Mareeba **Community Bank®** Branch
Dimbulah **Community Bank®** Branch

annual report 2012

Mareeba & Dimbulah
Financial Services Ltd

ABN 53 115 503 930

Contents

Chairman's report

For year ending 30 June 2012

Review of operations

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

This year has proven to be a mixed year for both branches, with the Dimbulah branch exceeding growth budgets, well in excess of the $2.5 million target set at in April of 2011, while the Mareeba branch's total business reduced by almost $1.5 million. While this may seem disappointing, the combined business never-the-less increased by a touch over six and a half percent to a total business of a little over $155 million by the financial year end. However given the decline in lending across the sector Australia-wide, with the tightening of interest rates since the Global Financial Crisis of 2009, and the imbalance in margin income paid by Bendigo and Adelaide Bank through the profit share structure, which still favours **Community Bank®** branches, there is still a lot of work to do to achieve the results set down by the Board in its strategic plan.

The Dimbulah branch's total business was just short of $34 million, up from the $23 million footings reported at the end of the previous year, a 47.8% increase. This year operation again ran at a loss, but was marked by very encouraging signs, with actual revenue growth up 20% on both the previous year revenue streams and budget expectations. The branch has turned the corner in terms of profitability and should have positive signs over the next 12 months.

Mareeba branch has exceeded revenue and profit estimates laid down in the budgets last year, despite the small drop in overall business footings, from $123 million to $121.5 million. The Board has been diligent over the past 12 months highlighting of a couple of anomalies in the financial records, which were able to be rectified very quickly, and the prudent management of expenses at both branches, to enable the business to build its cash reserves by $180,000.

Operating results

The company achieved a gross revenue of $ 1.544 million and an after tax profit of $178,764. This profit result is also after an amount of $120,000 has donated to Community Enterprise Foundation™ into our Community Grants Program account. Once again this is a good stable result for the company given the ups and downs in the broader economy since early 2009 and the continued uncertainty in the market place. We have been able to maintain a profitable position, to continue returns to our shareholders, and have been able to increase revenue by 3% over the previous year.

Staff

Our Branch Managers, Stephen Gear in Mareeba and Ann-Maree Zugno in Dimbulah, have again been very active in the community, representing the **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 the branches, with the telling of our **Community Bank®** story and promoting the banking business within our communities. This year Stephen and I have been contacting business people in Mareeba with the view to developing a relationship with them, by inviting them to a meeting and talking about the **Community Bank®** model from the company perspective and what it has achieved since inception, to the banking needs of individuals, businesses and clubs from the branch's perspective. This has proved to be a valuable exercise and one we plan to expand upon into the future.

We are very fortunate to have an enthusiastic group of individuals in both branches who participate in and assist with activities the Board and Managers run from time to time. We as a Board certainly appreciate the extra effort and input our staff provide. At this level the Board has initiated a number of informal get-togethers after work with the staff to talk about sponsorships and marketing ideas the Board is undertaking, promotions within the branch and generally discuss what is happening in the community, so that when we are talking to customers, friends and family about the bank, each of us can talk about what the **Community Bank®** branches achieve in our communities.

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

Community support/projects

The Board's role is to provide our community with a high standard of community involvement and interaction that directly benefits our customers and the wider community.

Over the course of the 2011/12 year we provided more than $40,000 in sponsorship to the Mareeba and Dimbulah communities. Since the establishment of the Mareeba and Dimbulah **Community Bank®** branches more than $600,000 has been returned to the community either by distribution of dividends to shareholders or through grants, donations and sponsorship of local clubs and organisations.

Bendigo and Adelaide Bank – Franchise agents

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

We also acknowledge the valuable support given to our **Community Bank®** branches by Bendigo and Adelaide Bank business division, ably managed by Yadranka Keeling and Amy Phillips. Recently Amy Phillips decided to leave the branch to take up a position with another organisation in Mareeba and we wish her well.

Bendigo and Adelaide Bank provides training for Directors and this year several attended a Company Secretary course, Growing your Business Seminar and attended both the **Community Bank®** State Conference held in Cairns and organised by the **Community Bank®** branches from Far North Queensland, and the National Conference, this year held in Melbourne.

$80 million returned to communities

Thanks to the support of **Community Bank®** customers and shareholders the Australia-wide network has now returned more than $80 million to support and strengthen local communities.

Mareeba and Dimbulah **Community Bank®** branches have played a key role in this milestone, returning more than $300,000 to our local community with a further $311,398 in dividends returned to local shareholders.

These community contributions have made a significant difference to a number of local organisations and we look forward to continuing to support these groups and others as more people bank with us and we become more successful.

Interest rate movements

Our partner Bendigo and Adelaide Bank, encourages transparency when setting interest rates and fees.

We believe it is our shared responsibility to ensure customers understand the environment banks operate in, so they can make educated judgement calls on who they choose to do their banking business with.

The Bank is committed to appropriately adjusting its interest rates (be it up or down) to ensure a fair balance is achieved between all of our stakeholders - borrowers, depositors, shareholders staff and the communities we partner with.

Chairman's report (continued)

Cost of funding

There is no doubt that all banks face higher funding costs, following changes in the economic environment triggered by the Global Financial Crisis.

We support our partner Bendigo and Adelaide Bank in its decision making and believe it is committed to striking a fair balance between all key stakeholders - borrowers, depositors, shareholders staff and the wider communities – when it sets interest rates.

Ratings upgrade

In December 2011, Bendigo and Adelaide Bank joined Australia's A-rated banks following an upgrade announced by Standard & Poor's (S&P).

S&P's decision to raise the Bank's long-term rating from BBB+ to A– means the Bank, including it's **Community Bank®** partners, is now rated 'A' by all three of the world's leading credit rating agencies.

Restoring the Balance update

Funding for all banks is expensive and likely to remain so, as a result margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our **Community Bank®** company's margin share with our franchise partner Bendigo and Adelaide Bank. We still share margin (in part based on fixed trails) but this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

Bendigo and Adelaide Bank has been working with its **Community Bank®** partners to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank remains committed to addressing this with its partners.

Government guarantee

In September 2011, the Federal Government announced changes to its Financial Claims Scheme (FCS), also known as the "government guarantee", lowering it from $1 million to $250,000 effective 1 February 2012.

All **Community Bank®** branches operate under Bendigo and Adelaide Bank's banking licence, and as such all deposits held with a **Community Bank®** branch are guaranteed by the Federal Government and supported by capital supplied by their franchise partner, Bendigo and Adelaide Bank.

Lowering the cap is an indication of the strength of Australian banks, including Bendigo and Adelaide Bank and the combination of healthy, profitable banks and strong prudential regulation is the best guarantee our customers have that their money is safe in our branches.

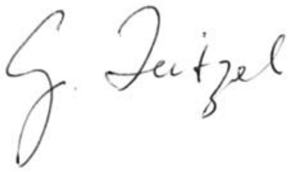
Directors

Once again I acknowledge the guidance and valued dedication given by the individuals who have been on the Board since inception - Graeme Ford, Evan McGrath, Frank De Iacovo and Cheryl Tonkin – and have given of their time to progress the **Community Bank®** branches and I sincerely thank them for their efforts, over the past six years. In fact they have been working for the cause since the steering committee was formed back in October 2003. I acknowledge the tremendous help of Edward Balzarolo (Deputy Chairman), Glenys Pilat and Natasha Srhoj. This year a lot of work has gone into reviewing and reworking the implementation of an upgraded Marketing and Sponsorship program to engage the community more effectively. Thank you, to Glenys for steering this project. The Board now has a more concise, manageable and workable process for the future.

Chairman's report (continued)

The Board accepted the resignation of Director Glenys Pilat in August this year due to family commitments. Again I thank her for her valued contribution to the Board functioning.

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



Gilbert Teitzel
Chairman

Manager's report

For year ending 30 June 2012

Mareeba and Dimbulah **Community Bank®** branches increased their total assets by $9.6 million with footings now in excess of $155.3 million. This has been achieved despite difficult trading conditions and a highly competitive banking sector. The 2011/12 financial year represented one of the most challenging periods faced by our **Community Bank®** branches, yet we are very pleased and proud to report that both Mareeba and Dimbulah **Community Bank®** branches have continued to excel both in the community and in the banking sector.

Our Bendigo and Adelaide Bank family continues to grow with Yadranka Keeling appointed as the new Business Banking Manager for the Tablelands and Bev Dayes and Alicia Leitner joining the Mareeba team as Customer Service Officers. We welcome them all to our team.

Our branch staff are continuing to be up skilled to improve their financial knowledge, which enhances their professionalism and provides better outcomes for our customers and our branches. This reflects the Bendigo and Adelaide Bank's philosophy of aiming to be Australia's leading customer connected bank.

Throughout the past 12 months Mareeba and Dimbulah **Community Bank®** branches have sponsored some large community events such as:

- The Mareeba Rodeo Association
- Dimbulah Lions Festival
- Mareeba Tennis Club
- Various Horse Sport events
- The Great Wheel Barrow Race
- Dimbulah Bowls Club
- FNQ Bulls Soccer Football
- Dimbulah Football Club.

We also supported a number of sporting and school events.

Projects that have been supported throughout the year include the Mareeba and Dimbulah **Community Bank®** branches Tobacco Museum at the Mareeba Heritage Centre and the establishment of the Street to Home project.

Community engagement will continue to be a key focus of our team as a commitment to support the community that supports their **Community Bank®** branches.

We would like to acknowledge and thank our volunteer Directors who give up their time in support of the Mareeba & Dimbulah Financial Services Limited. We would like to encourage our existing clients, members and supporters to become advocates for our **Community Bank®** branches and encourage you, your friends and family to call in and see our excellent customer service team and our great range of products.

So whenever you are thinking money, budget, savings, loans, insurance, financial advice, buying a home, buying a car, going on a holiday, your children's future, your future, retirement, we have everything you need and the best team of experienced staff to help you.

Manager's report (continued)

Please feel free to talk to any of the staff at Mareeba or Dimbulah **Community Bank®** branches. The growth of our business enables the **Community Bank®** Board to further increase their support of local projects and programs.

All the staff at both Mareeba and Dimbulah **Community Bank®** branches are very pleased to be a part of the achievements accomplished over the past twelve month period and look forward to the next financial year.

Stephen Gear
Mareeba Branch Manager

Ann-Maree Zugno
Dimbulah Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than $80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat 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. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – $80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – $21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – $28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with $470,000 returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation.

Today that figure is an astonishing $80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top $100 million by the end of 2013. These dollars add up 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 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), sponsorships, 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 also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's 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 our partners 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.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2012

Your Directors present this report on the company for the financial year ended 30 June 2012.

Directors

The names and details of the company's Directors who held office during or since the end of the financial year 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:	**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
Name:	**Glenys Anne Pilat**
Position:	Director
Qualifications:	Senior Advisor Tablelands Regional Council
Special responsibilities:	Chair of Marketing & Sponsorship Committee
Name:	**Natasha Srhoj**
Position:	Director
Qualifications:	Accounts Manager Mareeba Express
Special responsibilities:	Marketing & Sponsorship Committee

Directors (continued)

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

No Directors have material interests in contracts or proposed contracts with the company, except for Gilbert Teitzel whose firm provides accounting services to the company.

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

Operating result

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

	Year ended 30 June 2012 $	Year ended 30 June 2011 $
	178,764.21	82,864.70

Remuneration report

No Director receives remuneration for services as a Company Director or Committee Member.

There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified Executives whose remuneration requires disclosure.

Dividends

The dividend of $ 60,270.66 ($ 0.06 per share) referred to in the previous Directors' report dated 31 December 2011 was paid on 12 December 2011.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected the operations of the company, the results of those operations or the state of affairs of the company, in future years.

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' report (continued)

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in whch a Director has a substantial financial interest except as disclosed in note 17 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Mareeba & Dimbulah Financial Services Limited have accepted the **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the Mareeba and Dimbulah branches. There is no requirement to own Bendigo and Adelaide Bank shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Indemnification and insurance of Directors and Officers

The company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or manger of the company except where the liability arises out of conduct involving the lack of good faith. Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company or a related body corporate.

Directors' meetings

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

Name of Director	Number eligible to attend	Number attended
Gilbert J Teitzel	12	11
Cheryl E Tonkin	12	8
Evan D McGrath	12	9
Graeme E Ford	12	11
Edward Balzarolo	12	9
Gianfranco De Iacovo	12	9
Glenys A Pilat	12	7
Natasha Srhoj	12	11

The Board has sub-committees that meet on an adhoc basis and do not maintain official records and report to Board meetings as required.

Directors' report (continued)

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 is set out on page 14.

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

Graeme E Ford	**Gilbert J Teitzel**
Director	**Director**

Dated: 11 September 2012

Auditor's independence declaration

Auditor's independence declaration

Under Section 307C of the *Corporations Act 2001* to the Directors of Mareeba & Dimbulah Financial Services Limited:

This declaration is made in connection with our audit of the financial report of Mareeba & Dimbulah Financial Services Limited for the year ended 30th June 2012 and in accordance with the provisions of the *Corporations Act 2001*.

I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to this audit; and
- no contraventions of the Code of Professional Conduct of CPA Australia in relation to this audit.

CAIRNS QUALITY ACCOUNTING

Alan J Campbell CPA
Registered Company Auditor # 6205

Dated 12th September 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue from ordinary activities	4	1,543,831.42	1,427,115.73
Gross profit		1,543,831.42	1,427,115.73
Administration and general costs		-164,583.99	-151,252.34
Employment secondment expenses		-697,491.54	-717,283.39
ATM expenses		-23,576.95	-24,206.54
Depreciation and amortisation expenses		-63,095.20	-51,929.84
IT leasing and running costs		-47,775.75	-48,312.48
Occupancy costs		-97,641.75	-105,522.64
Marketing Development Fund expenses		-70,807.46	-86,224.83
Grants and donations		-123,894.00	-124,429.55
Operating profit before income tax		**254,964.78**	**117,954.12**
Income tax attributable to operating profit (loss)	5	76,200.57	35,089.42
Operating profit after income tax		**178,764.21**	**82,864.70**
Total comprehensive income for the year		**178,764.21**	**82,864.70**

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Earnings per share (cents per share)			
- basic for profit for the year		17.80	8.25

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Current assets			
Cash and cash equivalents	6	678,379.36	497,622.69
Trade and other receivables	7	133,966.78	127,331.26
Current tax assets	9	7,717.93	7,726.03
Other	8	4,990.04	4,027.14
Total current assets		**825,054.11**	**636,707.12**
Non-current assets			
Property, plant and equipment	10	253,106.99	285,646.67
Intangible assets	11	284,875.60	312,644.80
Total non-current assets		**537,982.59**	**598,291.47**
Total assets		**1,363,036.70**	**1,234,998.59**
Current liabilities			
Trade and other payables	12	81,379.09	113,030.96
Current tax liabilities	13	50,986.43	9,790.00
Total current liabilities		**132,365.52**	**122,820.96**
Total liabilities		**132,365.52**	**122,820.96**
Net assets		**1,230,671.18**	**1,112,177.63**
Equity			
Contributed equity	14	1,004,511.00	1,004,511.00
Retained profits		226,160.18	107,666.63
Total equity		**1,230,671.18**	**1,112,177.63**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Issued capital $	Accumulated profit (loss) $	Total equity $
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**
Balance at 1 July 2011	1,004,511.00	107,666.63	1,112,177.63
Shares issued during year	-	-	-
Profit/(loss) attributable to the members of the company		178,764.21	178,764.21
Sub-total:	1,004,511.00	286,430.84	1,290,941.84
Dividends paid or provided for		(60,270.66)	(60,270.66)
Balance at 30 June 2012	**1,004,511.00**	**226,160.18**	**1,230,671.18**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flow from operating activities			
Receipts from customers		1,654,221.54	1,372,959.18
Payments to suppliers and employees		-1,409,076.26	-1,199,016.55
Interest received		33,961.37	19,371.82
Income tax paid		-35,293.00	-35,212.10
Net cash provided by (used in) operating activities (note 2 of cash flows)		**243,813.65**	**158,102.35**
Cash flow from investing activities			
Payment for:			
Payments for intangible assets			-138,846.00
Payments for property, plant and equipment		-2,786.32	-1,782.64
Net cash provided by (used in) investing activities		**-2,786.32**	**-140,628.64**
Cash flow from financing activities			
Dividends paid		-60,270.66	-60,360.64
Net cash provided by (used in) financing activities		**-60,270.66**	**-60,360.64**
Net increase (decrease) in cash held		180,756.67	-42,886.93
Cash at the beginning of the year		497,622.69	540,509.62
Cash at the end of the year (note 1 of cash flows)		**678,379.36**	**497,622.69**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	2012 $	2011 $

Note 1 of Cash flows: 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:

	2012 $	2011 $
Cash at bank	148,379.36	144,522.55
Term deposits	530,000.00	353,100.14
	678,379.36	**497,622.69**

Note 2 of cash flows: Reconciliation of net cash provided by/used in operating activities to net profit

	2012 $	2011 $
Operating profit (loss) after tax	178,764.21	82,864.70
Depreciation	35,326.00	35,728.64
Amortisation	27,769.20	16,201.20
Increase/(decrease) in provision for income tax	41,196.43	-409.15
Increase/(decrease) in future income tax benefit	-288.86	286.47
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	-6,635.52	-710.01
(Increase) decrease in prepayments	-962.90	765.97
Increase (decrease) in trade creditors and accruals	-31,651.87	32,475.72
Increase (decrease) in sundry provisions	296.96	-9,101.19
Net cash provided by operating activities	**243,813.65**	**158,102.35**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Statement of significant accounting policies

(A) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Boards and the Corporations Act 2001.

Compliance with IFRS

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

Critical accounting estimates

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

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

Historical cost convention

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

Comparative figures

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

Adoption of new and revised Accounting Standards

The entity has adopted all of the new and revised or amended Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

- AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

  The entity has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 ' Interim Financial Reporting'.

Note 1. Statement of significant accounting policies (continued)

(A) Basis of preparation (continued)

<u>Adoption of new and revised Accounting Standards (continued)</u>

- AASB 2010-5 Amendments to Australian Accounting Standards

  The entity has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

- AASB 124 Related Party Disclosures (December 2009)

  The entity has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminationg inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

- AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets

  The entity has applied AASB 2010-6 amendments from 1 July 2011. These amendments add and amended disclosure requirements in AASB 7 about transfer of financial assets, including the nature of the financial assets involved and the risks associated with them. Additional disclosures are now required when (i) an asset is transferred but is not derecognised; and (ii) when assets are derecognised but the consolidated entity has a continuing exposure to the asset after the sale.

- AASB 1054 Australian Additional Disclosures

  The entity has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures as a result of Phase I of the Trans-Tasman Convergence Project, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

- AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

  The entity has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

  The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

- AASB 101 Presentation of Financial Statements

  In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

Note 1. Statement of significant accounting policies (continued)

(A) Basis of preparation (continued)

Adoption of new and revised Accounting Standards (continued)

- Disclosure impact

  Terminology changes - The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial instruments.

  Reporting changes in equity - The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

  Statement of comprehensive income - The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

  The company's financial statements contain a single statement of comprehensive income.

  Other comprehensive income - The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New accounting standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7,1 01, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).
- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).
- AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

  This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured

Note 1. Statement of significant accounting policies (continued)

(A) Basis of preparation (continued)

New Accounting Standards for application in future periods (continued)

in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The entity will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the entity.

- AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets

  These amendments are applicable to annual reporting periods beginning on or after 1 January 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. The entity is yet to quantify the tax effect of adopting these amendments from 1 July 2012.

- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

  This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the entity from 1 July 2013 should be minimal, although there will be increased disclosures where fair value is used.

- AASB 119 Employee Benefits (September 2011)

  The revised standard is applicable to annual reporting periods beginning on or after 1 January 2013.

  The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The adoption of the revised standard from 1 July 2013 will require increased disclosures by the entity.

- AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

  These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments require grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the entity's presentation of its statement of comprehensive income.

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Note 1. Statement of significant accounting policies (continued)

(A) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank

The company has entered into a franchise agreement with Bendigo and Adelaide Bank that governs the management of the **Community Bank®** branches at Mareeba and Dimbulah, Queensland.

The branches operate as a franchise of Bendigo and Adelaide Bank, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank. The company manges the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank.

All deposits are made with Bendigo and Adelaide Bank, and all personal and investment products are products of Bendigo and Adelaide Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank, must be approved by Bendigo and Adelaide Bank. All credit transactions are made with Bendigo and Adelaide Bank, and all credit products are products of Bendigo and Adelaide Bank.

Bendigo and Adelaide Bank provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing mangement and operational support,and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branches;
- training for the branch manger and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operation and administrative expenses;
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

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

(B) Accounting policies

Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria hve been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Serives Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank on products and services provided through the company that are regarded as “day to day” banking business (ie ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of the loss.

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank on the other products and services provided through the company (ie 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank, may vary between products and services and may be amended by Bendigo and Adelaide Bank from time to time.

Income tax

- Current tax

  Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

- Deferred tax

  Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

  In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

  Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

  Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Income tax (continued)

- Current and deferred tax for the period

  Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts payable 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.

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Class of asset	**Depreciation rate %**
Leasehold improvements	2.5 - 40.0%
Plant and equipment	2.5 - 40.0%
Fixtures and fittings	2.5 - 40.0%

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Intangibles

The franchise fee paid to Bendigo and Adelaide Bank has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Borrowings

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

Financial instruments

- Recognition and initial measurement

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

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

- Derecognition

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

- Classification and subsequent measurement

  i) Loans and receivables

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

  ii) Held-to-maturity investments

  Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

  iii) Financial liabilities

  Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

- Impairment

  At each reporting date, the entity assesses whether there is objective evidence that financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

Note 1. Statement of significant accounting policies (continued)

(B) Accounting policies (continued)

Leases

Leases of fixed asstes where substantially all the risk and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present vallue of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

Contributed equity

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

Earnings per share

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

Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

Risk management is carried out directly by the Board of Directors.

Market risk

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

Price risk

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

Credit risk

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

Liquidity risk

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

Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank mitigates this risk significantly.

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 balance sheet.

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 availablilty of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period.

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 2012 can be seen in the statement of comprehensive income.

Note 2. Financial risk management (continued)

Capital management (continued)

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

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on mangement's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liablilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

Impairment of assets

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

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

If the recoverable amount of an asset (or cash-generating unit) is reduced to its recoverable amount, an impairment loss is recognised in the statement of comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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

	2012 $	**2011 $**

Note 4. Revenues from ordinary activities

Operating activities:

- Gross margin	890,498.41	841,991.25
- Upfront product commission	46,167.45	35,652.30
- Trailer product commission	302,482.61	328,714.69
- Fee income	148,733.60	139,534.51
- Market development fund	121,987.98	61,851.16
Total revenue from operating activities	**1,509,870.05**	**1,407,743.91**
- Interest received	33,961.37	19,371.82
Total revenue from non-operating activites	**33,961.37**	**19,371.82**
Total revenues from ordinary activities	**1,543,831.42**	**1,427,115.73**

Note 5. Income tax

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%	254,964.78	117,954.12
Prima facie income tax at 30%	77,697.58	35,959.09

Notes to the financial statements (continued)

	2012 $	2011 $
Note 5. Income tax (continued)		
Less tax effect of		
- Deductible prospectus cost amortised		-583.20
- Prepaid insurance	-1,272.01	-286.47
- Prepaid sponsorship	-225.00	
Income tax expense/(revenue)	**76,200.57**	**35,089.42**
Income tax expense attributable to profit from ordinary activities	**76,200.57**	**35,089.42**
The applicable weighted average effective tax rates are as follows (%):	29.89	29.75

Note 6. Cash and cash equivalents

Bank accounts:		
- Bendigo cheque account	107,009.30	87,434.34
- Bendigo Market Development Fund account	42,321.89	57,128.27
- Bendigo business solutions account	-951.83	-40.06
Other cash items:		
- Bendigo term deposit	450,000.00	353,100.14
- Bendigo term deposit	80,000.00	
	678,379.36	**497,622.69**
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	679,331.19	497,662.75
- Bank overdrafts	-951.83	-40.06
	678,379.36	**497,622.69**

Note 7. Trade and other receivables

Current		
Trade debtors	133,966.78	127,331.26
	133,966.78	**127,331.26**

	2012 $	2011 $

Note 8. Other assets

Current

Prepayments	4,990.04	4,027.14
	4,990.04	**4,027.14**

Note 9. Tax assets

Current

GST Payable control account	-24,704.17	-23,312.08
Input tax credit control account	30,925.09	29,829.96
Deferred tax assets	1,497.01	1,208.15
	7,717.93	**7,726.03**

Note 10. Property, plant and equipment

Leasehold improvements:		
- At cost	436,930.39	436,105.39
- Less: accumulated depreciation	-191,017.36	-157,359.36
	245,913.03	**278,746.03**
Plant and equipment:		
- At cost	22,529.41	20,568.09
- Less: accumulated depreciation	-15,335.45	-13,667.45
	7,193.96	**6,900.64**
Total written down amount	**253,106.99**	**285,646.67**

Note 11. Intangible assets

Start-up costs:		
- At cost	170,000.00	170,000.00
Franchise fees:		
- At cost	43,140.00	43,140.00
- Less: accumulated amortisation	-7,330.00	-2,702.00
	35,810.00	**40,438.00**

	2012 $	2011 $
Note 11. Intangible assets (continued)		
Renewal process fees:		
- At cost	115,706.00	115,706.00
- Less: accumulated amortisation	-36,640.40	-13,499.20
	79,065.60	**102,206.80**
Total written down amount	**284,875.60**	**312,644.80**

Note 12. Trade and other payables

	2012 $	2011 $
Unsecured:		
- Trade creditors	81,379.09	113,030.96
	81,379.09	**113,030.96**

Note 13. Tax liabilities

	2012 $	2011 $
Current		
Provision for income tax	50,986.43	9,790.00
	50,986.43	**9,790.00**

Note 14. Contributed capital

	2012 $	2011 $
1,004,511 Ordinary shares at $1.00 each fully paid	**1,004,511.00**	**1,004,511.00**

Rights attached to shares

- Voting rights

  Subject to some limited exceptions, each shareholder has the right to vote at a general meeting.

  On a show of hands or a poll, each shareholder attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a shareholder and has also been appointed as proxy for another shareholder) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholder that person represents as duly appointed attorney, corporate representative or proxy.

  The purpose of giving each shareholder only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all shareholders of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branches have the same ability to influence the operation of the company.

Note 14. Contributed capital (continued)

Rights attached to shares

- Dividends

  Generally, dividends are payable to shareholders in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

- Transfer

  Generallly, ordinary shares are freely transferable. However, the Directors have a discretion to refuse to register a transfer of shares.

  Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the Board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 311. As at the date of this report, the company had 510 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The Board has the power to request information from a person who has (or is suspected by the Board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the Board becomes aware that a shareholder has prohibited shareholding interest, it must serve a notice requiring the shareholder (or the shareholder's associate) to dispose of the number of shares the Board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the Board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the Board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the Board may cause considerable disadvantage to individual shareholders, but that such a result may be necessary to enforce the prohibition.

	2012 $	2011 $

Note 15. Leases

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

Payable - minimum lease payments		
- not later than 12 months	48,736.76	47,026.71
- between 12 months and 5 years	197,145.79	249,894.41

The Mareeba property lease is a non-cancellable lease with an eight years six month term, due to expire on 30 November 2015, with rent payable monthly in advance. There remains two five year options to renew the lease.

The Dimbulah property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance. The first five year option was taken up and due to expire on 30 November 2015, with one further option available.

Note 16. Auditors' remuneration

Remuneration of the Auditor of the company for:

Auditing or reviewing the financial report	9,950.00	9,500.00
	9,950.00	**9,500.00**

Note 17. Director and related party disclosures

Directors' remuneration

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

Gilbert J Teitzel	Chairman
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
Glenys A Pilat	Non-Executive Director
Natasha Srhoj	Non-Executive Director

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.

No Director of the company receives remuneration for services as a company Director or committee member.

Mareeba & Dimbulah Financial Services Limited have accepted the **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the Mareeba and Dimbulah branches. There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

Notes to the financial statements (continued)

Note 17. Director and related party disclosures (continued)

Shareholdings	**2012**	**2011**
Graeme E Ford	20,002	20,002
Gilbert J Teitzel	6,091	6,091
Evan D McGrath	1,501	1,501
Gianfranco De Iacovo	1,001	1,001
Cheryl E Tonkin	5,001	5,001
Edward Balzarolo	nil	nil
Glenys A Pilat	nil	nil
Natasha Srhoj	nil	nil

There was no movement in Directors' shareholdings during the year.

Note 18. Events occurring after the balance sheet date

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

Note 19. Contingent liabilities

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

Note 20. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Mareeba and Dimbulah, Queensland pursuant to a franchise agreement with Bendigo and Adelaide Bank.

Note 21: Registered office/principal place of business

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

Registered office:
Millar Teitzel
Office 6,
81 Byrnes Street,
Mareeba QLD 4880

Mareeba branch:
Shop 3, Post Office Centre,
94 Byrnes Street,
Mareeba QLD 4880

Dimbulah branch:
31 - 33 Raleigh Street,
Dimbulah QLD 4872

Note 22. Financial instruments

Net fair values

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

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

	2012 $	2011 $
Interest rate risk		
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	678,379.36	144,522.55
	678,379.36	**144,522.55**
Fixed rate instruments:		
Financial assets		
Cash and cash equivalents	530,000.00	353,100.14
	530,000.00	**353,100.14**
Net financial assets	**1,208,379.36**	**497,622.69**
Non-interest bearing instruments:		
Financial assets		
Cash and cash equivalents		
Receivables	135,463.79	128,539.41
	135,463.79	**128,539.41**
Financial liabilities		
Payables	81,379.09	113,030.96
	81,379.09	**113,030.96**
Net financial assets	**54,084.70**	**15,508.45**

Directors' declaration

The Directors of the company declare that:

1. the financial statements and notes 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 2012 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.

Graeme E Ford	**Gilbert J Teitzel**
Director	**Director**

Dated: 11 September 2012

Independent audit report

Cairns Quality Accounting

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INDEPENDENT AUDIT REPORT

Independent Auditor's Report
To the members of Mareeba and Dimbulah Financial Services Ltd

Report on the Financial Report

We have reviewed the accompanying financial report of Mareeba and Dimbulah Financial Services Ltd which comprises the statement of comprehensive income for the year ended 30 June 2012, statement of financial position as at 30 June 2012, statement of changes in equity and statement of cash flows 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 entity 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 control 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 the Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalent to International Financial Reporting (IFRS) 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 requires that we comply with relevant ethical requirements relating to the 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 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 of our audit opinion.

CPA
Cairns Quality Accounting is a CPA Practice
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Megan O'Neill Pty Ltd ATF The O'Neill Discretionary Trust TA Cairns Quality Accounting ABN 48 471 713 261
Megan O'Neill MPA CDec CPA
Alan Campbell CDec, Registered Company Auditor, CPA
Liability limited by a scheme approved under Professional Standards Legislation

INDEPENDENT AUDITOR'S REPORT continued

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*, Australian professional accounting bodies and others.

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 2012 and of its performance for the year ended on that date; and

  (ii) Complying with Australian Accounting Standards (including the Australian Interpretations) and the *Corporations Regulations 2001*; and

(b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Cairns Quality Accounting

Alan J Campbell CPA
Registered Company Auditor #6205

Signed at Cairns on 12 September 2012

Mareeba **Community Bank®** Branch
94 Byrnes Street, Mareeba QLD 4880
Phone: (07) 4092 2099

Dimbulah **Community Bank®** Branch
31-33 Raleigh Street, Dimbulah QLD 4872
Phone: (07) 4093 5266

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94 Byrnes Street, Mareeba QLD 4880
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www.bendigobank.com.au/dimbulah

Bendigo Bank

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