

Mareeba & Dimbulah
Financial Services Limited

ABN 53 115 503 930

annual report 2011



Mareeba and Dimbulah **Community Bank**[®] branches

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Chairman's report

For year ending 30 June 2011

Review of operations

Mareeba & Dimbulah Financial Services Limited (MDFS) operate its **Community Bank**[®] branches (under franchise arrangements) of Bendigo and Adelaide Bank Ltd in Mareeba and Dimbulah.

Mareeba **Community Bank**[®] Branch exceeded budget projections in its business footings over the past 12 months, bringing in an additional \$11 million in business to the branch. The mix of business between lending and deposits affect the revenue generated through the branch and while these returns are down on average, total revenue has never-the-less increased. This is still a very pleasing result and a testament to the work of our Branch Manager and staff.

Dimbulah **Community Bank**[®] Branch continues to grow business and has increased business by about 5.5% over the previous year to almost \$23 million. Again this year operations ran at a loss, but was marked by positive signs, with actual revenue growth three times the returns on footings that are normally generated. The loss position is expected to continue at least for the next twelve months given the decline in lending, almost Australia wide. This is also a result of changes in margin income structure due to the tightening of interest rates, since the Global Financial Crisis, and the imbalance in margin income paid by Bendigo and Adelaide Bank Ltd through the profit share structure.

In February this year the Queensland State Manager of Bendigo and Adelaide Bank Ltd, Mr Noel Jessup, called all **Community Bank**[®] Boards across North Queensland together to present the Bank's 'Restoring the Balance' message. This message was to inform each Board of the imbalance in the payment of margin income between the Bank and its **Community Bank**[®] partners, with the result that each branch had to take a cut in its margin income from .5% to .375% from April 2011 until March 2013, then a further cut to .25% from that date onward, until the balance of margin income was restored to a 50/50 split. The outcome is a result of the Bank's overall margin income being reduced from 1% (which would ordinarily result in a .5% margin each) to between .5% and .65%, from which the **Community Bank**[®] branches were continuing to receive their .5% cut, a clear imbalance in favour of the **Community Bank**[®] branch. The adjustment to the branch revenue is a reduction in margin income to the Mareeba branch of about \$5,000 a month and a cut to Dimbulah's revenue of about \$1,000 a month. The reason I report on this matter is that it will result in a significant reduction in revenue for the **Community Bank**[®] branch over the next couple of years and possibly beyond.

To the credit of our franchise partner, Bendigo and Adelaide Bank Ltd, has been active in assisting **Community Bank**[®] branches re-assess their income streams to increasing revenue in other areas and reviewing expenditures to cutting costs in non-essential areas.

Operating results

The Company achieved a gross revenue of \$ 1,427,116 and an after tax profit of \$ 82,865. This profit result is also after an amount of \$120,000 has been placed with the Bank's Community Enterprise Foundation™. This is a good stable result for the Company given the ups and downs in the broader economy since early 2009. We have been able to maintain a profitable position, to continue returns to our shareholders, and have been able to increase revenue by almost 8% over the previous year.

Chairman's report continued

Staff

Our Branch Managers, Stephen Gear in Mareeba and Ann-Maree Zugno in Dimbulah, have again been very active in the community, representing Bendigo and Adelaide Bank Ltd and their respective **Community Bank®** branches. The time and effort asked of them both has always been met with a positive attitude and I thank them enormously for that. The Board is very appreciative of the support both our managers provide when we are called upon to represent your **Community Bank®** branches, with the telling of the **Community Bank®** story and promoting the banking business within our communities.

We are very fortunate to have an enthusiastic group of individuals in both branches who participate in and assist with activities the Board and Branch Managers run from time to time. We as a Board certainly appreciate the extra effort and input our staff provide. I commend Scott for his work in relating **Community Bank®** branch activities on the world network called Facebook, just another way to relate what we as a group do in our local community.

On behalf of the Directors, I wish to thank all staff for their loyalty and commitment in promoting our **Community Bank®** branches in our community.

Community support/projects

MDFS role is to provide our community with a high standard of community involvement and interaction that directly benefits our customers and the wider community through the purchase of everyday services.

This year 2010/2011 we provided more than \$40,000 in sponsorship to the Mareeba and Dimbulah communities, contributed \$10,000 directly to assist organisations help those affected by the cyclone and floods, transferred \$120,000 to the Community Enterprise Foundation™ for future projects, donated to the Mareeba Chamber of Commerce for a community project, paid for a feasibility report on homelessness in Mareeba and donated \$20,000 to the Mareeba Heritage Museum to go toward finishing the Tobacco Museum. Since the establishment of our **Community Bank®** branches more than \$450,000 has been returned to the community either by distribution of dividends to shareholders or through grants, donations and sponsorship of local clubs and organisations. The Board is quietly pleased with its achievement to date, particularly with the homeless project in Mareeba, as the outcome from this community consultation has seen the community granted the right to run a pilot program, through the Tableland Regional Council, with government funding over the next two years of \$1.4 million. The Dimbulah Board members and Branch Manager have contributed their time and effort enormously to bring about increased doctor services to their community, with the result that a doctor now visits the hospital clinic two days a week. The **Community Bank®** branches continue to be involved in this endeavour, with one of our Board members active in the committee formed to bring about this outcome and its continued funding.

Bendigo and Adelaide Bank Ltd – Franchise agents

The Board acknowledges the support it receives from Bendigo and Adelaide Bank Ltd and we wish to thank the Regional Manager, Mr Ross Growcott, for his support and counsel.

We also acknowledge the valuable support given to our **Community Bank®** branches by Bendigo and Adelaide Bank Ltd's Business Division, ably managed by Patrick Freney and Amy Phillips.

Bendigo and Adelaide Bank Ltd provides training for Directors and this year Directors attended a secretaries course, Directors course and forum, and attend the National Conference, this year held in Sydney.

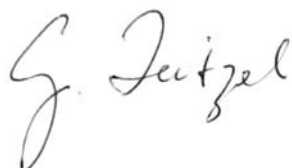
Chairman's report continued

Directors

2010 marked the fifth anniversary of the **Community Bank**[®] branches in Mareeba and Dimbulah. Graeme Ford, Evan McGrath, Frank De Iacovo, Cheryl Tonkin have been on the Board since inception, and have given of their time to progress the **Community Bank**[®] branches and I sincerely thank them for their efforts and dedication, particularly over the last five years. In fact they have been working with the **Community Bank**[®] project since the steering committee was formed back in October 2003. To Edward Balzarolo, who has been instrumental in gaining the doctor services to Dimbulah and is Chairman of the Sponsorship & Marketing Committee, and finally I acknowledge our newer Directors, Glenys Pilat from the TRC, has been a tremendous help because of her background, particularly in relation to the homeless report for Mareeba and to Natasha Srhoj, who was appointed to the Board in March, brings with her valuable advertising skills and exuberance.

The Board accepted the resignation of Director Ron Blundell in September and Pat Freney who resigned in October. I thank them both for his contribution to the Board functioning. Both were valued members of our team.

I also acknowledge the work of Diana Pregl our Assistant Secretary for the commitment and dedication she gives to her position; I cannot overstate the work she performs on behalf of the Board.



Gilbert Teitzel

Chairman

Managers' report

For year ending 30 June 2011



Far left: Stephen Gear,
Mareeba Branch Manager
Left: Ann-Maree Zugno,
Bimbulah Branch Manager.

We have now completed our fifth year of trading as Mareeba and Dimbulah **Community Bank**[®] branches, with a positive result in growth.

The past 12 months have seen an increasingly competitive banking industry, yet we are able to report that we have not only maintained, but increased our position in this market. Our overall footings increased by 9.1%, growing from \$133.5 million of total business as at 30 June 2010 to \$145.7 million as at 30 June 2011 showing an overall business growth of \$12.2 million across both branches.

Business growth can be attributed to our commitment to community outcomes and the acknowledgement within our community for having a reputation of being 'more than just a bank'. Our active involvement and advocacy continues to assist many community projects such as increasing the doctors' hours at the Dimbulah Hospital. This ongoing project has already seen the hours increased from one day per week to two days per week. In the Mareeba community the bank has been working with various groups on the Street to Home project. We can comfortably say that we are assisting in making our communities better places to live.

Continuing with the Boards' support of employing local staff to service our **Community Bank**[®] branches we have been able to once again employ locally. Over the past 12 months we have strengthened our service commitment to our customers through the promotion of Carmel Serravalle to Customer Relationship Officer and the appointment of Tonya Zanette to our Dimbulah **Community Bank**[®] Branch. Our service commitment was further strengthened with the appointment of a new Business Banking Manager, Pat Freney.

It is pleasing to manage an office where there are no complaints recorded and many compliments received. We would like to personally thank each and every staff member for their support and commitment to our customers and community.

Each year we proudly support and sponsor many community organisations and our local festivals. Currently, we are designing a more structured sponsorship and grants program, which will enable us to assist even more organisations throughout our communities.

We would like to acknowledge and thank our volunteer Directors who give up their time in support of the Mareeba & Dimbulah Financial Services Limited and welcome our newest Director Natasha Srhoj.

We would like to encourage our existing clients, members and supporters to become advocates for our **Community Bank**[®] branches and continue to refer business from family, friends and business acquaintances. The more business held with our branches, the more our capacity to support local projects and programs increases.

Managers' report continued

Our aim in the year ahead is to connect with our customers, shareholders and potential clients on a more relevant level. Everyone has to bank somewhere why not choose to bank with your locally owned and operated Mareeba and Dimbulah **Community Bank**® branches?

Thank you again to everyone for your support and celebration of our success throughout the year.



Stephen Gear
Mareeba Branch Manager



Ann-Maree Zugno
Dimbulah Branch Manager

Directors' report

For the financial year ended 30 June 2011

Your Directors present this report on the Company for the financial year ended 30 June 2011.

Directors

The names of the Directors in office at any time during or since the end of the year are:

Name: Gilbert James Teitzel
Position: Chairman
Qualifications: Certified Practising Accountant
Special responsibilities: Governance & Business Development Committee and Chair of Audit Committee

Name: Cheryl Eileen Tonkin
Position: Secretary
Qualifications: Civil Celebrant/Auctioneer
Special responsibilities: Governance & Business Development Committee

Name: Evan David McGrath
Position: Treasurer
Qualifications: Grazier
Special responsibilities: Audit Committee and Human Resources Committee

Name: Lex Starmer (Ceased: 30/8/10)
Position: Director
Qualifications: General Manager NQ Co-op Ltd
Special responsibilities: Governance & Business Development Committee and Audit Committee

Name: Graeme Eric Ford
Position: Director
Qualifications: Automotive Dealer
Special responsibilities: Chair of Governance & Business Development Committee and Chair of Human Resources Committee

Name: Edward Balzarolo
Position: Director
Qualifications: Primary Producer
Special responsibilities: Marketing & Sponsorship Committee

Name: Gianfranco De Iacovo
Position: Director
Qualifications: Business Owner
Special responsibilities: Marketing & Sponsorship Committee

Directors' report continued

Directors (continued)

Name: Wilfrid Ronald Blundell (Ceased: 25/11/10)

Position: Director

Qualifications: Property Developer/Primary Producer

Special responsibilities: Marketing & Sponsorship Committee

Name: Glenys Anne Pilat

Position: Director

Qualifications: Senior Advisor Tablelands Regional Council

Special responsibilities: Marketing & Sponsorship Committee

Name: Patrick John Freney (Ceased: 28/10/10)

Position: Director

Qualifications: Consultant

Special responsibilities: Audit Committee, Human Resources Committee and Marketing & Sponsorship Committee

Name: Natasha Srhoj (Appt: 30/3/11)

Position: Director

Qualifications: Account Manager Mareeba Express

Special responsibilities: Marketing & Sponsorship Committee

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Directors' meetings

During the year 12 Directors' meetings were held. Attendances by each Director during the year were:

	Number eligible to attend	Number attended
Gilbert J Teitzel	12	11
Cheryl E Tonkin	12	9
Evan D McGrath	12	10
Edward Balzarolo	12	12
Gianfranco De Iacovo	12	10
Graeme E Ford	12	10
Lex Starmer	2	0
Wilfrid R Blundell	5	4
Glenys A Pilat	12	7
Patrick J Freney	4	4
Natasha Srhoj	4	4

Directors' report continued

Principal activities

The principal activities of the Company during the course of the year were providing **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd in Mareeba and Dimbulah.

No significant change in the nature of these activities occurred during the year.

Operating and financial review

The amount of profit from ordinary activities of the Company after income tax was \$82,864.70 for the financial year ended 30 June 2011.

The Company will continue to pursue its main objective of providing a core of banking products and services pursuant to its franchise agreement with Bendigo and Adelaide Bank Ltd.

Significant changes in the state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

After balance date events

No matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years.

Future developments

The Company expects to maintain the present status and level of operations and hence there are no likely developments in the operations in future financial years.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends

The dividend of \$60,270.66 (\$ 0.06 per share) referred to in the previous Directors' report dated was paid on 17 November 2010.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors' benefits

No Director has received or has become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company 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 or related body corporate.

Directors' report continued

Indemnifying Officer or Auditor

During or since the end of the financial year the Company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums for any persons who are or have been a Director or an Officer, but not an Auditor of the Company. A Directors' and Officers' liability insurance policy for \$5,000,000.00 cover has been taken out for an annual premium cost of \$3,547.50.

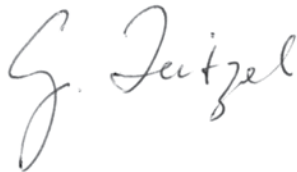
Proceedings on behalf of Company

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.

Auditors independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been included on page 10.

Signed in accordance with a resolution of the Board of Directors:



Gilbert J Teitzel
Director



Graeme E Ford
Director

Dated: 17 October 2011.



Back row: Gilbert Teitzel (Chairman), Evan McGrath, Graeme Ford, Edward Balzarolo, Frank De Iacovo.
Front row: Cheryl Tonkin, Glenys Pilat, Natasha Srhoj.

Auditor's independence declaration

Mareeba & Dimbulah Financial Services Limited
ABN 53 115 503 930

**Auditor's Independence Declaration under Section 307C of the Corporations Act
2001 to the Directors of Mareeba & Dimbulah Financial Services Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 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.

WHK Greenwoods

WHK Greenwoods (Cairns)
ABN 29 808 793 806

J Taylor

Jason Taylor
Principal

17 October 2011
232-240 Mulgrave Rd
Cairns QLD 4870

Financial statements

Income statement for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Classification of expenses by nature			
Revenues from ordinary activities	2	1,427,115.73	1,323,618.07
Administration and general costs		-151,252.34	-161,839.63
Employment secondment expenses		-717,283.39	-642,928.16
ATM expenses		-24,206.54	-23,736.23
Depreciation and amortisation expenses		-51,929.84	-36,074.00
IT leasing and running costs		-48,312.48	-51,580.24
Management fees			-60,082.60
Occupancy costs		-105,522.64	-88,290.29
Marketing Development Fund expenses		-86,224.83	-64,048.55
Grants and donations		-124,429.55	-81,375.70
Profit from ordinary activities before income tax		117,954.12	113,662.67
Income tax expense relating to ordinary activities	3	-35,089.42	-32,671.07
Net profit attributable to members of the Company		82,864.70	80,991.60
Earnings per share (cents)		8.25	8.06
Diluted earnings per share (cents)		8.25	8.06

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	4	497,622.69	540,509.62
Receivables	5	127,331.26	126,621.25
Other	6	4,027.14	4,793.11
Current tax assets	7	7,726.03	1,494.62
Total current assets		636,707.12	673,418.60
Non-current assets			
Property, plant and equipment	8	285,646.67	319,592.67
Intangible assets	9	312,644.80	190,000.00
Total non-current assets		598,291.47	509,592.67
Total assets		1,234,998.59	1,183,011.27
Current liabilities			
Payables	10	113,030.96	80,555.24
Current tax liabilities	11	9,790.00	12,782.46
Total current liabilities		122,820.96	93,337.70
Total liabilities		122,820.96	93,337.70
Net assets		1,112,177.63	1,089,673.57
Equity			
Contributed equity	12	1,004,511.00	1,004,511.00
Retained profits		107,666.63	85,162.57
Total equity		1,112,177.63	1,089,673.57

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity for the year ended 30 June 2011

	Issued capital \$	Accumulated profit/(loss) \$	Total equity \$
Balance at 1 July 2009	1,004,511.00	64,506.63	1,069,017.63
Shares issued during year	-	-	-
Profit/(loss) attributable to the members of the Company		80,991.60	80,991.60
Sub-total:	1,004,511.00	145,498.23	1,150,009.23
Dividends written back (Oct 06)		(65.00)	(65.00)
Dividends paid or provided for		(60,270.66)	(60,270.66)
Balance at 30 June 2010	1,004,511.00	85,162.57	1,089,673.57
Balance at 1 July 2010	1,004,511.00	85,162.57	1,089,673.57
Shares Issued during year	-	-	-
Profit/(loss) attributable to the members of the Company		82,864.70	82,864.70
Sub-total:	1,004,511.00	168,027.27	1,172,538.27
Dividends written back		(89.98)	(89.98)
Dividends paid or provided for		(60,270.66)	(60,270.66)
Balance at 30 June 2011	1,004,511.00	107,666.63	1,112,177.63

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	2011 \$	2010 \$
Cash flow from operating activities		
Receipts from customers	1,372,959.18	1,431,084.09
Payments to Suppliers and employees	-1,199,016.55	-1,273,283.58
Interest received	19,371.82	14,854.43
Income tax paid	-35,212.10	-23,643.30
Net cash provided by (used in) operating activities (note B)	158,102.35	149,011.64
Cash flow from investing activities		
Payment for:		
Payments for franchise and renewal process fees	-138,846.00	
Payments for property, plant and equipment	-1,782.64	-10,021.82
Net cash provided by (used in) investing activities	-140,628.64	-10,021.82
Cash flow from financing activities		
Dividends paid	-60,360.64	-62,591.93
Net cash provided by (used in) financing activities	-60,360.64	-62,591.93
Net increase (decrease) in cash held	-42,886.93	76,397.89
Cash at the beginning of the year	540,509.62	464,111.73
Cash at the end of the year (note A)	497,622.69	540,509.62

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows
for the year ended 30 June 2011 (continued)

	2011 \$	2010 \$
Note A. Reconciliation of cash		
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.		
Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:		
Cash at bank	144,522.55	190,509.62
Term deposit	353,100.14	350,000.00
	497,622.69	540,509.62

Note B. Reconciliation of net cash provided by/used in operating activities to net profit

Operating profit (loss) after tax	82,864.70	80,991.60
Depreciation	35,728.64	36,074.00
Amortisation	16,201.20	
Increase/(decrease) in future income tax benefit	286.47	-28.03
Increase/(decrease) in outstanding dividends		2,256.27
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	-710.01	-8,555.91
(Increase) decrease in prepayments	765.97	95.53
Increase (decrease) in trade creditors and accruals	32,475.72	6,246.97
Increase (decrease) in current tax liabilities	-9,510.34	31,931.21
Net cash provided by operating activities	158,102.35	149,011.64

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Mareeba & Dimbulah Financial Services Limited as an individual entity. Mareeba & Dimbulah Financial Services Limited is a Company limited by shares, incorporated and domiciled in Australia.

The financial report of Mareeba & Dimbulah Financial Services Limited complies with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

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

(A) Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs.

(B) Accounting policies

Income tax

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of Benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

a) Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amounts.

The cost of fixed assets constructed within Mareeba & Dimbulah Financial Services Limited includes the cost of materials, direct labor, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

b) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to Mareeba & Dimbulah Financial Services Limited commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Depreciation rate %
Plant and equipment	2.5 - 40.0%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the leaser, are charged as expenses in the periods in which they are incurred.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Financial instruments

a) Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

b) Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in fair value of these assets are included in the income statement in the period in which they arise.

c) Loans and receivables

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

d) Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments are stated at amortised cost using the effective interest rate method.

e) Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

f) Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

g) Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

h) Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

i) Impairment

At each reporting date, the Directors assess whether there is objective evidence that financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Impairment of assets

At each reporting date, the Directors review the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs.

Intangibles

Franchise fees

The initial franchise fees paid by the Company pursuant to a Franchise Agreement with Bendigo and Adelaide Bank Ltd were being amortised over the initial five (5) year period of the agreement. However, on advice from Price Waterhouse Coopers these initial fees were not tax deductible and therefore the amortisation was reversed in the year ended 30 June 2008.

The franchise agreements for the Mareeba **Community Bank**[®] Branch and Dimbulah **Community Bank**[®] Branch were combined and renewed on 1 December 2010. The franchise renewal fees were \$79,423.00 for each branch. These are tax deductible and are being amortised over a five (5) year period.

Employee benefits

Provision is made for the liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year have been measured at the amount expected to be paid when the liability is settled, plus related on-costs. Employee entitlements payable later than one year have been measured at the present value of the estimated future cash out flows to be made for those entitlements.

Because the employees are seconded staff to the Company all entitlements are recorded by Bendigo and Adelaide Bank Ltd, therefore the liability arises as and when these entitlements are paid by Bendigo and Adelaide Bank Ltd and invoiced to the Company.

Provisions

Provision are recognised when Mareeba & Dimbulah Financial Services Limited has a legal or constructive obligation, as a result of past events, for which it is probable that the outflow of economic benefit will result and that the outflow can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks or financial institutions, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

Goods and Service Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Comparative figures

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

	2011 \$	2010 \$
Note 2. Revenues from ordinary activities		
Gross margin	841,991.25	740,757.27
Upfront product commission	35,652.30	34,210.74
Trailer product commission	328,714.69	328,540.34
Fee income	139,534.51	145,530.50
Market development fund	61,851.16	59,724.79
Interest received	19,371.82	14,854.43
	1,427,115.73	1,323,618.07

Notes to the financial statements continued

	2011 \$	2010 \$
Note 3. Income tax expense		
The prima facie tax on income/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Profit/(loss) from ordinary activities before income tax at 30%		
Prima facie income tax at 30%	35,959.09	34,042.94
Less tax effect of:		
- deductible prospectus costs amortised	-583.20	-1,399.90
- prepaid insurance	-286.47	28.03
Income tax expense/(revenue)	35,089.42	32,671.07
Income tax expense attributable to profit from ordinary activities	35,089.42	32,671.07
The applicable weighted average effective tax rates are as follows (%):		
	29.75	28.74

Note 4. Cash and cash equivalents

Bank accounts:

Bendigo cheque account	87,434.34	126,220.44
Bendigo Market Development Fund account	57,128.27	64,447.56
Bendigo business solutions account	-40.06	-158.38
Other cash items:		
Term deposit	353,100.14	350,000.00
	497,622.69	540,509.62

Reconciliation of cash:

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

- Cash	497,662.75	540,668.00
- Bank overdrafts	-40.06	-158.38
	497,622.69	540,509.62

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 5. Receivables

Current

Trade debtors	127,331.26	126,621.25
	127,331.26	126,621.25

Note 6. Other assets

Current

Prepayments	4,027.14	4,793.11
	4,027.14	4,793.11

Note 7. Tax assets

Current

GST payable control account	-23,312.08	-23,227.80
Input tax credit control account	29,829.96	20,644.49
Deferred tax assets	1,208.15	1,494.62
	7,726.03	-1,088.69

Reconciliation of prepayments:

Opening balance	1,494.62	1,446.59
Credit to the income statement	-286.47	28.03
Closing balance	1,208.15	1,494.62

Note 8. Property, plant and equipment

Leasehold improvements:

- At cost	436,105.39	435,541.75
- Less: accumulated depreciation	-157,359.36	-122,954.36
	278,746.03	312,587.39

Plant and equipment:

- At cost	20,568.09	19,349.09
- Less: accumulated depreciation	-13,667.45	-12,343.81
	6,900.64	7,005.28
	285,646.67	319,592.67

Notes to the financial statements continued

	2011 \$	2010 \$
Note 9. Intangible assets		
Franchise fees:		
- At cost	328,846.00	190,000.00
- Less: accumulated amortisation	-16,201.20	
	312,644.80	190,000.00
	312,644.80	190,000.00

Note 10. Payables

Unsecured:

- Trade creditors	113,030.96	80,555.24
	113,030.96	80,555.24

A Bad Debt of \$32,333.44 was recorded on the Income & Expenditure Statement for the month of June 2011. This amount has not been included in these financial statements. The debt was recorded against the Dimbulah **Community Bank**[®] Branch in error. The debt sits on the books of Bendigo and Adelaide Bank Ltd. This amount will be corrected and reversed on the August 2011 Income and Expenditure Statement.

Note 11. Tax liabilities

Current

Provision for income tax	9,790.00	10,199.15
	9,790.00	12,782.46

Note 12. Contributed capital

1,004,511.00 Ordinary shares at \$1.00 each fully paid	1,004,511.00	1,004,511.00
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Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Notes to the financial statements continued

Note 13. Remuneration & retirement benefits

Directors' remuneration

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

Gilbert J Teitzel	Chairperson
Cheryl E Tonkin	Secretary
Evan D McGrath	Treasurer
Graeme E Ford	Non-Executive Director
Edward Balzarolo	Non-Executive Director
Gianfranco De Iacovo	Non-Executive Director
Lex Starmer	Non-Executive Director
Glenys A Pilat	Non-Executive Director
Wilfrid R Blundell	Non-Executive Director
Patrick J Freney	Non-Executive Director
Natasha Srhoj	Non-Executive Director

No person met the definition of executive of the Company during the financial year ended 30 June 2011.

No income was paid or was payable or otherwise made available to the Directors of the Company during the year ended 30 June 2011.

Options

No options over issued shares or interest in the Company were granted to the Directors during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors do not own any options over issued shares or interests in the Company at the date of this report.

Shareholdings	2011	2010
Graeme E Ford	20,002	20,002
Gilbert J Teitzel	6,091	6,091
Evan D McGrath	1,501	1,501
Wilfrid R Blundell	1,001	1,001
Gianfranco De Iacovo	1,001	1,001
Cheryl E Tonkin	5,001	5,001
Lex Starmer	nil	nil
Edward Balzarolo	nil	nil
Glenys A Pilat	nil	nil
Patrick J Freney	nil	nil
Natasha Srhoj	nil	nil

Notes to the financial statements continued

Note 13. Remuneration & retirement benefits (continued)

Remuneration Practices

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is as follows:

It is current policy of the Company that Board members are not remunerated for the services performed.

	2011 \$	2010 \$
Note 14. Auditors' remuneration		
Remuneration of the Auditor of the Company for:		
Auditing or reviewing the financial report	9,500.00	9,850.00
Other services		
	9,500.00	9,850.00

Note 15. Related party transactions

Millar Teitzel Certified Practising Accountants received \$13,975.10 in accounting fees for work related to the preparation of monthly figures for both the Mareeba and Dimbulah bank branches, the preparation of business activity statements, the finalisation of accounts with the Auditor and the preparation of the income tax return.

Millar Teitzel Certified Practising Accountants have held the share register from 1 July 2009. A fee is charged by them for holding the share registry, share transactions throughout the year, payment of dividends and communications to shareholders in relation to the registry.

No other related parties entered into a transaction with the Company during the financial year ended 30 June 2011 other than those disclosed in Note 13.

Note 16. Financial instruments

a) Financial risk management

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

The Board of Directors oversees the establishment, implementation and annual review of the Company's risk management system. Management has established and implemented appropriate procedures for assessing, monitoring and managing operational, financial reporting and compliance risks for the Company.

The Company has exposure to the following risks from their use of financial instruments:

Notes to the financial statements continued

Note 16. Financial instruments (continued)

a) Financial risk management (continued)

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, and arises principally from the Company's earnings receivables from customers. All receivables shown as outstanding at 30 June 2011 relate to the amounts due from Bendigo and Adelaide Bank Ltd's from that months trading activities. The credit risk relating to this is assumed to be very low.

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's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without damaging its reputation. The Company has prepared annual expenditure budgets for the monitoring and management of activities in the upcoming twelve months. These budgets are based on funds currently available to the Company and expenditure is carefully monitored by the Treasurer to ensure that sufficient funds remain available to complete the required activities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates, and how it will affect the Company's income from Bendigo and Adelaide Bank Ltd, from this exposure and the value of its holdings of financial instruments. The Bank's exposure is primarily to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

The Company adopts a policy of ensuring that any surplus cash funds are placed on term deposit with a financial institution.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Company's debt and capital includes issued securities supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of its distributions to shareholders and distributions to counterparty organisations.

There have been no changes to the Company's approach to capital management during the year.

Notes to the financial statements continued

	2011 \$	2010 \$
Note 16. Financial instruments (continued)		
b) Risk exposure		
<u>Capital management</u>		
At the reporting date, the interest rate profile of the Company's interest-bearing financial instruments was:		
Variable rate instruments:		
Financial assets		
Cash and cash equivalents	144,522.55	190,509.62
	144,522.55	190,509.62
Fixed rate instruments:		
Financial assets		
Cash and cash equivalents	353,100.14	350,000.00
	353,100.14	350,000.00
Net financial assets	497,622.69	540,509.62
Non-interest bearing instruments:		
Financial assets		
Cash and cash equivalents		
Receivables	128,539.41	128,115.87
	128,539.41	128,115.87
Financial liabilities		
Payables	113,030.96	80,555.24
	113,030.96	80,555.24
Net financial assets	15,508.45	47,560.63

Cash flow sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit/(loss) by \$1,445 (2010: \$1,905).

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

Notes to the financial statements continued

Note 16. Financial instruments (continued)

b) Risk exposure (continued)

Liquidity risk

The Company does not have any financial liabilities apart from trade and other payables. The contractual maturity of the trade and other payables is less than three months.

Net fair values

The net fair value of financial assets and liabilities of the Company approximates their carrying amount.

The Company has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Note 17. Segment reporting

The Company operates in the financial services sector as a **Community Bank**[®] branch of the Bendigo Bank at Mareeba and Dimbulah, North Queensland.

Note 18. Events subsequent to reporting date

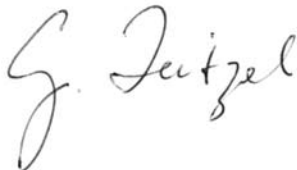
No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

Directors' declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 6 to 28, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date;
2. in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Gilbert J Teitzel
Director



Graeme E Ford
Director

Dated: 17 October 2011.

Independent audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAREEBA & DIMBULAH FINANCIAL SERVICES LTD

Report on the Financial Report

We have audited the accompanying financial report of Mareeba & Dimbulah Financial Services Limited, which comprises the balance sheet as at 30 June 2011, 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, other explanatory notes and the directors' 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 ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Independent audit report continued

Auditor's Opinion

In our opinion:

- (a) the financial report of Mareeba & Dimbulah Financial Services Limited 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 2011 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*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

WHK Greenwoods

WHK Greenwoods (Cairns)

ABN 29 808 793 806



Jason Taylor
Principal

Dated this 19th day of October 2011.

232-240 Mulgrave road
Cairns, Queensland

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(BMPAR11129) (10/11)

