



Mount Gambier & District Financial Services Limited

ABN 42 096 059 997

ANNUAL REPORT 2013

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Chairman's report

For year ending 30 June 2013

It is again my privilege to report about the progress of our company Mount Gambier and District Financial Services Ltd., our local **Community Bank**[®] branch owner over the last financial year.

Operating results

The financial year ending 30 June 2013 was the first complete financial year in which our **Community Bank**[®] branch operated from the James Street Branch address. The operating profit before charitable donations and sponsorships as at 30 June 2013 was \$534,099. We had a profit before income tax of \$386,007 which is \$20,496 up on the 2011/12 financial year. Our company achieved a net profit of \$270,041, again an increase of some \$43,185 on the previous income year. Our cash reserves have decreased from \$185,138 to \$161,969, but this is still an excellent result.

We have been able to increase our community charitable donations and sponsorships from \$121,027 to \$148,092, again an increase of \$27,065.

Our Penola Agency, managed through TDC Stock Agents in Penola is continuing to grow its book which stood at \$7,598,611 at the end of the 2012/13 financial year. Once Penola has grown its footings sufficiently to enable it to open its own **Community Bank**[®] branch, the footings generated there will be transferred to the new Branch for a fee payment to the Mount Gambier & District Financial Services Ltd.

Because of the outstanding loan commitment resulting from the purchase of the old Adelaide Bank Branch at James Street, the Board has considered it necessary to adopt an amended plan as regards to distribution of profits to our community. It has been resolved that, until the debt is cleared, 40% of our net profit be allocated for repayment of the outstanding debt, including the principal portion of our normal loan repayments. A further 40% will be allocated to community investments and the remaining up to 20% by way of dividends to our shareholders as per the franchise agreement.

The total amount of principal repaid on our loan in the 2012/13 financial year was \$145,304 reducing the principal outstanding to \$2,373,446.

Dividend payment

It is again with considerable satisfaction that the Board is able to declare a further fully franked dividend to shareholders of 10% of the nominal value of our shares.

Directors contribution

A special thank you to our Directors for their efforts over the past 12 months. I remind our shareholders that our Directors are all voluntary and unpaid and without their tireless contributions we would not have the successful **Community Bank**[®] branch that we have established for our local community.

We are actively engaged in seeking new additions to the Board to diversify and expand our skill base and to share the growing workload.

To assist the Board in this regard we have engaged Ms. Gail Bradley in a part-time clerical position which we have since increased from 12 hours per week to 18 hours per week. Gail has been providing invaluable assistance to the Board in a clerical and organizational capacity enabling us to successfully stage the State Conference here in Mount Gambier in May 2013.

Chairman's report (continued)

State Conference

This year the Board had the honour to host the annual South Australia/Northern Territory **Community Bank**[®] State Conference in the Mount Gambier Civic Centre. This enabled us to showcase our city and provide a much needed boost to local retailers. The State Conference also provided the opportunity for all of our Board to attend the various functions and to meet and exchange ideas at the statewide network of **Community Bank**[®] company Board Directors. Our Branch Manager was able to organise the staffing of the branch to enable each of our staff members to attend some of the formal functions of the conference and of course were able to join the Board at the formal dinner attended by the conference delegates and local dignitaries. Some of the speakers were inspirational and the conference was very useful in generating new ideas and ways to increase awareness of our **Community Bank**[®] branch within our community to enable us to further grow our book and provide a growing community dividend. The Cave Gardens provided an excellent backdrop to what was a well run and successful State Conference.

Acknowledgement of staff

Again the Board wishes to thank our Manager Tracy Koop for the time and effort that she devotes to her position and in particular the time she devotes attending community engagements outside her normal working hours. The Board continues to recognise and acknowledge that our major asset is the strong team of loyal employees who continue to stand apart as friendly and helpful to all our customers as I am sure that all our shareholders who bank with our **Community Bank**[®] branch would agree.



Herman Bersee
Chairman

Manager's report

For year ending 30 June 2013

Welcome to our Annual Report for 2012/13.

It has been a great year for our business and staff which has seen us support a vast array of different sectors within our local community.

It is a wonderful part of our banking vision to be able to contribute to these areas and know that our profits are staying local and benefiting those within our district.

We are now well and truly settled in our new branch with all of the renovations completed. This year was our year to direct our focus on the growth of the business with an aim to achieve the \$200 million mark for our footings on the books. I am pleased to announce that this was achieved in February and as at the end of the financial year, we had a book of \$214 million.

This has meant that we have been able to assist schools, sporting facilities, arts, health sectors and provide a variety of scholarships to people so that they can pay it forward and work toward their goals.

However, this does not mean that we have rested on our laurels and it certainly does not mean that we are not constantly looking for business to help us become a bigger and stronger force within our district.

Over 12 years ago, you believed that this district needed a **Community Bank**[®] branch that would provide our people with top quality banking products and would also keep the profits here in the South East of South Australia. I am now asking you to continue to believe in this structure and support us in our growth by banking with us and recommending us to the wider community.

This is your **Community Bank**[®] branch, your business and your vision. It is now time to be vocal advocates and promote 'your business'. You are the shareholders, you are the ones that had the dream all of those years ago. Help us to continue to grow and be proud in what we have become.

We have been joined by a new Business Banker and an Agribusiness Banker so we are well equipped to deal with all facets of the financial market. We have access to a Financial Planner who visits our area on a monthly basis.

I would like to welcome John Buchanan and Karl Barclay who joins Wendy in the Business Banking side of our business. Both come with a wealth of knowledge and experience in their fields and are assets to our team.

It was a great privilege to be able to accept an award for our Partnership with schools on behalf of the branch. That, along with our Humanitarian award from Red Cross which we received in October, highlights what we are able to achieve if we continue to work and grow together.

May saw us host the State SA/NT **Community Bank**[®] conference here in Mt Gambier. We were able to show the Directors and Branch Managers from around the two states what a magnificent city we have.

On a personal note, I would like to say thank you to my wonderful staff. We have had a year of challenges, changes, learning and laughter. We have achieved a wonderful milestone in reaching our \$200 million target and I look forward to setting new goals and aiming as high as we possibly can. They make my job that little bit easier and there is no other team that I would rather be working with. I am proud of what we have all achieved and how far they have all progressed over the past 12 months.

To Herman and the Board, thank you from all of us. Your belief and backing in what we strive to do here is very much appreciated.

I look forward to seeing what great things we will be able to do in 2013/14.



Tracy Koop
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2013

This year has marked two very significant milestones for our **Community Bank**[®] network, celebrating its 15th anniversary of operation while also reaching \$100 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**[®] network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. But in the years since, the **Community Bank**[®] model has become so much more.

The **Community Bank**[®] network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund health services, sports programs, aged care facilities, education initiatives, community events and much more.

These contributions have come at a time of continued economic uncertainty, and shows the high level of support the **Community Bank**[®] model has in the communities in which it operates.

While our established branches grow their business at a healthy rate, demand for the model in other communities continues to be strong. There are currently another 40 **Community Bank**[®] sites in development, and 15 new branches are expected to open in the next 12 months.

At the end of the financial year 2012/13 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$102 million
- **Community Bank**[®] branches – 298
- **Community Bank**[®] branch staff – more than 1,460
- **Community Bank**[®] company Directors – 1,925
- Banking business – \$24.46 billion
- Customers – 640,159
- Shareholders – 72,062
- Dividends paid to shareholders since inception – \$30.88 million.

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, to not only enhance banking services, but more importantly take the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community. This \$100 million goes to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco[®] (telecommunications solution), tertiary education scholarships and Community Enterprises that provide **Community Bank**[®] companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has continued its solid performance.

Bendigo and Adelaide Bank report (continued)

Bendigo and Adelaide Bank remains one of the few banks globally to be awarded an upgraded credit rating since the onset of the Global Financial Crisis. Our Bank continues to be rated at least “A-” by Standard & Poor’s, Moody’s and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

While continued ratings affirmation is a welcome boost for the Bank and its partners, trading conditions are still difficult, with consumer confidence and demand for credit remaining low, and competition remaining very strong for retail deposits.

Not surprisingly, these factors continue to place pressure on the 50/50 margin share agreement between the Bank and our **Community Bank**[®] partners. As a result some **Community Bank**[®] companies are receiving much more than 50 per cent of revenue earned.

In April, the Bank took a further step to restore this balance, ensuring that the **Community Bank**[®] model produced a more appropriate balance of return for all stakeholders within this partnership model. The Bank will continue to review this remuneration model to ensure it is fair and equitable for all parties and is as resilient as possible to the fast changing economic environment.

It continues to be Bendigo and Adelaide Bank’s vision to be Australia’s leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer’s choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank**[®] shareholders to support us as we work with your community to deliver on our goals and ensure our sustained and shared success.

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about banking and the role it plays in modern society.

With the community’s support, there really is no limit to what can be achieved under the **Community Bank**[®] model, and I look forward to seeing what the next 15 years will bring.

I thank you for your important support of your local **Community Bank**[®] branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2013

Your Directors submit their report of the company for the financial year ended 30 June 2013.

Directors

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

Mr. Herman Augustinus Bersee LLB

Chairman

Board Member since 28/02/2001

Mrs. Karen Lee Olive

Board Member since 29/04/2009

Mr. Edgar Malcolm Peucker

Board Member since 25/08/2004

Resigned as Director 27/11/2012

Ms. Kathryn Elizabeth Bersee

Board Member since 17/06/2009

Mr. Kenneth Oswald Stafford CPA

Board Member since 26/04/2012

Ms. Pauline Grieve

Secretary

Board Member since 21/02/2007

Mr. Robert James Foggo BA, ASSOC. DIP. SW

Board Member since 23/10/2002

Mr. Hendrik Jan Bruins FCA, DIP. Bus. Studies

Board Member since 22/02/2006

Mr Rodney George Summers

Board Member since 07/01/2009

Ms. Carolyn Adams

Board Member since 23/03/2011

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

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

Principal activities

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

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

Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was 2013: \$270,586 2012: \$206,860.

During the second half of the financial year, the company was notified by Bendigo and Adelaide Bank Limited of an overpayment of income from loan products. This overpayment related to both the current 2012/13 year and also the previous 2011/12 year. The accounts reflect the correct income from both periods after necessary adjustments. This has had little impact on the daily operations of the business.

Financial position

The net assets of the company have increased by \$223,440 from 30 June 2012 to \$785,798 in 2013. The increase is largely due to improved operating performance of the company.

Directors' report (continued)

Dividends

	Year ended 30 June 2013	
	Cents per share	\$
Final dividends recommended:	10	47,146
Dividends paid in the year:		
- Final for the year (as recommended in prior year report)	10	47,146

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2013/2014 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The company was not a party to any such proceedings during the year.

Remuneration report

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

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

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.

Directors' report (continued)

Directors' meetings

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

Director	Board meetings #
Mr. Herman Augustinus Bersee	8 (12)
Ms. Pauline Grieve	9 (12)
Mr. Hendrik Jan Bruins	6 (12)
Mr. Robert James Foggo	6 (12)
Mr. Edgar Malcolm Peucker	1 (5)
Ms. Kathryn Elizabeth Bersee	8 (12)
Mrs. Karen Lee Olive	10 (12)
Mr. Rodney George Summers	11 (12)
Ms. Carolyn Jane Adams	7 (12)
Mr. Kenneth Oswald Stafford	12 (12)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

Company Secretary

Ms. Pauline Grieve has been the Company Secretary of Mount Gambier & District Financial Services Ltd since 2007. Her qualifications and experience include 7 1/2 years as legal Secretary for Herman Bersee Lawyers.

Corporate governance

The company has implemented various corporate governance practices, which include:

- (a) Director approval of operating budgets and monitoring of progress against these budgets;
- (b) Ongoing Director training; and
- (c) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 10.

Signed in accordance with a resolution of the Board of Directors at Mount Gambier on 25 September 2013.



Herman Bersee
Director

Auditor's independence declaration



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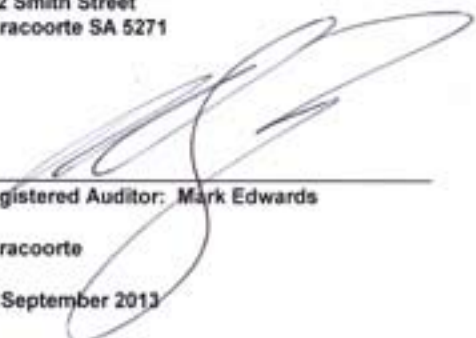
AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there have been:

- (i) No contraventions of the auditor independence requirements as set out in 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.

Mark Stephen Edwards
Chartered Accountant
172 Smith Street
Naracoorte SA 5271



Registered Auditor: Mark Edwards

Naracoorte

26 September 2013

Liability limited by a scheme approved
under Professional Standards Legislation

Financial statements

Statement of comprehensive income for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue	2	1,811,395	1,818,974
Employee benefits expense	3	(623,313)	(639,950)
Depreciation and amortisation expense	3	(32,964)	(24,015)
Finance costs	3	(191,067)	(225,806)
Other expenses		(429,952)	(492,665)
Operating profit/(loss) before charitable donations & sponsorships		534,099	436,538
Charitable donations and sponsorship		(148,092)	(121,027)
Profit/(loss) before income tax expense		386,007	315,511
Income tax expense / (benefit)	4	115,966	88,655
Net profit/(loss) for the year		270,041	226,856
Other comprehensive income			
Net profit/(loss) on disposal of non-current assets	5	545	(19,996)
Total comprehensive income for the year		270,586	206,860
Earnings per share (cents per share)		¢	¢
- basic for profit / (loss) for the year	24	57.39	43.88
- diluted for profit / (loss) for the year	24	57.39	43.88

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of financial position as at 30 June 2013

	Note	2013 \$	2012 \$
Assets			
Current assets			
Cash and cash equivalents	6	161,969	185,138
Receivables	7	172,066	169,118
Prepayments	8	5,250	5,306
Total current assets		339,285	359,562
Non-current assets			
Property, plant and equipment	9	209,156	180,289
Deferred tax assets	4	6,650	7,200
Intangible assets	10	2,801,860	2,811,860
Total non-current assets		3,017,666	2,999,349
Total assets		3,356,951	3,358,911
Liabilities			
Current liabilities			
Trade and other payables	11	118,043	197,373
Loans and borrowings	12	286,332	286,332
Current tax payable	4	57,754	56,359
Provisions	13	15,737	18,682
Total current liabilities		477,866	558,746
Non-current liabilities			
Trade and other payables	11	-	-
Loans and borrowings	12	2,087,114	2,232,418
Provisions	13	6,173	5,389
Total non-current liabilities		2,093,287	2,237,807
Total liabilities		2,571,153	2,796,553
Net assets/(liabilities)		785,798	562,358
Equity			
Share capital	14	471,458	471,458
Retained earnings / (accumulated losses)	15	314,340	90,900
Total equity		785,798	562,358

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of cash flows for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Cash receipts in the course of operations		2,106,894	2,295,982
Cash payments in the course of operations		(1,585,853)	(1,650,148)
Interest paid		(1)	(54)
Interest received		5,160	7,609
Income tax paid		(114,021)	(91,794)
Net cash flows from/(used in) operating activities	16b	412,179	561,595
Cash flows from investing activities			
Payment for intangible assets		-	(50,000)
Payments for property, plant and equipment		(51,831)	(95,426)
Net cash flows from/(used in) investing activities		(51,831)	(145,426)
Cash flows from financing activities			
Proceeds from issue of shares		-	-
Interest paid		(191,066)	(225,752)
Proceeds from borrowings		-	-
Repayment of borrowings		(145,305)	(160,580)
Dividends paid		(47,146)	(47,146)
Net cash flows from/(used in) financing activities		(383,517)	(433,478)
Net increase/(decrease) in cash held		(23,169)	(17,309)
Cash and cash equivalents at start of year		185,138	202,447
Cash and cash equivalents at end of year	16a	161,969	185,138

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Issued capital			
Balance at start of year		471,458	471,458
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		471,458	471,458
Retained earnings/ (accumulated losses)			
Balance at start of year		90,900	(68,814)
Net profit/(loss) for the year		270,586	206,860
Dividends paid	23	(47,146)	(47,146)
Balance at end of year		314,340	90,900

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Mount Gambier & Districts Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2013 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank**[®] services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 25 September 2013.

(b) Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated based upon the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Buildings	2.50%
Plant & equipment	10-20%
Motor vehicles	25%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(e) Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(e) Goods and services tax (continued)

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

(f) Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income. The goodwill from the purchases of the James Street branch of Bendigo and Adelaide Bank Limited, in December 2010, has been initially recorded at cost.

(h) Cash

Cash on hand and in banks are stated at nominal value.

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.

(i) Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Loans and borrowings

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(m) Provisions

Provisions are recognised when the company 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) Share capital

Issued and paid up capital is 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) Comparative figures

When required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year. Comparative figures for the 2011/12 financial year have been adjusted to reflect the over payment of income from loan products as set out in the Directors Report under Operating Results.

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(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.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtor are experiencing significant financial difficulty or changes in economic conditions.

	2013 \$	2012 \$
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	1,734,481	1,785,238
- other revenue	-	-
Total revenue from operating activities	1,734,481	1,785,238

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 2. Revenue from ordinary activities (continued)		
Non-operating activities:		
- interest received	5,160	7,609
- other revenue	71,754	26,127
Total revenue from non-operating activities	76,914	33,736
Total revenue from ordinary activities	1,811,395	1,818,974

Note 3. Expenses

Employee benefits expense

- wages and salaries	(530,671)	(544,661)
- superannuation costs	(48,848)	(50,953)
- post employment benefits (other than superannuation)	-	-
- workers' compensation costs	(3,715)	(3,309)
- other costs	(40,079)	(41,027)
	(623,313)	(639,950)

Depreciation of non-current assets:

- plant and equipment	(22,964)	(13,699)
- buildings	-	-

Amortisation of non-current assets:

- intangibles	(10,000)	(10,316)
	(32,964)	(24,015)

Finance costs:

- Interest paid	(191,067)	(225,806)
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Bad debts	(2,957)	(858)
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Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 4. Income tax expense		
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30%	115,966	88,655
Add tax effect of:		
- Non-deductible expenses	6,650	7,200
- Prior year tax losses not previously brought to account	-	-
- Future income tax benefit not brought to account	-	-
- Adjustment of prior year tax losses	-	-
Current income tax expense	122,616	95,855
Origination and reversal of temporary differences	(7,200)	(6,307)
Deferred income tax expense	(7,200)	(6,307)
Income tax expense/(benefit)	115,416	89,548
Tax liabilities		
Current tax payable	57,754	56,359
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	6,650	7,200
Note 5. Net profit/(loss) on disposal of non-current assets		
Profit/(loss) on disposal of non-current assets	545	(19,996)
	545	(19,996)
Note 6. Cash and cash equivalents		
Cash at bank and on hand	161,969	185,138
Note 7. Receivables		
GST receivable	13,477	33,434
Trade debtors	158,589	135,684
	172,066	169,118

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 8. Prepayments		
Prepaid expense	5,115	5,115
Prepaid borrowing costs	135	191
	5,250	5,306

Note 9. Property, plant and equipment

Plant and equipment

At cost	293,827	241,996
Less accumulated depreciation	(84,671)	(61,707)
	209,156	180,289
Total written down amount	209,156	180,289

Movements in carrying amounts

Plant and equipment

Carrying amount at beginning of year	180,289	118,557
Additions	51,831	95,427
Disposals	-	(19,996)
Depreciation expense	(22,964)	(13,699)
Carrying amount at end of year	209,156	180,289

Note 10. Intangible assets

Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(15,833)	(5,833)
	34,167	44,167

The company pays a franchise fee upfront every 5 years.

Goodwill

At cost	2,767,693	2,767,693
	2,801,860	2,811,860

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 11. Payables		
Current		
Trade creditors	107,222	163,920
Franchise fees payable	-	-
Other creditors and accruals	10,821	33,453
	118,043	197,373
Non-current		
Franchise fees payable	-	-
	-	-
(A) financial liabilities at amortised cost classified as trade and other payables		
- Total current	111,658	169,502
- Total non-current	-	-
	111,658	169,502
Financial liabilities as trade and other payables	111,658	169,502

Note 12. Loans and borrowings

Current		
Bank overdraft	-	-
Bank loan - secured	286,332	286,332
	286,332	286,332
Non-current		
Bank loan - secured	2,087,114	2,232,418
	2,373,446	2,518,750

Note 13. Provisions

Current		
Unpaid declared dividend	276	70
Employee benefits	15,461	18,612
	15,737	18,682
Non-current		
Employee benefits	6,173	5,389
	6,173	5,389
	21,910	24,071

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 13. Provisions (continued)		
Number of employees at year end	7	8

Note 14. Share capital

471,458 Ordinary shares fully paid of \$1 each	471,458	471,458
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Note 15. Retained earnings / (accumulated losses)

Balance at the beginning of the financial year	90,900	(68,814)
Profit/(loss) after income tax	270,586	206,860
Dividends	(47,146)	(47,146)
Balance at the end of the financial year	314,340	90,900

Note 16. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	161,969	185,138
Bank overdraft	-	-
	161,969	185,138

(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities

Profit / (loss) after income tax	270,586	206,860
Interest relating to financing activities	191,066	225,752
Non cash items		
- Depreciation	22,964	13,699
- Amortisation	10,000	10,316
- (Profit)/loss on disposal of non-current assets	-	19,996
Changes in assets and liabilities		
- (Increase) decrease in receivables	(2,946)	22,117
- (Increase) decrease in prepayments	56	(262)
- (Increase) decrease in deferred taxes payable	550	(893)
- Increase (decrease) in trade payables and accruals	(79,331)	33,149
- Increase (decrease) in income taxes payable	1,395	27,885
- Increase (decrease) in provisions	(2,161)	2,976
Net cash flows from/(used in) operating activities	412,179	561,595

Notes to the financial statements (continued)

	2013	2012
	\$	\$
Note 17. Auditors' remuneration		
Amounts received or due and receivable		
- Audit or review of the financial report of the company	6,420	6,290
- Other services in relation to the company	-	-
	6,420	6,290

Note 18. Director and related party disclosures

The names of Directors who have held office during the financial year are:

Mr. Herman Augustinus Bersee	Mr. Rodney Summers
Ms. Pauline Grieve	Ms. Carolyn Adams
Mr. Hendrik Jan Bruins	Ms. Kathryn Bersee
Mr. Robert James Foggo	Mrs Karen Olive
Mr. Edgar Malcolm Peucker	Mr. Kenneth Oswald Stafford

No Director or related entity has entered into a material contract with the company. No Director's fees have been paid as the positions are held on a voluntary basis.

	2013	2012
Mr. Herman Augustinus Bersee	10,001	10,001
Ms. Pauline Grieve	-	-
Mr. Hendrik Jan Bruins	-	-
Mr. Robert James Foggo	200	200
Mr. Edgar Malcolm Peucker	500	500
Mr. Rodney Summers	-	-
Ms. Carolyn Adams	-	-
Ms. Kathryn Bersee	-	-
Mrs Karen Olive	-	-
Mr. Kenneth Oswald Stafford	-	-

There was no movement in Directors' shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

Notes to the financial statements (continued)

Note 19. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2013/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 20. Contingent liabilities and assets

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

Note 21. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Mount Gambier, South Australia. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 99% of the revenue (2012: 98%).

Note 22. Corporate information

Mount Gambier And District Financial Services Ltd is a company limited by shares incorporated in Australia.

The registered office and principal place of business is: 16 James Street, Mount Gambier, South Australia, 5290.

	2013 \$	2012 \$
Note 23. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and recognised as a liability		
Franked dividends - nil cents per share (2012: nil cents)	-	-
(b) Dividends paid during the year		
(i) Current year interim		
Franked dividends - nil cents per share (2012: nil cents per share)	-	-
(ii) Previous year final		
Franked dividends - 10 cents per share (2012: 10 cents per share)	47,146	47,146
Unfranked dividends - nil cents per share (2012: nil cents per share)	-	-
(c) Dividends proposed and not recognised as a liability		
Unfranked dividends - nil cents per share (2012: nil cents per share)	-	-
Franked dividends -10 cents per share (2012: 10 cents per share)	47,146	47,146

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 23. Dividends paid or provided for on ordinary shares (continued)		
(d) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	135,273	61,663
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	66,384	56,358
- Franking debits that will arise from the payment of dividends as at the end of the financial year	-	-
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	-	-
- Franking credits that the entity may be prevented from distributing in the subsequent year	-	-
	201,657	118,021

The tax rate at which dividends have been franked is 30% (2012: 30%).

Dividends proposed will be franked at a rate of 30% (2012: 30%).

	2013 ¢	2012 ¢
Note 24. Earnings per share		
Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.	57.39	43.88
Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).	57.39	43.88
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Profit/(loss) after income tax expense	270,586	206,860
Weighted average number of ordinary shares for basic and diluted earnings per share	471,458	471,458

Notes to the financial statements (continued)

	2013 \$	2012 \$
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Note 25. Capital and leasing commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease statements

- not later than 12 months	67,238	69,255
- between 12 months and 5 years	190,507	265,478

The property lease is a non-cancellable lease with a five-year term, with rent payable in advance. The current lease expires in April 2017.

Rent increase as per the lease by CPI in May 2013.

An option exists to renew the lease at the end of the current five-year term for an additional term of five years.

Note 26. Financial risk management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2013 \$	2012 \$
Cash assets	200	200
Receivables	172,066	169,118
	172,266	169,318

The company's exposure to credit risk is limited to Australia by geographic area. The majority balance of receivables is due from Bendigo and Adelaide Bank Limited.

None of the assets of the company are past due (2012: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(a) Credit risk (continued)

The company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Limited.

(b) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the company has an established overdraft facility of \$50,000 with Bendigo and Adelaide Bank Limited.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2013					
Payables	118,043	(118,043)	(118,043)	-	-
Loans and borrowings	2,373,446	(2,373,446)	(286,332)	(1,145,328)	(941,786)
	2,491,489	(2,491,489)	(404,375)	(1,145,328)	(941,786)
30 June 2012					
Payables	197,373	(197,373)	(197,373)	-	-
Loans and borrowings	2,518,750	(2,518,750)	(286,332)	(1,145,328)	(1,087,090)
	2,716,123	(2,716,123)	(483,705)	(1,145,328)	(1,087,090)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company reviews the exposure to interest rate risk as part of the regular Board meetings.

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

At the reporting date the interest rate profile of the company's interest bearing financial instruments was:

	Carrying amount	
	2013 \$	2012 \$
Fixed rate instruments		
Financial assets	100,000	150,000
Financial liabilities	-	-
	100,000	150,000
Variable rate instruments		
Financial assets	61,769	34,938
Financial liabilities	-	-
	61,769	34,938

Fair value sensitivity analysis for fixed rate instruments

The company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2012 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

(e) 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 level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

Notes to the financial statements (continued)

Note 26. Financial risk management (continued)

(e) Capital management (continued)

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the Distribution Limit.

- (i) 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; and
- (ii) 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 2013 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In accordance with a resolution of the Directors of Mount Gambier and District Financial Services Limited, I 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 2013 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2013.



Herman Bersee,
Director

Signed at Mount Gambier on 25 September 2013.

Detailed statement of comprehensive income

For the year ended 30 June 2013

	2013 \$	2012 \$
Income		
Commission received	1,734,481	1,814,006
Other income		
Interest received	5,160	7,609
Interest rebate	71,754	-
Rent received	-	26,127
Profit (loss) on sale of asset	545	(19,996)
Sundry	-	-
	1,811,940	1,827,746
Expenditure		
Accountancy fees	14,820	13,600
Annual leave accrual	19,269	33,079
ASIC Compliance costs	1,086	1,356
Advertising & promotion	38,425	29,361
Agent commission	13,537	4,061
Amortisation	10,000	10,316
ATM Fees	33,171	26,783
Auditors remuneration	6,420	6,290
Bank charges	530	600
Bad debts written off	2,957	858
Board expenses	9,032	7,558
Borrowing costs	56	56
Cash delivery	2,470	2,515
Cash management	661	895
Cleaning & gardening	12,065	13,521
Community grants	147,910	121,027
Computer expenses	46,781	72,008
Depreciation	22,964	13,699
Employee's amenities	738	670
Fixed assets <\$300	281	1,249
Freight & cartage	27,568	48,990
Fringe benefit tax	1,813	-

Detailed Statement of Comprehensive Income (continued)

	2013	2012
	\$	\$
Expenditure		
Hire of plant & equipment	-	273
Insurance	15,361	15,971
Interest paid	191,067	225,806
Lease / rent office equipment	2,412	2,412
Legal costs	817	604
Light & power	12,220	18,438
Long service leave provision	5,700	6,694
Marketing	6,417	5,070
Motor vehicle costs	1,253	-
Other employer expenses	20,991	9,101
Payroll services	1,260	615
Payroll tax	15,506	24,576
Postage	2,725	3,319
Printing & stationary	24,029	19,470
Procedural errors	(807)	259
Rates & taxes	7,456	7,674
Rent	67,238	86,698
Repairs & maintenance	7,129	20,965
Salaries & wages	530,671	544,661
Search fees	1,629	3,199
Security costs	2,489	6,762
Share registry	2,886	1,240
Sponsorship	182	-
Staff recruitment & training	13,545	6,993
Staff uniforms	2,156	3,060
Subscriptions	(180)	180
Sundry expenses	2,365	2,042
Superannuation contributions	48,848	50,953
Telephone	7,244	13,470
Travelling expenses	16,510	11,157
Workcover	3,715	3,309
	1,425,388	1,503,463
Net profit / (loss)	386,552	324,283

Independent audit report



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INDEPENDENT AUDIT REPORT TO THE MEMBER OF MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LTD

Report on the Financial Report

We have audited the accompanying financial report of Mount Gambier & District Financial Services Ltd (the company) which comprises the balance sheet as at 30 June 2013 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the director's declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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



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INDEPENDENT AUDIT REPORT TO THE MEMBER OF MOUNT GAMBIER & DISTRICT FINANCIAL SERVICES LTD

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Mount Gambier & District Financial Services Ltd on 26 September 2013, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

- a. The financial report of Mount Gambier & District Financial Services Ltd is in accordance with the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Mark Stephen Edwards
Chartered Accountant
172 Smith Street
Naracoorte SA 5271



Registered Auditor: Mark Edwards

Naracoorte

26 September 2013

Mount Gambier & District **Community Bank**[®] Branch
16 James Street, Mount Gambier SA 5290
Phone: (08) 8726 3200



Franchisee:
Mount Gambier & District Financial Services Limited
16 James Street, Mount Gambier SA 5290
Phone: (08) 8726 3200
ABN: 42 096 059 997

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