



ANNUAL REPORT 2013

Maldon & District Financial Services Limited ABN 46 086 749 886

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Chairman's report

For year ending 30 June 2013

Once again it is my pleasure to present the Chairman's report on behalf of Maldon & District Financial Services Limited (MDFSL). Our company has had another successful year. Unfortunately space constraints will only allow me to report some of our activities and my thoughts.

Our business

Doing 'great stuff with our community' is the mission statement of our company and we certainly have had a busy year supporting and engaging with our community through a long list of sponsorships and grants, projects and programs. However the highlight of the past financial year has to be that our company has been successful in its application to the Australian Taxation Office (ATO) for a private ruling to be regarded as a 'not-for-profit' organisation. This proposition was put to the ATO after a successful ruling was achieved by Wentworth & District **Community Bank**[®] Branch which fought long and hard and through several courts for similar recognition. It also applies to Toora **Community Bank**[®] Branch in South Gippsland.

Maldon, Wentworth and Toora **Community Bank**[®] branches are all about the same age, have similar company structures and were established as a result of mainstream banks leaving their towns. Committees in each of the three towns set up their own **Community Bank**[®] branches in response to the detrimental effects the loss of local banking was having on their respective local economies.

The ATO Private Ruling agrees with us that the purpose of establishing our **Community Bank**[®] branch '...was to facilitate the reintroduction of face-to-face banking in Maldon... Consequently the Australian Taxation Office accepts that MDFSL was originally established for a community service purpose.' And later in the ruling, 'it is considered that MDFA is a non-profit association.'

What does this mean for our company and our **Community Bank**[®] branch? From now on, Maldon & District **Community Bank**[®] Branch will not be required to pay tax on profits. Again from the ruling, the words 'for community service purposes' are to be given a wide interpretation and 'they extend to a range of altruistic purposes including promoting, providing or carrying out activities, facilities or projects for the benefit or welfare of the community, or of members of the community, or of any members of the community who have particular need of those activities, facilities or projects by reason of their youth, age, infirmity, or displacement, poverty or social circumstances.'

This is what our Maldon & District **Community Bank**[®] Branch does. Not-for-profit status just means we now have increased financial capacity to invest in our community. And our processes for giving, sponsorship, and granting will be further streamlined.

The Australian Taxation Office (ATO) will review the ruling each year and says that should another financial organisation open for business in Maldon and offer face-to-face banking, we may lose our 'not-for-profit' status. I believe this is unlikely given the level of our support and regional community engagement.

As I write this report the construction of our new bank building nears completion. Six years ago we started the search for larger premises. We looked through several buildings around the Maldon central business district (CBD) before concluding the only suitable building that could satisfy all our needs would be a new one. A vacant block of land was purchased and designers engaged. Through a lengthy planning process, including a session at VCAT, a design was agreed upon, building drawings produced and a builder appointed.

The new banking chamber is spacious, open and functional with state-of-the-art technology. There are no glass security screens so customers will interact with staff in a more friendly and direct manner; there are offices where more confidential conversations can be conducted. A 24-hour ATM has also been installed.

The Maldon community has long wanted to underground power lines in the CBD - reportedly a very expensive project. However, during construction of our new premises, a power pole in front of the premises had to be

Chairman's report (continued)

removed and the power lines to all properties in the vicinity had to be put underground. This has come at the branch's expense and shows the positive visual impact undergrounding would have on the entire streetscape. Hopefully our actions will encourage government to respond appropriately to remove all of the above ground electricity infrastructure in the Maldon CBD.

Our people

An organisation is only as good as the people that represent it. It is our people, the staff and Directors, who are committed to customer service and community engagement that make us a strong, successful and entrepreneurial business.

During the past year, two of our staff members, Jan Boyer and Josh McKee, both seconded from Bendigo and Adelaide Bank, decided to return to Bendigo Bank. We trust that the experience of working in a **Community Bank**[®] branch will be of benefit to them as they continue their banking careers. In their place we have welcomed locals Katie McEachran and Sean Dupe. I look forward to seeing both Katie and Sean engage with our customers and community.

At Board level, Directors Jacinta Mulholland and Daniel Clarke have left the Board to pursue other interests. As our youngest Directors, they brought vitality, diverse and vibrant views to our decision making. We wish them well and hope the skills and competencies they have learned will serve them in their other community commitments.

I would particularly like to congratulate Jacinta and her husband, Dylan, on the birth of their first daughter, Harriet. Bringing and nurturing new life into the world is such a wonderful and enriching experience.

We also welcomed new Director Rebecca Hanley to the Board. We are fortunate Rebecca has shared her skills and abilities to further improve and strengthen our company. She is a wonderful addition to our Board.

Our community

Our business continues to support our community in so many ways. People want to know how and who we are funding. Put simply: the branch supports people's passions. Our community is diverse. Our interests are broad. You may be into sport, or food and wine, gardening, puppets, cycling, steam trains or just learning to drive; woodwork, old engines, exercise, photography, farming, or renewable energy or any of the many and various activities that receive **Community Bank**[®] branch funding in our region. We don't discriminate; we don't need to approve or disapprove of what you do; so long as you are a non-political, ethical and an incorporated group.

We support, where we can and without favour, all the community groups that make our region entertaining, interesting and resilient.

New additions to our community support this year include funding a regular early morning exercise class in both Maldon and Newstead and long-term funding agreements, including an incentive package to the football/netball clubs in our region.

To those who continue to support our business - staff, Directors, members, Bendigo and Adelaide Bank, customers, suppliers and our community - thank you. When we all work together we can do amazing things. We will continue to 'do great stuff'!



Ronald Snep
Chairman

Manager's report

For year ending 30 June 2013

It has been a challenging year in the financial markets. Maldon & District **Community Bank**[®] Branch has held our own in this tough market, with the business holding steady at \$130.1 million. Our business base remains very sound and profitable.

As at 30 June 2013, the branch has deposit footings of \$61.5 million, lending footings of \$61.9 million and other business of \$6.7 million. Our total book is \$130.1 million.

There are more than 5,071 account holders at Maldon & District **Community Bank**[®] Branch. These are predominantly from the local district with the remainder spread around Australia. All clients continue to contribute to our financial strength in all areas of the business.

We continue to be the leaders in “community driven” initiatives, primarily through our Driver Training Program, Business Coaching program and InSchools Philanthropy program for local primary schools. The business coaching program provides business mentoring to local businesses, keeping them at the forefront of their industries. This continues to be a great success.

Another major milestone of note is that during the 2012/13 financial year, the Maldon & District **Community Bank**[®] Branch's contributions back to the community hit \$1.7 million.

In the 2012/13 year community grants and sponsorships totalled \$261,450.

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

The staff at Maldon & District **Community Bank**[®] Branch continue their commitment to provide the highest standard of service to all of our current and prospective clients.

We look forward to meeting you all at our new branch in Maldon, and our agencies in Newstead and Dunolly.



Steve Streeter
Branch Manager

Marketing/community portfolio report

For year ending 30 June 2013

Driving home the message that our **Community Bank**[®] branch's ability to support clubs, projects and events in our area is determined by the amount of business transacted through our branch continues to be our challenge.

The more clubs and organisations, individuals and businesses that bank with us, the more profits we make and the more we can contribute to the community. It's our committee's job to get that message out so this year we've invested in lots of signs and banners.

We also sort through sponsorship applications and decide which to recommend to the Board and how much each applicant should receive. On the marketing committee's recommendation, the branch sponsored 53 projects to the value of \$261,450. We supported childcare, primary schools, festivals, sport, art, literature and more from Maldon to Taradale and Newstead to Dunolly. Included were new community buses for Baringhup/Maldon and Newstead/Guildford, our continuing support of the Mt Alexander Supported Accommodation Respite Centre in Castlemaine, new and ongoing sponsorships of football/netball clubs at Maldon, Newstead, Dunolly and Castlemaine as well as \$50,000 for the proposed Newstead Recreation Reserve Pavilion and a new \$30,000 commitment over two years to Maldon Inc to foster membership and community engagement in the town's business life. The Victorian Goldfields Railway received business support and a \$30,000 grant to complete a carriage shed for their rolling stock.

Fun events this year included the Steam Train Challenge from Castlemaine to Maldon, a great event that attracted lots of people, the Maldon Art Walk, which matched artists with retailers, and the revitalised Maldon Folk Festival. Congratulations to all those who carried out and acquitted their sponsored projects and events.

We once again provided funding of almost \$30,000 for driver training for learner drivers in our community. This is a free program that builds skills, experience and confidence in young drivers. Thirty-three people participated this year. The program is an important part of the Maldon & District **Community Bank**[®] branch's commitment to the safety of young people in our community. We expanded it this year to include a pilot "refresher" driver training program for more experienced drivers to refresh their skills and build their driving confidence. This course will be rolled out in coming months.

Our marquees (a 3m x 3m, a 4.5m x 4.5m and 6m x 9m), available for loan to sponsored community groups and events, continue to be popular. Our thanks to the Maldon Vintage Museum for handling marquee pick-ups and drop-offs.

Our mobile Community EFTPOS (CommunityPOS[™]) machine is also available for free loan to sponsored events and has been well used.

This year we rebranded our agency at the Newstead Rural Transaction Centre with new signs. We will complete the rebranding of the agency at the Dunolly Rural Transaction Centre in the coming financial year. We also supported a regional marketing campaign with other **Community Bank**[®] branch's in our region called 'Believe in Your Bank' and received strong coverage in local media for our work.

The Marketing Committee morphed into the new Community Portfolio in May 2013, after the Board's annual strategy day refined ways of working. Our purpose, like that of the bank, is to build a stronger community. Our new charter is to initiate and respond to community strengthening opportunities, to expand and maintain community relationships, to ensure we stay relevant and connected to our communities and are valued by them, and to champion the development and delivery of youth programs.

Marketing/community portfolio report (continued)

We are now working on these. Building links with council and regional development authorities, developing a kit for new residents, running planning seminars for the agribusiness and other sectors and supporting community planning are all on our agenda.

We also said goodbye to our inaugural Marketing Officer Elissa O'Connor who left us to resume study. We wish her well. Her role has been absorbed by Executive Officer, Karly Smith, who has already built strong networks on our behalf.

A handwritten signature in grey ink, appearing to read 'G Barlow', with a stylized, flowing script.

Genevieve Barlow

Chairperson of Marketing/Community Portfolio

Directors' report

For the financial year ended 30 June 2013

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

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: Community, Communication, Business, Executive

Karly Brenda Smith

Director and Secretary

Occupation: Executive Officer and Company Secretary

Experience & expertise: Bachelor of Arts (Hons). Graduate Australian Institute of Company Directors (AICD). MDFSL Board Director since 2007. Fifteen years' experience as a geographer working in project management and research in corporate, academic and not-for-profit community organisations.

Portfolios: Executive, Business, Community, Communication, Members and Governance

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, Communication, Business

Genevieve Mary Barlow

Director

Occupation: Freelance Journalist/Editor/Writer

Experience & expertise: Self employed journalist/writer/editor for 10 years. Previously employed in newspapers as a sub-editor, reporter, editor in print journalism specializing in politics, trade, agriculture (farming and food production), education and energy. Member of Rural Press Club of Victoria, Australian Women in Agriculture and Australian Institute of Company Directors.

Portfolios: Community (Chair), Communications, Governance

Directors' report (continued)

Directors (continued)

Garry Mathieson Johnstone

Director

Occupation: Chartered Accountant

Experience & expertise: 36 years experience in accounting and finance working in public practice for 27 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: Business (Chair)

Megan Catherine Purcell

Director

Occupation: Consultant

Experience & expertise: Megan is an economic and community development consultant with extensive local community connections. She holds degrees in Economics, Management and Community Planning and Development and is interest in communities and governments working together co-operatively. Megan is also a Member of the Australian Institute of Company Directors, a 2011 Graduate of the Loddon Murray Community Leadership Program and the 2013 Midlands Region Rural Ambassador as well as a Maldon Hospital Board Member, Bendigo Zonta Board Member and Maldon Football Netball Club Player.

Portfolios: Youth (Chair), Community, Business

Rebecca Margaret Helen Hanley

Director (Appointed 14 March 2013)

Occupation: Solicitor

Experience & expertise: Rebecca currently works as a solicitor in Castlemaine specialising in commercial law. She graduated from Monash University in 2004 with a Bachelor of Law (Honours) and Bachelor of Arts. Rebecca was admitted to practice law in 2006 and was previously a director for a not for profit organisation in Ballarat. Rebecca has volunteered at community legal centres and acted as a mentor for several education programs.

Portfolios: Communications (Chair), Governance

Jacinta Louise Mew (nee Mulholland)

Director (Resigned 30 June 2013)

Occupation: Waitress

Experience & expertise: Diploma of Hospitality Management (William Angliss Institute). Board member and Director since October 2010. Worked for past 9 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 (Resigned 25 February 2013)

Occupation: Engineer

Experience & expertise: Director Maldon Brass Band, CFA Deputy Group Officer and committee member of Maldon Easter Fair Committee.

Portfolio: Infrastructure, Youth

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 2013 \$	Year ended 30 June 2012 \$
	165,228	58,846

Remuneration Report

This Report discloses the basis of the remuneration paid by Maldon & District Financial Services Limited to:

- (a) Key Management Personnel (KMP): at Maldon & District Financial Services Limited this is the Branch Manager
- (b) Directors: all of whom are non-executive directors

KMP Remuneration Policy

The remuneration policy of the company is to enter into an employment agreement with key management personnel. The agreement includes:

- a base salary: based on factors such as length of service and experience
- superannuation: required by the government, which is currently 9.25%. KMP do not receive any other retirement benefits. KMP have the choice to sacrifice part of their salary to increase payments towards superannuation.
- a performance incentive: the performance incentive is a bonus (refer to section on performance based remuneration below).

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The Board believes this KMP remuneration policy of Maldon & District Financial Services Limited:

- has been designed to align key management personnel objectives with member and business objectives
- is appropriate and effective in its ability to attract and retain the best key management personnel to run the business and manage the company
- aligns the goals of directors, key management personnel and members

Non-executive director remuneration policy

All directors are independent non-executive Directors and are paid Directors' fees as disclosed below.

The Board's policy is to remunerate non-executive directors a nominal amount as a substitute for the reimbursement by the company of ordinary expenses. Ordinary expenses include applicable travel and home office costs. The Chairman, Secretary and Treasurer are paid more than other directors on the basis that their ordinary expenses will be higher due to the greater time commitment.

Directors' report (continued)

Remuneration Report (continued)

Non-executive director remuneration policy (continued)

The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on duties and accountability. The Board believe that current payments are below market rates for time and responsibility.

The maximum aggregate amount of fees that can be paid to non-executive Directors requires approval by members as required by the Corporations Act 2001.

Fees for non-executive Directors are not linked to the performance of the Company.

Performance based remuneration

Performance based remuneration is only paid to Key Management Personnel. The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and member wealth, before the KPIs are set for the following year."

The Company does not pay performance based remuneration to any Director.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to align the goals of members, directors and key management personnel. Performance-based bonus is based on key performance indicators as disclosed above.

Company performance, member wealth and directors' and KMP' remuneration

The Board is of the opinion that revenue and profit will continue to grow due to the introduction of the previously described remuneration policy.

Directors' report (continued)

Remuneration Report (continued)

For the year ended 30 June 2013, the directors received total remuneration as follows:

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Ronald Johannes Snep	15,500	15,000
Karly Brenda Smith	7,039	10,000
Arthur 'Gordon' Carter	5,500	5,000
Genevieve Mary Barlow	500	-
Megan Catherine Purcell	500	-
Garry Mathieson Johnstone	500	-
Rebecca Margaret Hanley (Appointed 14 March 2013)	500	-
Jacinta Louise Mew (Resigned 30 June 2013)	500	-
Daniel Sutherland Clarke (Resigned 25 February 2013)	-	-

Fees and payments to non executive directors reflect the demands which are made on and the responsibilities of the directors. Non executive directors' fees are reviewed annually by the Board. The Chairman's, Secretary's and Treasurer's fees are determined independently to the fees of non executive directors.

Maldon & District Financial Services Limited has accepted the **Community Bank**[®] Directors' Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the Maldon & District **Community Bank**[®] branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank members. The Directors have estimated the total benefits received from the Directors' Privilege Package to be \$300 for the year ended 2013.

For the year ended 30 June 2013, the directors received total benefits of:

	Amount \$
Ronald Johannes Snep	-
Karly Brenda Smith	150
Arthur 'Gordon' Carter	150
Genevieve Mary Barlow	-
Megan Catherine Purcell	-
Garry Mathieson Johnstone	-
Rebecca Margaret Hanley	-

Directors' report (continued)

Remuneration Report (continued)

	Amount \$
Jacinta Louise Mew	-
Daniel Sutherland Clarke	-
Total	300

Significant Changes in the State of Affairs

During the year the Australian Taxation Office (ATO) handed down a private ruling confirming that Maldon & District Financial Services Limited is tax exempt as it is a community services organisation.

There were no other 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. The new Maldon & District **Community Bank**[®] branch is expected to be completed and open in October 2013. The new branch is located at 81 High Street Maldon.

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in the report and in note 20 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' report (continued)

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		Communication Meetings		Business Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Ronald Johannes Snep	12	12	13	10	2	2	-	-
Karly Brenda Smith	12	11	13	12	2	2	1	1
Arthur 'Gordon' Carter	12	12	-	-	2	1	1	1
Genevieve Mary Barlow	12	11	13	13	2	1	-	-
Megan Catherine Purcell	12	8	3	2	-	-	1	-
Garry Mathieson Johnstone	12	12	-	-	-	-	1	1
Rebecca Margaret Hanley (Appointed 14 March 2013)	4	4	-	-	2	2	-	-
Jacinta Louise Mew (Resigned 30 June 2013)	12	9	3	1	-	-	-	-
Daniel Sutherland Clarke (Resigned 25 February 2013)	7	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.

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.

Directors' report (continued)

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 15.

Signed in accordance with a resolution of the board of directors at Maldon, Victoria on 12 September 2013.

A handwritten signature in black ink, appearing to read 'R. Snep', with a stylized flourish at the end.

**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 2013 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: 12 September 2013

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	1,181,135	1,135,302
Employee benefits expense		(503,371)	(459,748)
Charitable donations, sponsorship, advertising and promotion		(211,776)	(297,633)
Occupancy and associated costs		(36,678)	(36,028)
Systems costs		(23,788)	(33,622)
Depreciation and amortisation expense	5	(18,573)	(16,229)
Finance costs	5	(24,714)	(30,681)
General administration expenses		(197,007)	(177,266)
Profit before income tax expense		165,228	84,095
Income tax expense	6/22	-	(25,249)
Profit after income tax expense		165,228	58,846
Total comprehensive income for the year		165,228	58,846

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	211,071	229,137
Trade and other receivables	8	91,284	95,450
Total Current Assets		302,355	324,587
Non-Current Assets			
Property, plant and equipment	9	629,258	378,159
Intangible assets	10	1,628	3,628
Deferred tax assets	6/22	-	16,338
Total Non-Current Assets		630,886	398,125
Total Assets		933,241	722,712
LIABILITIES			
Current Liabilities			
Trade and other payables	11	73,808	120,949
Current tax liabilities	6/22	-	15,903
Borrowings	12	105,455	82,432
Provisions	13	53,934	53,477
Total Current Liabilities		233,197	272,761
Non-Current Liabilities			
Borrowings	12	78,442	-
Provisions	13	9,893	3,470
Total Non-Current Liabilities		88,335	3,470
Total Liabilities		321,532	276,231
Net Assets		611,709	446,481
Equity			
Capital reserves	14	2,431	2,431
Retained earnings	15	609,278	444,050
Total Equity		611,709	446,481

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2013

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2011	2,431	385,204	387,634
Total comprehensive income for the year	-	58,846	58,846
Transactions with owners in their capacity as owners:			
Transfer from capital reserve		-	-
Balance at 30 June 2012	2,431	444,050	446,480
Balance at 1 July 2012	2,431	444,050	446,481
Total comprehensive income for the year	-	165,228	165,228
Transactions with owners in their capacity as owners:			
Transfer to capital reserves	-	-	-
Balance at 30 June 2013	2,431	609,278	611,709

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		1,194,006	1,216,409
Payments to suppliers and employees		(1,117,744)	(1,139,058)
Interest received		15,390	19,672
Interest paid		(355)	(688)
Income taxes refunded/(paid)		69,446	(21,188)
Net cash provided by operating activities	16	160,743	75,147
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(280,274)	(48,160)
Net cash used in investing activities		(280,274)	(48,160)
Cash Flows From Financing Activities			
Proceeds from borrowings		89,082	-
Repayment of borrowings		(3,908)	(14,222)
Net cash provided by/(used in) financing activities		85,174	(14,222)
Net increase/(decrease) in cash held		(34,357)	12,765
Cash and cash equivalents at the beginning of the financial year		147,940	135,175
Cash and cash equivalents at the end of the financial year	7(a)	113,583	147,940

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 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

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

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.

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 (i.e. '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 and February 2013 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

These accounts have been prepared on a tax exempt basis as it has been confirmed that Maldon & District Financial Services Limited was established as a community services organisation.

On 3 July 2012 Maldon & District Financial Services Limited applied for a private ruling from the ATO to confirm the Directors' belief that the Company was income tax exempt as it is a community services organisation. On 22 October 2012 the ATO handed down their private ruling confirming the tax exempt status of Maldon & District Financial Services Limited from 1 July 2011.

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

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.

Note 1. Summary of Significant Accounting Policies (continued)

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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

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 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.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

n) Goods and Services Tax (continued)

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.

(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.

Notes to the financial statements (continued)

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.

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.

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	1,096,111	1,112,187
- ATO refund for prior income tax paid	69,011	-
- other revenue	1,401	2,530
Total revenue from operating activities	1,166,523	1,114,717
Non-operating activities:		
- interest received	14,612	20,585
Total revenue from non-operating activities	14,612	20,585
Total revenues from ordinary activities	1,181,135	1,135,302

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	16,573	14,229
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Amortisation of non-current assets:

- franchise agreement	2,000	2,000
	18,573	16,229

Finance costs:

- interest paid	24,714	30,681
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Bad debts	532	909
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Loss on disposal of fixed asset	12,602	-
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Note 6. Income Tax Expense

These accounts have been prepared on a tax exempt basis as the Directors of Maldon & District Financial Services Limited believe the organisation is a community service organisation.

The Australian Taxation Office handed down a private ruling on 22 October 2012 declaring the Company to be tax exempt.

The 2012 income tax shown in the statement of comprehensive income of \$25,249 was actually refunded during the 2013 financial year. This payment was based on the lodgement of prior year tax returns and payment of tax for the financial year ending 30 June 2011.

Refer to note 22 for further information.

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 7. Cash and Cash Equivalents

Cash at bank and on hand	147	200
Term deposits	210,924	228,937
	211,071	229,137

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	147	200
Term deposits	210,924	228,937
Bank overdraft	12	(97,488)
	113,583	147,940

Note 8. Trade and Other Receivables

Trade receivables	83,990	87,378
Other receivables and accruals	2,227	3,005
Prepayments	5,067	5,067
	91,284	95,450

Note 9. Property, Plant and Equipment

Land & Buildings (79-81 High Street)

At cost	466,642	211,332
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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	92,719	90,399
Less accumulated depreciation	(51,259)	(40,978)
	41,460	49,421

Furniture and fittings

At cost	27,457	27,457
Less accumulated depreciation	(25,002)	(24,463)
	2,455	2,994

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
Computer equipment		
At cost	2,641	2,641
Less accumulated depreciation	(2,587)	(2,555)
	54	86
Leasehold improvements		
At cost	20,968	20,968
Less accumulated depreciation	(3,617)	(3,003)
	17,351	17,965
Motor vehicle		
At cost	38,099	41,755
Less accumulated depreciation	(1,191)	(9,782)
	36,908	31,973
Total written down amount	629,258	378,159
Movements in carrying amounts:		
Carrying amount at beginning	211,332	198,177
Additions	255,310	13,155
Carrying amount at end	466,642	211,332
Land & Buildings (Rear 79-81 High Street)		
Carrying amount at beginning	64,388	64,388
Carrying amount at end	64,388	64,388
Plant and equipment		
Carrying amount at beginning	49,421	32,788
Additions	2,320	24,639
Less: depreciation expense	(10,282)	(8,006)
Carrying amount at end	41,459	49,421
Furniture and fittings		
Carrying amount at beginning	2,994	3,532
Less: depreciation expense	(539)	(538)
Carrying amount at end	2,455	2,994
Computer equipment		
Carrying amount at beginning	86	138
Less: depreciation expense	(32)	(52)
Carrying amount at end	54	86

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	17,965	8,012
Additions	-	10,366
Less: depreciation expense	(613)	(413)
Carrying amount at end	17,352	17,965
Motor vehicles		
Carrying amount at beginning	31,973	37,193
Additions	38,099	-
Disposals	(28,057)	-
Less: depreciation expense	(5,107)	(5,220)
Carrying amount at end	36,908	31,973
Total written down amount	629,258	378,159

Note 10. Intangible Assets

Franchise fee		
At cost	70,000	70,000
Less: accumulated amortisation	(68,372)	(66,372)
Total written down amount	1,628	3,628

Note 11. Trade and Other Payables

Trade creditors	26,442	78,160
Interest due to pledgeholders	25,051	29,993
Other creditors and accruals	22,315	12,796
	73,808	120,949

Notes to the financial statements (continued)

		2013 \$	2012 \$
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Note 12. Borrowings

Current:

Bank overdrafts		97,488	81,197
Lease liability	17	7,967	1,235
		105,455	82,432

Non-Current:

Lease liability	17	14,360	-
Bank loans		64,082	-
		78,442	-

The bank overdraft has a facility limit of \$247,809 with an effective interest rate of 0% due to the nature of the company as being limited by guarantee. The overdraft overlimit interest rate is currently at 6%.

The chattel mortgage on the motor vehicle is repayable monthly with the final instalment due in February 2016. Interest is recognised at an average rate of 5.9%. The loan is secured by a fixed and floating charge over the company's assets.

The bank loan is a 15 year loan used to redraw funds necessary for the payment of the construction of the new branch. The loan repayments are interest only for the first two years with the remaining loan repayments of principle and interest. Interest is recognised at an average rate of 7.4%. The loan is secured by a fixed and floating charge over the company's assets.

		2013 \$	2012 \$
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Note 13. Provisions

Current:

Provision for annual leave		26,757	28,235
Provision for staff bonuses		14,000	14,000
Provision for long service leave		13,177	11,242
		53,934	53,477

Non-Current:

Provision for long service leave		9,893	3,470
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Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 14. Capital Reserves

Balance at the beginning of the financial year	2,431	2,431
Transfer from capital reserves	-	-
Balance at the end of the financial year	2,431	2,431

Note 15. Retained Earnings

Balance at the beginning of the financial year	444,050	385,204
Net profit from ordinary activities after income tax	165,228	58,846
Balance at the end of the financial year	609,278	444,050

Note 16. 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	165,228	58,846
Non cash items:		
- depreciation	16,573	14,229
- amortisation	2,000	2,000
- loss on disposal of fixed assets	12,602	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	4,166	(8,774)
- (increase)/decrease in other assets	16,338	(4,814)
- decrease in payables	(47,141)	(12,173)
- increase in provisions	6,880	16,958
- increase/(decrease) in current tax liabilities	(15,903)	8,875
Net cashflows provided by operating activities	160,743	75,147

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 17. Leases		
Finance lease commitments		
Payable - minimum lease payments		
- not later than 12 months	9,062	1,243
- between 12 months and 5 years	15,106	-
- greater than 5 years	-	-
Minimum lease payments	24,168	1,243
Less future finance charges	(1,841)	(8)
Present value of minimum lease payments	22,327	1,235

The finance lease of the motor vehicle which commenced in March 2013, is a 36 month lease. Interest is recognised at an average rate of 5.9%.

Note 18. 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
- audit and review services (AFS & Associates)	2,890	-
- taxation services (AFS & Associates)	3,681	-
- other services (AFS & Associates)	4,256	7,815
	10,827	8,915

Note 19. 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 2013 the number of members was 167 (2012: 163).

Notes to the financial statements (continued)

Note 20. Director and Related Party Disclosures

Directors Remuneration	2013 \$	2012 \$
Ronald Johannes Snep	15,500	15,000
Karly Brenda Smith	7,039	10,000
Arthur 'Gordon' Carter	5,500	5,000
Genevieve Mary Barlow	500	-
Megan Catherine Purcell	500	-
Garry Mathieson Johnstone	500	-
Rebecca Margaret Hanley (Appointed 14 March 2013)	500	-
Jacinta Louise Mew (Resigned 30 June 2013)	500	-
Daniel Sutherland Clarke (Resigned 25 February 2013)	-	-

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

Note 21. 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 22. Contingent Liabilities

Estimates of the potential financial effect of contingent liabilities which may become payable are as follows:

The Company has entered into a funding agreement with the Newstead & District Community Bus to contribute \$50,000 to the association over a five year period. The first payment of \$10,000 was made in January 2013 with the remaining contribution of \$40,000 payable over the next four years.

The Company has entered into a funding agreement with the Baringhup Bus Committee Inc. to contribute \$50,000 to the association over a five year period. The first payment of \$10,000 was made in April 2013 with the remaining contribution of \$40,000 payable over the next four years.

The Company has entered into a funding agreement with the Castlemaine Football Netball Club to contribute \$15,000 to the club over a three year period. The first payment of \$5,000 was made in December 2012 with the remaining contribution of \$10,000 payable over the next two years.

The Company has entered into funding agreements with the Dunolly Football Netball Club, Maldon Football Netball Club and Newstead Football Netball Club to contribute \$12,000 to each club over a three year period. The first payment of \$4,000 for each club was made in April 2013 with the remaining contribution of \$8,000 each payable over the next two years.

The Company has also entered into a sponsorship agreement in 2012 with the Maldon Neighbourhood House to contribute \$18,000 over three years. As at 30 June 2013 two payments of \$6,000 had been made with \$6,000 payable during 2013/14.

Notes to the financial statements (continued)

Note 22. Contingent Liabilities (continued)

The Company has also committed to pay the following organisations in the 2013/14 financial year:

Organisation:	Amount:
SwitchOn Radio	\$5,000
Victorian Goldfields Railway	\$2,000
Business Mentoring/Coaching Program	\$10,500
Maldon CERT	\$1,000
Driver Training Program	\$6,130
Refresher Driver Training Program	\$2,880
Maldon Fitness Program	\$13,000
Newstead Fitness Program	\$8,000
	\$48,510

The commitments are as follows:

2014	\$91,510
2015	\$37,000
2016	\$20,000
2017	\$20,000

No tax liability is recognised for the 2013 financial year as the ATO handed down a private ruling on 22 October 2012 which stated that the Company was tax exempt as it is a community services organisation.

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

Note 23. 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.

Notes to the financial statements (continued)

Note 24. 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 25. 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					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	-	-	210,924	228,936	-	-	-	-	147	200	4.2	5.4
Receivables	-	-	-	-	-	-	-	-	83,990	87,378	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	65,296	-	7,967	1,235	14,357	-	-	-	-	-	4.5	7.6
Non interest bearing liabilities	-	-	-	-	-	-	-	-	97,488	81,197	Nil	Nil
Payables	-	-	-	-	-	-	-	-	46,483	108,153	N/A	N/A

Directors' declaration

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 2013 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 12 September 2013.

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 2013, 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.

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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.

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 2013 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 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 12 September 2013



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Newstead RTC, 45 Lyons Street, Newstead VIC 3462
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