximise that exposure, something that we as volunteer Directors would struggle to do.

This year, Elissa and Karly focused on educating people about grants and sponsorships and how they differ (grants come without too many strings attached while sponsorships come with lots of strings and are clearly intended as marketing opportunities). They also promoted and ran the company's biggest grants program in its 13-year history: we received grant applications from 56 groups, an increase of 70 per cent on our previous grants round in 2010, and, as a result, handed out \$238,990 to 40 different clubs, groups and organisations. Grant information and presentation nights drew record crowds. A media campaign promoting the grants and recipients also worked well. Overall the public responded by doing more business with us, with estimates of new accounts totalling \$870,000 being opened as a direct result of our grants program.

On the marketing committee's recommendation, the bank also sponsored 44 projects to the value of \$216,589, up from 40 and \$130,009, respectively, the previous financial year. We also committed to support more organisations and projects for longer periods: for two and three years rather than just one year. Among these are: community buses for Newstead/ Guildford and Baringhup/Maldon which are expected to become available later this, or early next year; volunteers who run the popular Victorian Goldfields Railway tourist steam train between Castlemaine and Maldon, occasional childcare at the Maldon Neighbourhood Centre, the schools in Newstead and Maldon for research into primary factors affecting enrolments and for new promotional signs and websites; an early intervention program to help children manage bullying and to encourage wellbeing at Castlemaine Secondary College; football/netball clubs at Maldon, Dunolly and Newstead and, the yet-to-be built respite/community house for people with disabilities in Castlemaine. (We were especially pleased to have Castlemaine Secondary College representatives address the Board to explain how sponsorship funds are helping create change in attitudes to bullying: teachers attend the renowned Solving the Jigsaw training to learn how to encourage this change.)

Importantly recipient groups and projects are from across our service area from Maldon to Moliagul, Harcourt to Dunolly, Baringhup to Newstead and beyond. They're also across all sectors: the arts, education, sport and emergency services but most notably they're all about building and supporting our communities.

We supported great community events, large and small, including the Newstead Community Market, the Cairn Curran Classic, the Maldon Antiques and Collectibles Fair and Dunolly's inaugural Gilbert and Sullivan Festival, a brilliant example of community spirit, giving life to local talent.

We now have three marquees (3m x 3m, 4.5m x 4.5m and 6m x 9m) which are available free of charge to community groups. They're constantly booked. A mobile EFTPOS facility has also been popular for art shows and festivals, and banners, customised for Maldon, Newstead, Dunolly and Castlemaine, feature photos of people and projects from those towns. We want to make our message of community support relevant and local so people know we're a **Community Bank®** branch. Our profits support and nurture our communities. We've had fun. Special thanks to our most constant marketers, our staff, and to committee member, Ron Snep, and his wife, Julia, for providing a great venue for our monthly meetings.



Genevieve Barlow,
Chair, marketing committee

Directors' report

For the financial year ended 30 June 2012

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

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 and Director

Occupation: Wine Maker

Experience & expertise: Graduate of Australian Institute of Company Directors, Certificate of Professional Writing. Board member and Director since 2002. Winery business owner.

Portfolios: Executive, Infrastructure, Marketing, Youth

Karly Brenda Smith

Director and Secretary

Occupation: Company Secretary

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. Community Engagement worker with Renewable Newstead.

Portfolios: Executive, Governance Portfolio

Arthur 'Gordon' Carter

Director and Treasurer

Occupation: Retired Consultant

Experience & expertise: Diploma Financial Planning; Diploma Project Management, Graduate and 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: Executive, Finance, Infrastructure

Genevieve Mary Barlow

Director

Occupation: Freelance Journalist/Editor/Writer

Experience & expertise: 25 years in journalism covering politics, trade, agriculture, education, farming and food production. Currently running a freelance writing business. Member of Australian Institute of Company Directors.

Portfolios: Community Engagement, Marketing

Jacinta Louise Mew (nee Mulholland)

Director

Occupation: Waitress

Experience & expertise: Diploma of Hospitality Management (William Angliss Institute). Board member and Director since October 2010. 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

Daniel Sutherland Clarke

Director (Appointed 11 September 2011)

Occupation: Engineer

Experience & expertise: Local community involvement including Director of Maldon Brass Band, CFA Deputy Group Officer and Maldon Easter Fair committee member. Working as an engineer specialising in restoration of vintage motor cars.

Portfolio: Infrastructure, Youth

Directors' report (continued)

Directors (continued)

Garry Mathieson Johnstone

Director (Appointed 23 April 2012)

Occupation: Chartered Accountant

Experience & expertise: 35 years experience in accounting and finance working in public practice for 26 years and in commerce for 9 years. Member of Audit & Risk advisory committee for the Mount Alexander Shire Council. Member of the Audit Committee of the Maldon Hospital. Treasurer of Maldon Inc.

Portfolios: Finance

Peter Griffiths Smith

Director (Resigned 21 November 2011)

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 2004. Past Dunolly sub-committee representative and special projects. Farmer and Property Developer for 33 years.

Portfolios: Infrastructure

Megan Catherine Purcell

Director (Appointed 12 August 2011)

Occupation: Public Servant

Experience & expertise: Bachelor of Management, Bachelor of Applied Economics. Board Member of Maldon Hospital. Experience in policy advice and community engagement.

Portfolios: Community Engagement, Youth

Gavin Hanlon

Director (Resigned 21 November 2011)

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. CEO of Statutory Authorities for eight years and is currently the Managing Director of Goulburn-Murray Water Corporation. 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 (Resigned 1 February 2012)

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 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.

Directors' report (continued)

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.

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 2012 \$	Year ended 30 June 2011 \$
	58,846	82,596

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 2012 \$	Year ended 30 June 2011 \$
Arthur 'Gordon' Carter (Treasurer)	5,000	-
Karly Brenda Smith (Secretary)	10,000	5,000
Ronald Johannes Snep (Chairman)	15,000	5,000
Genevieve Mary Barlow (Community Engagement/Marketing Officer)	-	5,000

Directors' report (continued)

Directors' Benefits

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

Indemnification and Insurance of Directors and Officers

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

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

Directors' Meetings

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

	Board Meetings Attended		Marketing Meetings Attended	
	Eligible	Attended	Eligible	Attended
Ronald Johannes Snep	11	10	12	11
Karly Brenda Smith	11	10	10	9
Arthur 'Gordon' Carter	11	9	-	-
Genevieve Mary Barlow	11	9	12	9
Jacinta Louise Mew	11	10	-	-
Megan Catherine Purcell (Appointed 12 August 2011)	10	9	-	-
Daniel Sutherland Clarke (Appointed 11 September 2011)	9	8	-	-
Garry Mathieson Johnstone (Appointed 23 April 2012)	3	1	-	-
Simon Morrison (Resigned 1 February 2012)	6	5	6	-
Gavin Hanlon (Resigned 21 November 2011)	4	2	-	-
Peter Griffiths Smith (Resigned 21 November 2011)	4	-	-	-

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 11.

Signed in accordance with a resolution of the board of directors at Maldon, Victoria on 13 September 2012.



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 & Districts 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 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 13 September 2012

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

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Revenues from ordinary activities	4	1,135,302	1,115,098
Employee benefits expense		(459,748)	(353,124)
Charitable donations, sponsorship, advertising and promotion		(297,633)	(341,344)
Occupancy and associated costs		(36,028)	(21,915)
Systems costs		(33,622)	(28,020)
Depreciation and amortisation expense	5	(16,229)	(11,501)
Finance costs	5	(688)	(1,366)
General administration expenses		(207,259)	(245,523)
Profit before income tax expense		84,095	112,305
Income tax expense	6	(25,249)	(29,709)
Profit after income tax expense		58,846	82,596
Total comprehensive income for the year		58,846	82,596

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2012

	Note	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	229,137	346,903
Trade and other receivables	8	95,450	86,676
Total Current Assets		324,587	433,579
Non-Current Assets			
Property, plant and equipment	9	378,159	344,228
Intangible assets	10	3,628	5,628
Deferred tax assets	11	16,338	11,524
Total Non-Current Assets		398,125	361,380
Total Assets		722,712	794,959
LIABILITIES			
Current Liabilities			
Trade and other payables	12	120,950	133,123
Current tax liabilities	11	15,903	7,028
Borrowings	13	82,432	225,950
Provisions	14	53,477	30,119
Total Current Liabilities		272,762	396,220
Non-Current Liabilities			
Borrowings	13	-	1,235
Provisions	14	3,470	9,870
Total Non-Current Liabilities		3,470	11,105
Total Liabilities		276,232	407,325
Net Assets		446,480	387,634
Equity			
Capital reserves	15	2,431	2,431
Retained earnings	16	444,049	385,203
Total Equity		446,480	387,634

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2012

	Issued Capital \$	Retained Earnings \$	Total Equity \$
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 from capital reserve	(5,000)	-	(5,000)
Balance at 30 June 2011	2,431	385,203	387,634
Balance at 1 July 2011	2,431	385,203	387,634
Total comprehensive income for the year	-	58,846	58,846
Transactions with owners in their capacity as owners:			
Transfer to/(from) capital reserves	-	-	-
Balance at 30 June 2012	2,431	444,049	446,480

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Cash Flows From Operating Activities			
Receipts from customers		1,216,409	1,190,474
Payments to suppliers and employees		(1,139,058)	(1,047,680)
Interest received		19,672	21,273
Interest paid		(688)	(1,366)
Income taxes paid		(21,188)	(20,916)
Net cash provided by operating activities	17	75,147	141,785
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(48,160)	(148,493)
Net cash used in investing activities		(48,160)	(148,493)
Cash Flows From Financing Activities			
Proceeds from borrowings		-	27,757
Repayment of borrowings		(14,222)	(12,300)
Net cash provided by/(used in) financing activities		(14,222)	15,457
Net increase in cash held		12,765	8,749
Cash and cash equivalents at the beginning of the financial year		135,175	126,426
Cash and cash equivalents at the end of the financial year	7(a)	147,940	135,175

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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 been 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.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

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.

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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

Recognition and initial measurement

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

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

Derecognition

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

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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 or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) 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.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(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.

(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.

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

	2012 \$	2011 \$
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Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	1,112,187	1,090,176
- other revenue	2,530	2,074
Total revenue from operating activities	1,114,717	1,092,250

Non-operating activities:

- interest received	20,585	22,848
Total revenue from non-operating activities	20,585	22,848
Total revenues from ordinary activities	1,135,302	1,115,098

Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- plant and equipment		14,229	9,501
Amortisation of non-current assets:			
- franchise agreement		2,000	2,000
		16,229	11,501
Finance costs:			
- interest paid		688	1,366
Bad debts		909	6,470
Loss on disposal of fixed asset		-	10,795

Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax		30,063	27,944
- Movement in deferred tax		(4,814)	6,729
- Under/(Over) provision of tax in the prior period		-	(4,964)
		25,249	29,709

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit		84,095	112,305
Prima facie tax on profit from ordinary activities at 30%		25,229	33,692
Add tax effect of:			
- non-deductible expenses		20	981
- timing difference expenses		4,814	(6,729)
- other deductible expenses		-	-
		30,063	27,944
Movement in deferred tax	11	(4,814)	6,729
Under/(Over) provision of income tax in the prior year		-	(4,964)
		25,249	29,709

Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
Note 7. Cash and Cash Equivalents			
Cash at bank and on hand		200	390
Term deposits		228,937	346,513
		229,137	346,903

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		200	390
Term deposits		228,937	346,513
Bank overdraft	13	(81,197)	(211,728)
		147,940	135,175

Note 8. Trade and Other Receivables

Trade receivables		87,378	80,349
Other receivables and accruals		3,005	1,575
Prepayments		5,067	4,752
		95,450	86,676

Note 9. Property, Plant and Equipment

Land & Buildings (79-81 High Street)

At cost	211,332	198,177
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Land & Buildings (Rear 79-81 High Street)

At cost	64,388	64,388
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Plant and equipment

At cost	90,399	65,760
Less accumulated depreciation	(40,978)	(32,972)
	49,421	32,788

Furniture and fittings

At cost	27,457	27,457
Less accumulated depreciation	(24,463)	(23,925)
	2,994	3,532

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 9. Property, Plant and Equipment (continued)		
Computer equipment		
At cost	2,641	2,641
Less accumulated depreciation	(2,555)	(2,503)
	86	138
Leasehold improvements		
At cost	20,968	10,602
Less accumulated depreciation	(3,003)	(2,590)
	17,965	8,012
Motor vehicle		
At cost	41,755	41,755
Less accumulated depreciation	(9,782)	(4,562)
	31,973	37,193
Total written down amount	378,159	344,228
Movements in carrying amounts:		
Land & Buildings (79-81 High Street)		
Carrying amount at beginning	198,177	167,652
Additions	13,155	30,525
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	211,332	198,177
Land & Buildings (Rear 79-81 High Street)		
Carrying amount at beginning	64,388	-
Additions	-	64,388
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	64,388	64,388
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	32,788	13,132
Additions	24,639	23,007
Disposals	-	-
Less: depreciation expense	(8,006)	(3,351)
Carrying amount at end	49,421	32,788

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 9. Property, Plant and Equipment (continued)		
Furniture and fittings		
Carrying amount at beginning	3,532	4,070
Additions	-	-
Disposals	-	-
Less: depreciation expense	(538)	(538)
Carrying amount at end	2,994	3,532
Computer equipment		
Carrying amount at beginning	138	220
Additions	-	-
Disposals	-	-
Less: depreciation expense	(52)	(82)
Carrying amount at end	86	138
Leasehold improvements		
Carrying amount at beginning	8,012	7,962
Additions	10,366	397
Disposals	-	-
Less: depreciation expense	(413)	(347)
Carrying amount at end	17,965	8,012
Motor vehicles		
Carrying amount at beginning	37,193	27,780
Additions	-	41,755
Disposals	-	(27,780)
Less: depreciation expense	(5,220)	(4,562)
Carrying amount at end	31,973	37,193
Total written down amount	378,159	344,228

Note 10. Intangible Assets

Franchise fee

At cost	70,000	70,000
Less: accumulated amortisation	(66,372)	(64,372)
Total written down amount	3,628	5,628

Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
Note 11. Tax			
Current:			
Income tax payable		15,903	7,028
Non-Current:			
Deferred tax assets			
- employee provisions		17,084	11,997
		17,084	11,997
Deferred tax liability			
- accruals		746	473
		746	473
Net deferred tax asset		16,338	11,524
Movement in deferred tax charged to statement of comprehensive income		(4,814)	1,765

Note 12. Trade and Other Payables

Trade creditors		78,161	25,102
Interest due to pledgeholders		29,993	29,993
Other creditors and accruals		12,796	78,028
		120,950	133,123

Note 13. Borrowings

Current:			
Bank overdrafts		81,197	211,728
Lease liability	18	1,235	14,222
		82,432	225,950
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.

Notes to the financial statements (continued)

	2012 \$	2011 \$
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Note 14. Provisions

Current:

Provision for annual leave	28,235	20,119
Provision for staff bonuses	14,000	10,000
Provision for long service leave	11,242	-
	53,477	30,119

Non-Current:

Provision for long service leave	3,470	9,870
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Note 15. Capital Reserves

Balance at the beginning of the financial year	2,431	7,431
Transfer from capital reserves	-	(5,000)
Balance at the end of the financial year	2,431	2,431

Note 16. Retained Earnings

Balance at the beginning of the financial year	385,203	302,607
Net profit from ordinary activities after income tax	58,846	82,596
Balance at the end of the financial year	444,049	385,203

Note 17. Statement of Cashflows

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

Profit from ordinary activities after income tax	58,846	82,596
Non cash items:		
- depreciation	14,229	9,501
- amortisation	2,000	2,000
- loss on disposal of fixed assets	-	10,795
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(8,774)	26,472
- (increase)/decrease in other assets	(4,814)	1,765
- increase/(decrease) in payables	(12,173)	26,601
- increase/(decrease) in provisions	16,958	(9,636)
- increase/(decrease) in current tax liabilities	8,875	(8,309)
Net cashflows provided by operating activities	75,147	141,785

Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 18. Leases		
Finance lease commitments		
Payable - minimum lease payments		
- not later than 12 months	1,243	14,910
- between 12 months and 5 years	-	1,243
- greater than 5 years	-	-
Minimum lease payments	1,243	16,153
Less future finance charges	(8)	(696)
Present value of minimum lease payments	1,235	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%.

Note 19. Auditor's Remuneration

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

- audit and review services (G.C Perry & Co.)	1,100	1,386
- non audit services (AFS & Associates)	7,815	-
	8,915	1,386

Note 20. Contributed Equity

In accordance with the Association's Memorandum and Articles of Association, 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 2012 the number of members was 81 (2011: 81).

	2012 \$	2011 \$
Note 21. Director and Related Party Disclosures		
Directors' Remuneration		
Ronald Johannes Snep	15,000	5,000
Karly Brenda Smith	10,000	5,000
Arthur 'Gordon' Carter	5,000	5,000
Genevieve Mary Barlow	-	5,000
Jacinta Louise Mew	-	-
Megan Catherine Purcell (Appointed 12 August 2011)	-	-

Notes to the financial statements (continued)

	2012 \$	2011 \$
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Note 21. Director and Related Party Disclosures (continued)

Directors' Remuneration (continued)

Daniel Sutherland Clarke (Appointed 11 September 2011)	-	-
Garry Mathieson Johnstone (Appointed 23 April 2012)	-	-
Simon Morrison (Resigned 1 February 2012)	-	-
Gavin Hanlon (Resigned 21 November 2011)	-	-
Peter Griffiths Smith (Resigned 21 November 2011)	-	-

No Director contracted with 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

Notes to the financial statements (continued)

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						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 %	2011 %
Financial Assets												
Cash and cash equivalents	200	390	228,936	346,513	-	-	-	-	-	-	5.4	5.6
Receivables	-	-	-	-	-	-	-	-	87,378	80,349	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	1,235	14,222	-	1,235	-	-	-	-	7.6	7.6
Non-interest bearing liabilities	-	-	-	-	-	-	-	-	81,197	211,728	Nil	Nil
Payables	-	-	-	-	-	-	-	-	108,153	55,095	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 2012 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 13th of September 2012.

Independent audit report



Independent auditor's report to the members of Maldon & Districts Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Maldon & Districts Financial Services Limited, which comprises the balance sheet as at 30 June 2012, 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.

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

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Independent audit report (continued)

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 & Districts 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 2012 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 2012. 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 & Districts Financial Services Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 13 September 2012



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