



Maldon & District Financial Services Limited **ANNUAL REPORT 2015**

ABN 46 086 749 886



Maldon & District **Community Bank**® Branch

Maldon & District

Financial Services Limited

Financial Statements

as at

30 June 2015

Maldon & District Financial Services Limited

Annual Report 2015

Contents

Chairwoman's Report	3
Manager's Report	5
Community Investment Portfolio Report	6
Directors' Report	9
Auditor's Independence Declaration	14
Financial Statements	15
Notes to the Financial Statements	19
Directors' Declaration	35
Independent Audit Report	36

Chairwoman's Report

For the year ending 30 June 2015

I have great pleasure in presenting my 2014/15 and first report as Chairwoman on behalf of Maldon & District Financial Services Limited. Our company has had a challenging and interesting year as we adjust to widespread debt pay-down trends and lower interest rates. While the latter is good for consumers, it reduces our income.

This has not distracted us from our key goal to provide banking services to our communities via our Maldon & District **Community Bank**[®] Branch and agencies in the Newstead and Dunolly Rural Transaction Centres. The second goal is to re-invest profits our company makes into those communities. Or as our catchline says, to do great things for our communities. We've done these things well.

Our business 'book', i.e. the sum total of our lending and deposits, has grown by \$5 million to \$140.9 million and our profit is \$27,000. Last year our book was \$135.9 million and our profit was \$66,756. So, though our business has grown, our profit is down.

Significantly this year we celebrated the investment of our two-millionth dollar into our communities. When our company started 16 years ago, I wonder if the founders imagined the extent of the value and funds that it would raise for community. This year alone we poured \$150,000 into projects and events. There are too many to list here. Examples such as Maldon's junior tennis and occasional childcare programs, Dunolly's bowling club and primary school, Newstead Men's Shed's first aid program and that town's short story festival plus Castlemaine Children's Literature Festival reflect the diversity of demand for support. Countless other requests have come from far and wide from Bealiba to Baringhup, from Cairn Curran to Castlemaine. We can't support them all.

We also continued to invest in exercise programs in Maldon and Newstead, believing a fit community is a healthy community. Our hallmark driver training program has provided intensive defensive driving training courses for 46 young people to help prepare them for country driving and we continued our sponsorship of four football netball clubs at Maldon, Newstead, Dunolly and Castlemaine. I would especially like to thank our Customer Relations Officer (CRO), Wendy Merlo, for so ably co-ordinating the driver training program which is our biggest single investment year on year.

It's pleasing to see that our community buses at Baringhup/ Maldon and Newstead/Guildford and Dunolly are well used, especially by community groups and during local festivals.

For the first time we also sponsored the Mount Alexander Business Awards. Run by the Mount Alexander Shire, with support from Maldon Inc. and Business Mount Alexander, the awards proved to be a coalescing force and provide incentive for businesses to be better at what they do. We look forward to them happening every two years.

For more insight into the projects we support, see the Community Investment Report in the following pages.

The Board also chose to pay down the debt on our new premises in Maldon. It's pleasing to see that within two years of opening on September 24, 2013, we have paid for the building and it now sits as an asset on our books. Our balance sheet is healthy. The Board is considering whether to draw down on that asset value to fund more community investments.

After some early nervousness, our customers have really warmed to our new modern open office style.

Staff continue to guarantee privacy with judicious arrangements of office conversations. The automatic teller machine installed in our new building has also been a key addition, providing all-important cash access 24 hours a day.

Another big change this year was the method we used to recruit board members. In the past, as is the case across most of Australia's 310 **Community Bank**[®] branches, potential recruits were approached privately. To increase transparency and to cast our net wider, we advertised for three Board positions and consequently welcomed three new Board members and, for the first time, two community representatives. The latter roles were created to further build links with our community.

We were delighted with the incredible talent that stepped forward during this more formal approach to building the talent and expertise of our Board. Sadly, of the three new Board members, two have moved on; John Sawtell left to accompany his wife for her new, unexpected work role in England and Elissa O'Connor, a busy mum of three, switched to full-time work. I thank them for their contributions. Our third new Board member, Grant Schuster, is Chair of our Audit & Governance Portfolio and brings significant experience in this regard.

Though they do not have formal voting rights at Board level, our two inaugural community representatives Kerryn Healy and Alison Crilly, have been invaluable supporters and contributors in their roles as additional community links and I thank them too. I am pleased to report that Kerryn has since stepped up to Board level.

Reviewing the way we invest our profits into the community has been a key focus for the Board this year. Low interest rates and big debt pay-down by customers means less profits

Chairwoman's Report (continued)

which means, as I said earlier, that we have to get smarter about what we do. We have to make our dollars go further and have impact so, in 2015/16, we look forward to engaging our community in helping guide us and working with us on our future journey. We also want to lift our vision and ask our community to identify the key social issues common across our service area that provide us with an opportunity to work collectively, to create change for the better. We want to work with other funders to leverage our community investment dollars. Our Community Investment Portfolio Chair, Kate Tucker, has invested incredible hours along with a small team of fellow Board members designing this exciting process. I would like to thank Kate and our partners, consultant Kimbra White and online engagement specialists OurSay, for their work to date and urge members to get involved when we kick off this process in early 2016.

With regards to staff, we marked significant milestones. Donna Mason left after 12 years of wonderful service at Dunolly. I would also like to note Jan Brain's outstanding service. She has been with us since the branch first opened.

On the Board's behalf, I offer them special thanks for their commitment to our company and our philosophy of community-mindedness. We have since welcomed Melanie Rose to work at Dunolly. Melanie lives in and is deeply engaged in the Dunolly community and, so fits in very well.

With our business growing, the Board also made a significant decision to employ an additional Customer Service Officer. Despite current market constraints which are happening globally, we are confident that having extra staff member Paul Ellis, who comes to us with experience in this role with our franchise partner, Bendigo and Adelaide Bank Limited. This will free up our Manager,

Steve Streeter, to seek out more opportunities to build our business. Thanks to Steve, who has overseen the building of the Mount Alexander Accommodation and Respite Group at McKenzie Hill this year. Our financial contribution and Steve's contribution as president of that group this year has helped this immensely important project come to fruition. Thanks also to our staff for their steadfast work, as always, in a busy year, especially our ever-efficient Executive Officer Karly Smith.

Next financial year we face further adjustment with our partner, Bendigo and Adelaide Bank Limited, introducing Funds Transfer Pricing. This is banking terminology for calculating the real cost of funds and ensures banks more accurately list the cost of each product. Another change is to the Market Development Fund. This is an amount of money that Bendigo and Adelaide Bank Limited provides **Community Bank**[®] branches like us, for marketing. The **Community Bank**[®] network will retain and allocate a portion of these funds to market the strengths of the **Community Bank**[®] model collectively. Though this will reduce our income in the first instance, it is forecast to lift the profile of **Community Bank**[®] concept generally and help market that we are so much more than a bank.

It is important to note Bendigo and Adelaide Bank Limited's 100 per cent acquisition of Rural Bank puts rural banking expertise at our fingertips and offers another opportunity for expanding our business.

The future is an unknown place. Pundits are forecasting challenges to traditional banking. Pop-up banks in spaces smaller than shipping containers and online lending, or banks without shopfronts, are already here. So we have to offer something a little extra. And we do.

We're a company that's local and that gives back. Our franchise partner, Bendigo and Adelaide Bank Limited, provides banking services and products; we employ our nine staff and, after paying our expenses and costs, we invest our profits into our communities. Those who bank with us are supporting our communities. So if you want to use your banking business to support your community, talk to our staff. Make sure you hold your accounts with us. In a world where people are more consciously choosing companies and products that 'give back', we're in the box seat.

Thank you to our banking partner Bendigo and Adelaide Bank Limited, Regional Manager Wayne Tobin, Manager Steve Streeter, other staff, directors, company members, our communities and customers for your continued support of our company throughout 2014/15. We look forward to a healthy year ahead.



Genevieve Mary Barlow,
Chairwoman

Manager's Report

The 2014/15 financial year was challenging in many ways. Margins continued to decline and the cash rate was at record lows. However the Maldon & District **Community Bank**[®] Branch was relatively successful throughout this period.

We saw a steady growth in business, with total lendings and deposits at 30 June 2015 at \$140.9 million, up by \$5.075 million on the previous year. Customer numbers, at 3,232 across our Maldon & District **Community Bank**[®] Branch and agencies at Dunolly and Newstead, also remained steady over the 12-months.

We focused on meeting and exceeding our customers' needs and growing our business. Strong activity in recent months means we entered 2015/16 optimistically, with a strong pipeline to continue to grow our business.

Our focus for the year will be to grow our business further and to strengthen our relationship with existing customers. We will continue to encourage all customers to view us as their 'bank of choice' for all of their financial requirements, including loans, deposits, business banking, insurance and superannuation to name a few of the services we offer. The more people who bank with us, the more we can give back to the community and add to its prosperity.

Two new staff members were welcomed to the Maldon & District **Community Bank**[®] this year. Melanie Rose replaces Donna Mason at the Dunolly agency. Melanie settled in quickly and skilfully into the **Community Bank**[®] model. Paul Ellis has taken on a full-time customer service role and will become a familiar face for Maldon customers. Melanie and Paul are great additions to our team.

We sadly farewelled Donna Mason from the Dunolly agency in August. Donna provided 12 years of service and will be greatly missed both by all at the branch and agency and by the Dunolly community. I would like to thank Donna for her dedication and professionalism during her time with us. Thank you to all of our staff, Natasha Tickner, Jan Brain, Wendy Merlo, Narelle Rowland, Katie McEachran, Sean Dupe and our newest staff members Melanie and Paul for their commitment and hard work during the year. Our friendly and professional staff can assist you with all of your banking and insurance requirements locally.

We are always looking to diversify our income streams and do this by finding solutions to meet our customers' varying financial needs. Wendy Merlo, our Customer Relationship Manager, will play a key role in this in her new role as wealth ambassador at the Maldon & District **Community Bank**[®] Branch. She can provide advice on selected wealth products and financial solutions.

We derive great satisfaction from seeing the positive impact our **Community Bank**[®] Branch has on our towns and communities. This is one of the most rewarding aspects of our work, and is the reason we are in the **Community Bank**[®] model of banking. We look forward to continuing our role in supporting our local communities to become stronger and more vibrant places to live and work.

I would like to acknowledge the support and assistance provided by the Chairwoman Genevieve Barlow and the Board of Directors. I also receive great support from the Regional Manager, Wayne Tobin, and the team at the Bendigo and Adelaide Bank. And lastly, thank you to our members and customers who support our branch and make it possible for us to contribute so much to the local communities we serve. I encourage you to support the branch and the community further by encouraging your family, friends, colleagues, neighbours, team mates, fellow volunteers and those in your networks to also support their local branch and agency as well as their community.



Steve Streeter
Branch Manager

Community Investment Portfolio Report

Not a community bank, our community's bank

Our year got off to an auspicious start when we celebrated reaching \$2 million of investing, through our sponsorships and grants, to our community. We are very proud of this outstanding milestone and wish to acknowledge the commitment and contributions of our founders, members, staff and customers who have all been part of our community's bank 16-year journey and helped make this possible.

During this year, we received 56 applications from community groups and organisations for sponsorships. In total, \$150,000 was distributed across 45 different groups. Our Community Investment Portfolio meets monthly for an average of three hours, not including time required for reading applications and other portfolio matters. Our portfolio is made up of two senior staff, one director, the Chairwoman and the Executive Officer. This year we also welcomed to our portfolio, Alison Crilly, who is the first of our newly created community representatives. While not a Director, Alison brings another perspective from our community to our investment decision-making. Alison also brings her professional background as a business analyst, evident through her incisive and thought-provoking questioning, as well as grant writing which she has used to great effect in helping some of our applicant groups. I'd like to acknowledge the value of Alison's contribution to our work this year.

The goal of our community investment policy is to strengthen our communities by making a positive difference to the quality of life and connections between people. Our funding is aimed at helping to build the sustainability of our

applicant groups and, when making decisions, we strive to include over time the gamut of groups, sectors and communities. Let's look at our investment in 2014/2015:

Children & Youth

Our biggest contribution, 34 % of our total investment, is in children and youth programs and events. This includes first-time and ongoing sponsorship applicants.

First timers:

- Inaugural Mount Alexander Chess Challenge (two-day event held in May for primary and secondary students) – our bank's sponsorship provided financial assistance to all schools in the shire to participate in the competition free of charge, and provided trophies and medallions. Thirteen teams attended from Mount Alexander Shire.
- Book-giving project for Dunolly and district children (part of Go Goldfields literacy program).
- Bealiba playgroup – our funding helped get this new playgroup up and going (including the purchase of shade sails, toys and equipment).

Ongoing sponsorships;

- Supporting the Maldon Occasional Childcare Program is one of the ways the Maldon & District **Community Bank**[®] Branch contributes to the wellbeing and economic prosperity of the community. Funding of \$5,500 was handed over this year for the program ensuring the continuation of a locally available occasional childcare program. Our bank has invested more than \$27,000 in the Maldon Neighbourhood Centre's occasional childcare program.

- Driver-training program for learner drivers. Our bank has continued to support this outstanding and highly patronised program. Over each five-day course, just three participants receive the highest quality skills and safety training. The bank has invested more than \$30,000 during 2014/15.

Community mobility & transport

Funding for a community bus for Dunolly and district commenced this year with our commitment of \$50,000, or \$10,000 annually over the next five years. The bank is providing this funding in partnership with the Dunolly Rural Transaction Centre and the Central Goldfields Shire Council. At the same time, we maintain our support for community buses serving the Baringhup-Maldon and Newstead districts. The total commitment for local community transport options is now \$150,000 across the three communities.

Education

MDCB has supported Solving the Jigsaw, a student wellbeing, anti-bullying program at Castlemaine Secondary College (CSC), since 2011. Solving the Jigsaw is an award-winning program developed by the Centre for Non-Violence (CNV), which has been customised for the college and seeks to equip teachers with the tools and confidence to effectively intervene to support children who are experiencing violence and wellbeing issues. This year Maldon & District **Community Bank**[®] Branch provided \$5,500 for this. The bank also helped the CSC's Student Wellbeing Support Group and the CNV to access additional funding and provided in-kind support in the form of a grant writer which resulted in a \$30,000 Helen McPherson Smith Trust grant in June. This will ensure the program's

Education (continued)

ongoing viability, not just at this school. It will also offer access to training and other resources to the wider education community in the Mount Alexander Shire.

Community capacity & infrastructure

- Supported Maldon Inc. to provide subsidised workshops for community groups covering legal issues in managing volunteers.
- Similarly in Newstead, funding for the local men's shed to run first-aid sessions for their members and the general community.
- Sponsorship for a new welding bay to be shared by Maldon Vintage Machinery Museum and the Maldon Men's Shed.

Environment

- Nuggetty Land Protection Group's annual plant give-away at the Maldon Australia Day celebrations, and for their landscape history study of the Nuggetty Ranges.
- Mount Alexander Sustainability Group's Wash Against Waste Trailer.

Health & Wellbeing

- Continuing support for exercise programs in Maldon and Newstead.

Sporting

- Significant funding for sporting groups including cycling events, tennis, bowls, field & game, golf, campdraft and football-netball clubs.
- Final year of MDCB's three-year sponsorship of local football-netball clubs – Maldon, Dunolly, Newstead and Castlemaine. We've sponsored these clubs with more than \$55,000 over the three years. This recognises the important role that our local football-netball clubs play as sporting and social hubs in

our rural communities. The clubs have worked with us to build our business in return which we truly appreciate.

Arts, culture & history

- Support for local art shows (Maldon and Newstead), theatre, historical societies, short story events and music festivals.
- Funding to launch new arts group, the Castlemaine Press, a not-for-profit group of passionate volunteers that has established a community access print studio for local and regional printmakers.
- Funding for Castlemaine State Festival's schools education program. The Maldon & District **Community Bank**[®] Branch has supported this biennial festival since 2009, and once again, in 2015, provided funding for the Festival's education program, which enables students from every school in the Mount Alexander Shire to participate in visual and performing arts activities with local, national and international artists. More than 2,000 students from the shire's 16 primary schools and Castlemaine Secondary College came away from the festival with amazing hands-on skills and experiences, which is an invaluable way for the bank to support young people.
- We also supported local fringe events to coincide with the Castlemaine State Festival. In Maldon, we supported the Maldon Artists Network's (MANet) to stage a 3D Arts Walk, where the streets and shop fronts of Maldon become a virtual gallery during the Festival. We also sponsored a community art exhibition in Newstead titled Newstead Spadeworks, featuring works from more than 40 local artists.

Business & tourism

- The Maldon & District **Community Bank**[®] Branch was proud to be the major sponsor of the inaugural Mount Alexander Business Awards. In addition, we sponsored the Sustainability and Environment award. Maldon & District **Community Bank**[®] Branch is committed to actively supporting local businesses and the community and partnered the Mount Alexander Shire in these awards to promote the success of our business community. The bank recognises the vital role local businesses, big and small, play in our towns and communities.
- Other support included funding for local events that are much loved by locals and tourists including art shows and Easter events and Maldon's major tourist attraction, the Victorian Goldfields Railway.
- Our funding for Maldon Inc.'s activities supported the retail, accommodation and business sector in Maldon.

The year ahead

"There is no power greater than a community discovering what it cares about".

Margaret Wheatley

While it would be easier to continue as we have done with our investment decisions, the world around us does not stand still. As custodians for our community's bank, it is our responsibility to ask ourselves the harder questions such as, is our investment dollar making the greatest difference to strengthening our communities as it can? Are we seeing a return on that investment to the extent that is reasonable? Do our wider communities understand how community banking works as a social enterprise, how they can be a part of it and how they, too, can sustain this resource into the future for themselves and the next generation?

Over the next year, we will review the way we distribute our funds and invest our community dollars. The Maldon & District **Community Bank**[®] Branch wants to undertake an innovative, 12-month, whole-of-community, capacity building and project development program. This project will empower our local communities to help select, design and develop significant local projects - Big Ideas - that have wide-reaching social benefits.

We'll use online and face-to-face engagement methods and support community groups and residents to further build knowledge, relationships, confidence and understanding between ourselves, our communities and between community groups.

This project will help develop a new Community Investment Strategy through which the Maldon & District **Community Bank**[®] Branch will distribute community investment funds. The funds will go to projects and areas of focus our communities identify during this process. We will also show community groups how to leverage these and their own funds to access other funds and support for projects.

This is a large undertaking and will draw heavily on the resources of the Board and staff. It will also be the first such initiative in the wider **Community Bank**[®] network. However, we are committed to maximising our value to the community by including you in our decision making. We look forward to you joining us on this exciting journey.

A handwritten signature in dark ink, appearing to read 'Kate Tucker', is centered within a light purple rectangular box.

Kate Tucker
Chair, Community Investment Portfolio

Directors' Report

For the year ending 30 June 2015

Your directors submit the financial statements of the company for the financial year ended 30 June 2015.

Directors

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

Genevieve Mary Barlow Chairwoman

Occupation: Freelance Journalist/Editor/Writer

Qualifications, experience and expertise: Board member since 2008. Self employed journalist/writer/editor for 10 years. Previously employed in newspapers as a sub-editor, reporter, editor in print journalism specialising in politics, trade, agriculture (farming and food production), education and energy. Member of Rural Press Club of Victoria, Australian Women in Agriculture.

Portfolios: Executive, Community Investment, Communications, Finance

Garry Mathieson Johnstone Treasurer

Occupation: Chartered Accountant

Qualifications, experience and expertise: 38 years' experience in accounting and finance working in public practice for 29 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. Member of the board of the Maldon Hospital. Treasurer of Maldon Inc.

Portfolios: Executive, Finance (Chair)

Karly Brenda Smith Secretary

Occupation: Executive Officer and Company Secretary

Qualifications, experience and 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, Finance, Community Investment, Communications, Audit & Governance

Arthur 'Gordon' Carter Director

Occupation: Retired Consultant

Qualifications, experience and 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: Audit & Governance

Rebecca Margaret Helen Hanley Director

Occupation: Solicitor

Qualifications, experience and expertise: Bachelor of Law (Hons), Bachelor of Arts. Admitted to legal practice in 2006. MDFSL Board member since March 2013. Current member of Maryborough's St Augustine's Primary School Council and former Chair of Business Mount Alexander Inc.

Portfolios: Finance

Katrina 'Kate' Margaret Tucker Director

Occupation: Organisation Development Consultant, Director of Inhere Consulting PL

Qualifications, experience and expertise: Bachelor of Arts majoring in Human Resource Management and Organisational Behaviour. Post graduate qualifications in Organisational Change and Consulting. Over 20 years' experience working with people in organisations focusing on human and cultural transformation. For the past 10 years worked in Organisational Development in Australia and Asia Pacific. Extensive experience providing leadership development services including action learning coaching and program facilitation, consulting to boards and senior leadership groups. Active member of the International Organisation Development Association and Organisation Development Australia.

Portfolios: Community Investment (Chair)

Directors (continued)

Grant Schuster

Director (Appointed 29 October 2014)

Occupation: General Manager

Qualifications, experience and expertise: Master of Environment, BSc (Hons). Twelve years' experience in professional services, governance, sustainability and corporate services. Previously consulted to government and private clients while working for professional services firm in Melbourne. For the past five years, worked in local government at Hepburn Shire Council across corporate services and asset management.

Portfolios: Audit & Governance (Chair)

Kerryn Margaret Healy

Director (Appointed 30 June 2015)

Occupation: Executive Director Corporate Services

Qualifications, experience and expertise: Bachelor of Business, CPA, Graduate of the Australian Institute of Company Director (GAICD), Fellow Australian Health Services Financial Management Association (FASFM), Member Women on Boards. 38 years in the health sector with the last 17 years in senior financial management and executive roles including 4 year as CEO. Honorary Treasurer and member of the Committee of Management of the Maldon Golf Club Inc.

Portfolios: Finance

Elissa Gabrielle O'Connor

Director

(Appointed 29 October 2014, Resigned 13 July 2015)

Occupation: Business Manager

Qualifications, experience and expertise: Bachelor of Management (Marketing). MDFSL Marketing Development Manager, 2010-2013. Twenty years experience in sales, marketing and general management within the tourism and arts industries within commercial businesses. Local and State Government and not-for-profit organisations.

Portfolios: Communications (Chair)

John Leslie Sawtell

Director

(Appointed 29 October 2014, Resigned 12 March 2015)

Occupation: Academic

Qualifications, experience and expertise: Associate Lecturer at La Trobe Rural Health School in Bendigo until January 2015. Allied Health Team Leader and Community Development Worker at Castlemaine District Community Health (Chirp). Lived and worked in Central Victoria for the last 25 years. Briefly served on the Maldon Hospital Board and their community consultative committee. Volunteer radio presenter on WMAFM for 5 years.

Portfolios: Community Investment

Ronald Johannes Snep

Director (Resigned 29 October 2014)

Occupation: Wine Maker

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

Portfolios: Community Investment

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.

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

Principal Activities

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

There have 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 2015	Year ended 30 June 2014
\$	\$
27,009	66,756

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 Chairwoman and Treasurer are paid more than other directors on the basis that their ordinary expenses will be higher due to the greater time commitment.

The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on duties and accountability. The Board believes 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.

Remuneration report (continued)

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' remuneration

For the year ended 30 June 2015 the directors received total remuneration including superannuation, as follows:

	Year ended 30 June 15 \$	Year ended 30 June 14 \$
Arthur 'Gordon' Carter	2,667	7,150
Karly Brenda Smith	2,667	1,500
Genevieve Mary Barlow	17,667	1,500
Garry Mathieson Johnstone	7,667	1,500
Rebecca Margaret Helen Hanley	2,667	2,000
Katrina 'Kate' Margaret Tucker	2,765	-
Grant Michael Schuster	1,350	-
Elissa Gabrielle O'Connor	1,350	-
John Leslie Sawtell	744	-
Ronald Johannes Snep	827	15,120
Kerryn Margaret Healy	-	-
	40,371	28,770

Karly Smith has provided executive officer services to the Company as approved by the board at a fixed rate. We have confirmed that payments amounting to \$45,706 have been paid to Karly during the year ended 2015.

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 Chairwoman'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 \$310 for the year ended 2015 (2014: \$150).

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.

Events since 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.

Indemnification & insurance of directors & 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		Portfolios Attended							
			Community Investment		Communication		Finance		Audit & Governance	
	A	B	A	B	A	B	A	B	A	B
Genevieve Mary Barlow	11	10	12	11	5	5	11	5	-	-
Arthur 'Gordon' Carter	11	10	-	-	-	-	4	1	4	3
Karly Brenda Smith	11	11	12	12	5	5	11	11	4	3
Garry Mathieson Johnstone	11	10	-	-	-	-	11	10	-	-
Rebecca Margaret Helen Hanley	11	11	5	2	-	-	11	10	-	-
Katrina 'Kate' Margaret Tucker	11	9	12	10	-	-	-	-	-	-
Grant Michael Schuster (Appointed 29 October 2014)	7	6	-	-	-	-	-	-	4	4
Kerryn Margaret Healy (Appointed 30 June 2015)	1	1	-	-	-	-	-	-	-	-
Elissa Gabrielle O'Connor (Appointed 29 October 2014) (Resigned 13 July 2015)	7	4	-	-	5	5	-	-	-	-
John Leslie Sawtell (Appointed 29 October 2014) (Resigned 12 March 2015)	3	3	4	4	-	-	-	-	-	-
Ronald Johannes Snep (Resigned 29 October 2014)	4	3	4	4	-	-	-	-	-	-
A - Number of meetings eligible to attend B - Number of meetings attended										

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

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 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 board 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 6.

Signed in accordance with a resolution of the board of directors at Maldon, Victoria on 17 September 2015.



Genevieve Mary Barlow
Chairwoman

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

As lead auditor for the audit of Maldon & Districts Financial Services Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

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

David Hutchings
Lead Auditor

Dated: 17 September 2015

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Revenue from ordinary activities	4	1,077,686	1,080,687
Employee benefits expense		(546,308)	(509,957)
Charitable donations, sponsorship, advertising and promotion		(166,803)	(137,293)
Occupancy and associated costs		(26,724)	(29,967)
Systems costs		(38,756)	(36,799)
Depreciation and amortisation expense	5	(42,999)	(39,214)
Finance costs	5	(30,780)	(40,320)
General administration expenses		(198,307)	(220,381)
Profit before income tax		27,009	66,756
Income tax	6	-	-
Profit after income tax		27,009	66,756
Total comprehensive income for the year		27,009	66,756

Balance Sheet as at 30 June 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,390	219,589
Trade and other receivables	8	96,781	93,609
Total Current Assets		98,171	313,198
Non-Current Assets			
Property, plant and equipment	9	820,192	849,448
Intangible assets	10	52,641	66,384
Total Non-Current Assets		872,833	915,832
Total Assets		971,004	1,229,030
LIABILITIES			
Current Liabilities			
Trade and other payables	11	121,606	92,069
Borrowings	12	79,761	144,934
Provisions	13	53,786	46,071
Total Current Liabilities		255,153	283,074
Non-Current Liabilities			
Borrowings	12	995	263,154
Provisions	13	9,382	4,337
Total Non-Current Liabilities		10,377	267,491
Total Liabilities		265,530	550,565
Net Assets			
		705,474	678,465
Equity			
Capital Reserves	15	2,431	2,431
Retained earnings	16	703,043	676,034
Total Equity		705,474	678,465

Statement of Changes in Equity for the year ended 30 June 2015

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2013	2,431	609,278	611,709
Total comprehensive income for the year	-	66,756	66,756
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2014	2,431	676,034	678,465
Balance at 1 July 2014	2,431	676,034	678,465
Total comprehensive income for the year	-	27,009	27,009
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	2,431	703,043	705,474

Statement of Cash Flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		1,170,371	1,175,849
Payments to suppliers and employees		(1,036,190)	(1,011,680)
Interest received		5,732	7,532
Interest paid		(30,780)	(40,320)
Net cash provided by operating activities	17	109,133	131,381
Cash flows from investing activities			
Payments for property, plant and equipment		-	(278,341)
Payments for intangible assets		-	(68,713)
Net cash provided by/(used in) investing activities		-	(347,054)
Cash flows from financing activities			
Proceeds from borrowings		-	193,161
Repayment of borrowings		(264,694)	(7,970)
Net cash provided by/(used in) financing activities		(264,694)	185,191
Net increase/(decrease) in cash held		(155,561)	(30,482)
Cash and cash equivalents at the beginning of the financial year		83,101	113,583
Cash and cash equivalents at the end of the financial year	7(a)	(72,460)	83,101

Notes to the financial statements

For the year ended 30 June 2015

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. The company is a for-profit entity for the purpose of preparing the financial statements.

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.

Application of new and amended accounting standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year:

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).
- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods:

	Effective for annual reporting periods beginning on or after
● AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
● AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
● AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
● AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
● AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
● AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
● AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
● AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
● AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
● AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
● AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
● AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

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 Maldon, Victoria and agencies at Dunolly and Newstead, 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**[®] branch 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.

The Company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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.
- 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 benefits 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

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank**[®] model, known as ‘Project Horizon’. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank**[®] model that positions it for success now and for the future.

Note 1. Summary of significant accounting policies (continued)

Revenue (continued)

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the Company receives on a particular product or service. The effect of the change on the revenue earned by the Company is entirely dependent on the change.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

Note 1. Summary of significant accounting policies (continued)

Ability to change financial return (continued)

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

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.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other 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.

Note 1. Summary of significant accounting policies (continued)

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 & 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 & 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 & 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 are 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

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.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also 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.

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) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where that are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) *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 Profit or Loss and Other 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) Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 1. Summary of significant accounting policies (continued)

p) Goods & Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow & 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.

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the interest paid to members. Capital is represented by total equity as recorded in the Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit:

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2015 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

There were no changes in the company's approach to capital management during the year.

Note 3. Critical accounting estimates & 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. There is therefore 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 Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Note 4. Revenue from ordinary activities

	2015 \$	2014 \$
Operating activities:		
- services commissions	1,071,248	1,074,365
- other revenue	706	500
Total revenue from operating activities	1,071,954	1,074,865
Non-operating activities:		
- interest received	5,732	5,822
- rental revenue	-	-
- dividends received	-	-
- increase in net market value of financial assets	-	-
- profit on sale of non-current assets	-	-
- other revenue	-	-
Total revenue from non-operating activities	5,732	5,822
Total revenues from ordinary activities	1,077,686	1,080,687

Note 5. Expenses

	2015 \$	2014 \$
Depreciation of non-current assets:		
- plant and equipment	15,578	25,139
- building works	13,678	10,118
Amortisation of non-current assets:		
- franchise agreement	2,291	3,957
- franchise renewal fee	11,452	-
	42,999	39,214
Finance costs:		
- interest paid	30,780	40,320
Bad debts	632	621
Loss on disposal of fixed asset	-	22,894

Note 6. Income Tax

These accounts have been prepared on a tax exempt basis as per the Australian Taxation Office Ruling on 22 October 2012 declaring that the Company is entitled to income tax exemption under item 2.1 of the Income Tax Assessment Act 1997.

Refer to note 22 for further information.

Note 7. Cash & cash equivalents

	2015 \$	2014 \$
Cash at bank and on hand	390	133
Term deposits	1,000	219,456
	1,390	219,589

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	Note	2015 \$	2014 \$
Cash at bank and on hand		390	133
Term deposits		1,000	219,456
Bank overdraft	12	(73,850)	(136,488)
		(72,460)	83,101

Note 8. Trade & other receivables

	2015 \$	2014 \$
Trade receivables	90,632	88,011
Prepayments	5,632	5,081
Other receivables and accruals	517	517
	96,781	93,609

Note 9. Property, plant & equipment

	2015 \$	2014 \$
Land and buildings		
Land & Buildings (Rear 79-81 High Street)		
At cost	64,387	64,387
Land & Buildings (79-81 High Street)		
At cost	682,126	682,126
Less accumulated depreciation	(23,796)	(10,118)
	658,330	672,008
Leasehold improvements		
At cost	54,078	54,078
Less accumulated depreciation	(6,449)	(2,965)
	47,629	51,113
Plant and equipment		
At cost	62,661	62,661
Less accumulated depreciation	(40,203)	(32,871)
	22,458	29,790
Motor vehicles		
At cost	38,099	38,099
Less accumulated depreciation	(10,711)	(5,949)
	27,388	32,150
Total written down amount	820,192	849,448

	2015 \$	2014 \$
MOVEMENTS IN CARRYING AMOUNTS:		
Land & Buildings (Rear 79-81 High Street)		
Carrying amount at beginning	64,387	64,387
Carrying amount at end	64,387	64,387
Land & Buildings (79-81 High Street)		
Carrying amount at beginning	672,008	466,642
Additions	-	215,484
Less: depreciation expense	(13,678)	(10,118)
Carrying amount at end	658,330	672,008
Leasehold improvements		
Carrying amount at beginning	51,113	17,352
Additions	-	43,712
Disposals	-	(7,215)
Less: depreciation expense	(3,484)	(2,736)
Carrying amount at end	47,629	51,113
Plant and equipment		
Carrying amount at beginning	29,790	41,459
Additions	-	19,145
Disposals	-	(13,312)
Less: depreciation expense	(7,332)	(17,502)
Carrying amount at end	22,458	29,790
Motor vehicles		
Carrying amount at beginning	32,150	36,908
Less: depreciation expense	(4,762)	(4,758)
Carrying amount at end	27,388	32,150
Furniture and fittings		
Carrying amount at beginning	-	2,455
Additions	-	(27,457)
Less: depreciation expense	-	25,002
Carrying amount at end	-	-
Computer Equipment		
Carrying amount at beginning	-	54
Additions	-	(2,641)
Less: depreciation expense	-	2,587
Carrying amount at end	-	-
Total written down amount	820,192	849,448

Note 10. Intangible assets

	2015 \$	2014 \$
Franchise fee		
At cost	81,453	81,453
Less: accumulated amortisation	(72,711)	(70,420)
	8,742	11,033
Franchise Fee Renewal		
At cost	57,260	57,260
Less: accumulated amortisation	(13,361)	(1,909)
	43,899	55,351
Total written down amount	52,641	66,384

Note 11. Trade & other payables

	2015 \$	2014 \$
Current:		
Trade creditors	39,523	33,615
Interest due to pledgeholders	19,999	24,716
Other creditors and accruals	62,084	33,738
	121,606	92,069

Note 12. Borrowings

	Note	2015 \$	2014 \$
Current:			
Bank overdrafts		73,850	136,488
Chattel mortgage	18	5,911	8,446
		79,761	144,934
Non-Current:			
Chattel mortgage	18	-	5,911
Bank loans		995	257,243
		995	263,154

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 pay for the construction of the new branch. The loan repayments were interest only for the first two years (ending June 2015) with the remaining loan repayments being of principle and interest. Interest is recognised at a rate of 6.78%. The loan is secured by a fixed and floating charge over the company's assets.

Note 13. Provisions

	2015 \$	2014 \$
Current:		
Provision for annual leave	37,216	26,336
Provision for long service leave	16,570	19,735
	53,786	46,071
Non-Current:		
Provision for long service leave	9,382	4,337

Note 14. Capital Reserves

	2015 \$	2014 \$
Balance at the beginning of the financial year	2,431	2,431
	2,431	2,431

Note 15. Contributed equity

In accordance with the Company Constitution, 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 2015 the number of members was 168 (2014: 167).

Note 16. Retained earnings

	2015 \$	2014 \$
Balance at the beginning of the financial year	676,034	609,278
Net profit from ordinary activities after income tax	27,009	66,756
Balance at the end of the financial year	703,043	676,034

Note 17. Statement of cash flows

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

	2015 \$	2014 \$
Profit from ordinary activities after income tax	27,009	66,756
Non cash items:		
- depreciation	29,256	35,257
- amortisation	13,743	3,957
- loss on disposal of fixed assets	-	22,894
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(3,174)	(2,325)
- increase/(decrease) in payables	29,539	18,261
- increase/(decrease) in provisions	12,760	(13,419)
Net cash flows provided by operating activities	109,133	131,381

Note 18. Leases

	2015 \$	2014 \$
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	6,041	9,062
- between 12 months and 5 years	-	6,041
Minimum lease payments	6,041	15,103
Less future finance charges	(130)	(746)
Present value of minimum lease payments	5,911	14,357

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% (2014: 5.9%).

Note 19. Auditor's remuneration

	2015 \$	2014 \$
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	5,005	3,550
- taxation services	1,175	1,581
- other services	1,775	1,631
	7,955	6,762

Note 20. Director & related party disclosures

	2015 \$	2014 \$
Key Management Personnel Remuneration		
Short-term employee benefits	40,371	28,770
	40,371	28,770
<i>Detailed remuneration disclosures are provided in the remuneration report, included as part of the directors' report.</i>		
Transactions with Key Management Personnel		
Katrina 'Kate' Tucker designed & facilitated the Mental Health Round Table in Oct/Nov 2013 prior to becoming a director, and received:	-	1,000

Note 21. Events occurring after the reporting date

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

Note 22. Contingent liabilities & contingent assets

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

The Company has entered into a funding agreement with the Newstead Rural Transaction Centre (RTC) to contribute \$50,000 to the association over a five year period for a community bus. As at 30 June 2015 three payments of \$10,000 had been made with the remaining contribution of \$20,000 payable over the next two 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. As at 30 June 2015 three payments of \$10,000 had been made with the remaining contribution of \$20,000 payable over the next two years.

The Company has entered into a funding agreement with the Central Goldfields Shire Council and Dunolly RTC to contribute \$50,000 for a community bus over a five year period. As at 30 June 2015, one payment of \$10,000 has been made with the remaining contribution of \$40,000 payable over the next four years.

Note 22. Director and related party disclosures (continued)

The Company has also committed to pay the following organisations in the 2015/16 financial year:

Organisation:	Amount:
Maldon & Newstead Exercise Program	\$7,000
	\$7,000

All of the above commitments are payable as follows:

2016	\$37,000
2017	\$30,000
2018	\$10,000
2019	\$10,000

No tax liability is recognised for the 2015 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.

Note 24. Registered office/Principal place of business

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

Registered Office

93 High Street
Maldon VIC 3463

Principal Place of Business

81 High Street
Maldon VIC 3463

109 Broadway
Dunolly VIC 3472

45 Lyons Street
Newstead VIC 3462

Note 25. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 %	2014 %
Financial assets												
Cash and cash equivalents	1,000	-	-	219,456	-	-	-	-	390	133	4.73	2.70
Receivables	-	-	-	-	-	-	-	-	90,632	88,011	N/A	N/A
Financial liabilities												
Interest bearing liabilities	995	263,154	5,911	8,446	-	-	-	-	-	-	5.68	6.43
Non-interest bearing liabilities	-	-	-	-	-	-	-	-	73,850	136,488	Nil	Nil
Payables	-	-	-	-	-	-	-	-	39,523	33,615	N/A	N/A

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

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015 \$	2014 \$
Change in profit/(loss)		
Increase in interest rate by 1%	(59)	(521)
Decrease in interest rate by 1%	(59)	(521)
Change in equity		
Increase in interest rate by 1%	(59)	(521)
Decrease in interest rate by 1%	(59)	(521)

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 2015 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.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

A handwritten signature in dark ink, appearing to read 'G. Barlow', with a horizontal line extending from the end of the signature.

Genevieve Mary Barlow, Chairwoman

Signed on 17 September 2015.



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 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 that gives a true and fair view 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 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 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 fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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.P: (03) 5443 0344F: (03) 5443 530461-65 Bull St./PO Box 454 Bendigo Vic. 3552afs@afsbendigo.com.auwww.afsbendigo.com.auTAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

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 2015 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 2015. 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 on the remuneration report

In our opinion, the remuneration report of Maldon & Districts Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 17 September 2015



David Hutchings
Lead Auditor

Maldon & District **Community Bank**® Branch
81 High Street, Maldon VIC 3463 T: 03 5475 1747
E: MaldonMailbox@bendigobank.com.au

Dunolly Agency
Dunolly RTC, 109 Broadway, Dunolly VIC 3472 T: 03 5468 1596

Newstead Agency
Newstead RTC, 45 Lyons Street, Newstead VIC 3462 T: 03 5476 2014

Franchisee
Maldon & District Financial Services Limited (MDFSL)
ABN 46 086 749 886
Registered address: 93 High Street, Maldon VIC 3463
T: 0478 435 110 E: executiveofficer@mdcb.com.au



Mount Alexander Chess Challenge. Image – Peter McRostie

