



Mareeba & Dimbulah  
Financial Services Ltd

ABN 53 115 503 930

**ANNUAL  
REPORT  
2013**

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

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# Chairman's report

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For year ending 30 June 2013

## Review of branch operations

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

This year has been a more stable year for both branches, with Mareeba **Community Bank**® Branch exceeding growth budgets, well in excess of the \$8.25 million target set, growing by \$14 million in business, while Dimbulah **Community Bank**® Branch's total business increased by about \$1.4 million, which was about a third of budget expectations. The combined business has increased by almost ten percent to a total business of a little over \$170 million by the financial year end. Lending is still in decline and with the continued tightening of interest rates, the margin income paid by Bendigo and Adelaide Bank Limited through the profit share structure is static, growing only slightly in the past 12 months.

The Mareeba **Community Bank**® Branch's revenue and profits have increased in line with the budgets set. Business for this branch has grown from \$121.5 million to a touch over \$135.5 million at the end of June 2013. This is a very pleasing result given the negative results in business growth the previous 12 months.

Dimbulah **Community Bank**® Branch's total business was a little over \$35 million, a 4% increase from the \$33.8 million in business footings reported at the end of the previous year. This year operation again ran at a loss with actual revenue slipping against budget expectations. The branch is definitely on the path to profitability, with a solid profit in four of the months over the course of the year.

## Overall operating results

The company grossed \$1.537 million in revenue and had an after tax profit of \$57,060. This profit result is also after an amount of \$200,000 was placed with the Community Enterprise Foundation™ for our Community Grants Program, this is in addition to another \$18,000 in sponsorships, straight out of profit bottom line. Once again this is a good stable result for the company with the continued ups and downs in the broader economy, the continued uncertainty in the market place and lowering of interest rates. We have been able to maintain a profitable position, to continue returns to our shareholders and increase funding for future projects. Despite the uncertainty, we have been able to increase total business by about \$15.4 million over the previous year. If and when interest rates do increase, the branches will be well placed from this solid base to increase future profits.

## Staff

Once again 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 again Stephen, Ann-Maree and I have continued the practice of contacting business people in both communities with the view to developing a relationship, 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.

# Chairman's report (continued)

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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. We endeavour to continue to meet with the staff at informal get-togethers. From time to time we have held presentations within the branch to keep everyone abreast of what, we as Directors, are doing 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 have achieved 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 2012/13 year we provided more than \$40,000 in sponsorship and \$111,000 in grants to the Mareeba and Dimbulah communities. Since the establishment of Mareeba & Dimbulah **Community Bank®** branches more than \$850,000 has been returned to the community either by distribution of dividends to shareholders or through grants, donations and sponsorship of local clubs and organisations. In addition, if you add in the money spent in advertising and paid in wages to an additional four, equivalent full time employees over this time, the true amount this business has directly contributed to the local economies is more in the line of \$1.4 million, and still we hold about \$450,000 in the Community Enterprise Foundation™ for future projects.

## **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 Tony Jensen, for his valued input and time committed to the role.

We also acknowledge the valuable support given to our **Community Bank®** branches by Bendigo and Adelaide Bank business division, ably managed by Yadranka. This year Bendigo and Adelaide Bank, through their rural division, Rural Bank introduced Grant Turner to the team.

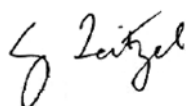
Bendigo and Adelaide Bank provides training for Directors and this year several attended both the **Community Bank®** State Conference held in Toowoomba and the National Conference, this year held in Brisbane.

## **Directors**

I cannot overstate the dedication of the Directors and the valued guidance given to the **Community Bank®** company by Graeme Ford, Evan McGrath, Frank De Iacovo, Cheryl Tonkin, Edward Balzarolo, Natasha Srhoj and more recently Amy Phillips who have given of their time to progress the **Community Bank®** branches, and I sincerely thank them for their effort, particularly those who have been with the Board for the past seven years.

In August the Board accepted the resignation of Director Evan McGrath. I thank him for his valued contribution to the company and it is pleasing to see the Dimbulah **Community Bank®** Branch finally come to profit, which I know is what he wanted to achieve with his time on the Board.

Finally, I acknowledge the work of Diana Pregl our Assistant Secretary and Public Relations Co-ordinator 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**

# Manager's report

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For year ending 30 June 2013

Mareeba & Dimbulah **Community Bank**® branches increased their total business size by \$15.3 million with total business now in excess of \$170.6 million as at 30 June 2013. This has been achieved despite a highly competitive banking sector. Business growth can be attributed to our commitment to community outcomes and the acknowledgement within our community for having a reputation of giving community support like no other bank. Our active involvement and advocacy continues to assist many community projects.

Throughout the 2012/2013 financial year both Mareeba & Dimbulah **Community Bank**® branches have continued to excel both in the community and in the region. Dimbulah **Community Bank**® Branch received the regions best branch award for 'Protecting & Building Customer Wealth', Mareeba & Dimbulah **Community Bank**® branches were jointly awarded the regional 'Community Award' and Mareeba **Community Bank**® Branch received the highest accolade, being awarded 'Branch of the Year' for Region 437. We would like to thank the staff for their efforts in achieving such outstanding results.

The branch staff receive ongoing training from Bendigo and Adelaide Bank through attending workshops and completing on line training to improve their skill level and their financial knowledge. This 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.

We would also like to take this opportunity to acknowledge and thank our volunteer Directors who give up their time in support of the Mareeba & Dimbulah Financial Services Limited.

Continuing with the Boards' support of employing local staff to service our **Community Bank**® branches we have been able to once again employ locally. We welcome Joanne Ius as our Business Banking Assistant, Rebecca Roy as our Customer Relationship Manager Mareeba and Kristie-Lee Cabassi as our Customer Service Officer Dimbulah. We would also like to take this opportunity to welcome back Freda Hobart as Acting Supervisor at the Mareeba branch on a 12-month contract while Kira Pendenza is on maternity leave.

Throughout the past 12 months Mareeba & Dimbulah **Community Bank**® branches have proudly sponsored and supported many community organisations and events. In the coming year the **Community Bank**® company Board will be designing a more structured sponsorship and grants program, which will enable us to assist even more organisations throughout our communities

Some of the larger projects that have been supported throughout the year by the Mareeba and Dimbulah **Community Bank**® company Board include;

- Mareeba Rodeo
- Mareeba Golf Club
- Dimbulah Lions Festival
- Wheelbarrow Race
- Disaster Evacuation Centre at Living Waters
- Kindergarten Projects
- Variety Bash Liberty Swing
- Mareeba Mountain Goats
- Chillagoe Alliance BBQ 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.

## Manager's report (continued)

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We would like to encourage our existing clients, members and supporters to become advocates for our **Community Bank®** branches, we would therefore encourage you, your friends and family to call in and speak to our staff about our great range of products.

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®** company Board to further increase their support of projects and programs in your local area.



**Stephen Gear**  
**Mareeba Branch Manager**



**Ann-Maree Zugno**  
**Dimbulah Branch Manager**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2013

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

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

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

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

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

At the end of the financial year 2012/13 the **Community Bank**<sup>®</sup> network had achieved the following:

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

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

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

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



## Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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

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



**Robert Musgrove**  
**Executive Community Engagement**



# Directors' report

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For the financial year ended 30 June 2013

Your Directors present this report on the company for the financial year ended 30 June 2013.

## Directors

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

Name: **Graeme Eric Ford**

Position: Director

Qualifications: Automotive Dealer

Special responsibilities: Chair of Governance & Business Development Committee and Chair of Human Resources Committee

Name: **Gilbert James Teitzel**

Position: Chairman

Qualifications: Certified Practising Accountant

Special responsibilities: Governance & Business Development Committee and Chair of Audit Committee

Name: **Edward Balzarolo**

Position: Director

Qualifications: Primary Producer

Special responsibilities: Marketing & Sponsorship Committee and Governance & Business Development Committee

Name: **Gianfranco De Iacovo**

Position: Director

Qualifications: Business Owner

Special responsibilities: Marketing & Sponsorship Committee

Name: **Evan David McGrath** (ceased: 30/07/2013)

Position: Treasurer

Qualifications: Grazier

Special responsibilities: Audit Committee and Human Resources Committee

Name: **Cheryl Eileen Tonkin**

Position: Secretary

Qualifications: Civil Celebrant/Auctioneer

Special responsibilities: Governance & Business Development Committee

Name: **Natasha Srhoj**

Position: Director

Qualifications: Accounts Manager Mareeba Express

Special responsibilities: Marketing & Sponsorship Committee

# Directors' report (continued)

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## Directors (continued)

Name: **Amy Kathryn Phillips** (appt: 30/01/2013)

Position: Director

Qualifications: HR Systems & Contractual Reports Co-ordinator

Special responsibilities: Marketing & Sponsorship Committee

Name: **Glenys Anne Pilat** (ceased: 06/08/2012)

Position: Director

Qualifications: Senior Advisor Tablelands Regional Council

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.

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 Limited 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 2013 \$	Year ended 30 June 2012 \$
	57,060.39	178,764.21

## 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 fully franked dividend of \$ 70,315.77 (\$ 0.07 per share), referred to in the previous Directors' report dated 31 December 2012, was paid on 19 December 2012.

The Directors have provided for and recommend a special dividend be paid of \$30,135.33 (\$0.03 per share) in September 2013.

## Significant changes in the state of affairs

In the opinion of the Directors no significant changes in the company's state of affairs occurred during the financial year.

# Directors' report (continued)

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## 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 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 future years.

## Likely developments

The company expects to maintain the present status and level of operations and hence continue its policy of facilitating banking services to the community.

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in 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 Limited 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 manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company or a related body corporate.

## Directors' meetings

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

Name of Director	Number eligible to attend	Number attended
Graeme E Ford	12	10
Gilbert J Teitzel	12	10
Edward Balzarolo	12	11
Gianfranco De Iacovo	12	9
Evan D McGrath	12	8

# Directors' report (continued)

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## Directors' Meetings (continued)

Name of Director	Number eligible to attend	Number attended
Cheryl E Tonkin	12	9
Natasha Srhoj	12	9
Glenys A Pilat	2	1
Amy K Phillips	5	4

The Board has sub-committees that meet on a monthly and quarterly basis and maintain official records and report to Board meetings as required.

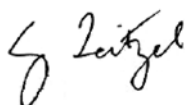
## Proceedings on behalf of company

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.

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



**Gilbert J Teitzel**  
**Director**



**Amy K Phillips**  
**Director**

Dated: 17 September 2013

# Auditor's independence declaration

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## 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 12<sup>th</sup> September 2012

# Financial statements

## Statement of profit or loss and other comprehensive income for the year ended 30 June 2013

	Note	2013 \$	2012 \$
Revenue from ordinary activities	4	1,537,023.87	1,543,831.42
Gross profit		1,537,023.87	1,543,831.42
Administration and general costs		-195,073.72	-164,583.99
Employment secondment expenses		-742,593.44	-697,491.54
ATM expenses		-19,150.89	-23,576.95
Depreciation and amortisation expenses		-61,912.20	-63,095.20
IT leasing and running costs		-42,128.28	-47,775.75
Occupancy costs		-104,879.10	-97,641.75
Marketing Development Fund expenses		-87,948.99	-70,807.46
Grants and donations		-200,000.00	-123,894.00
<b>Operating profit before income tax</b>		<b>83,337.25</b>	<b>254,964.78</b>
Income tax attributable to operating profit (loss)	5	26,276.86	76,200.57
<b>Operating profit after income tax</b>		<b>57,060.39</b>	<b>178,764.21</b>
<b>Total comprehensive income for the year</b>		<b>57,060.39</b>	<b>178,764.21</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year		5.68	17.80

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of financial position as at 30 June 2013

	Note	2013 \$	2012 \$
<b>Current assets</b>			
Cash and cash equivalents	6	611,304.14	678,379.36
Trade and other receivables	7	137,942.74	133,966.78
Current tax assets	8	36,539.14	7,717.93
Other	9	4,252.27	4,990.04
<b>Total current assets</b>		<b>790,038.29</b>	<b>825,054.11</b>
<b>Non-current assets</b>			
Receivables	7	32,000.00	
Property, plant and equipment	10	231,755.49	253,106.99
Intangible assets	11	257,106.40	284,875.60
<b>Total non-current assets</b>		<b>520,861.89</b>	<b>537,982.59</b>
<b>Total assets</b>		<b>1,310,900.18</b>	<b>1,363,036.70</b>
<b>Current liabilities</b>			
Trade and other payables	12	93,484.38	81,379.09
Current tax liabilities	13		50,986.43
<b>Total current liabilities</b>		<b>93,484.38</b>	<b>132,365.52</b>
<b>Total liabilities</b>		<b>93,484.38</b>	<b>132,365.52</b>
<b>Net assets</b>		<b>1,217,415.80</b>	<b>1,230,671.18</b>
<b>Equity</b>			
Contributed equity	14	1,004,511.00	1,004,511.00
Retained profits		212,904.80	226,160.18
<b>Total equity</b>		<b>1,217,415.80</b>	<b>1,230,671.18</b>

The accompanying notes form part of these financial statements.



## Financial statements (continued)

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

	Issued Capital \$	Accumulated Profit (loss) \$	Total Equity \$
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
<b>Sub-total:</b>	<b>1,004,511.00</b>	<b>286,430.84</b>	<b>1,290,941.84</b>
Dividends paid or provided for		(60,270.66)	(60,270.66)
<b>Balance at 30 June 2012</b>	<b>1,004,511.00</b>	<b>226,160.18</b>	<b>1,230,671.18</b>
Balance at 1 July 2012	1,004,511.00	226,160.18	1,230,671.18
Shares issued during year	-	-	-
Profit/(loss) attributable to the members of the company		57,060.39	57,060.39
<b>Sub-total:</b>	<b>1,004,511.00</b>	<b>283,220.57</b>	<b>1,287,731.57</b>
Dividends paid or provided for		(70,315.77)	(70,315.77)
<b>Balance at 30 June 2013</b>	<b>1,004,511.00</b>	<b>212,904.80</b>	<b>1,217,415.80</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of cash flows for the year ended 30 June 2013

	2013 \$	2012 \$
<b>Cash flow from operating activities</b>		
Receipts from customers	1,650,716.32	1,654,221.54
Payments to suppliers and employees	-1,539,456.93	-1,409,076.26
Interest received	32,758.16	33,961.37
Income tax paid	-95,985.50	-35,293.00
<b>Net cash provided by (used in) operating activities (note 2 of cash flows)</b>	<b>48,032.05</b>	<b>243,813.65</b>
<b>Cash flow from investing activities</b>		
Payment for:		
Loans to other entities	-32,000.00	
Payments for property, plant and equipment	-12,791.50	-2,786.32
<b>Net cash provided by (used in) investing activities</b>	<b>-44,791.50</b>	<b>-2,786.32</b>
<b>Cash flow from financing activities</b>		
Dividends paid	-70,315.77	-60,270.66
<b>Net cash provided by (used in) financing activities</b>	<b>-70,315.77</b>	<b>-60,270.66</b>
Net increase (decrease) in cash held	-67,075.22	180,756.67
Cash at the beginning of the year	678,379.36	497,622.69
<b>Cash at the end of the year (note 1 of cash flows)</b>	<b>611,304.14</b>	<b>678,379.36</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of cash flows for the year ended 30 June 2013 (continued)

	2013 \$	2012 \$
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### Cash flows note 1. 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 Statement of Financial Position as follows:

Cash at bank	100,288.34	148,379.36
Term deposits	511,015.80	530,000.00
	<b>611,304.14</b>	<b>678,379.36</b>

### Cash flows note 2. Reconciliation of net cash provided by/used in operating activities to net profit

Operating profit (loss) after tax	57,060.39	178,764.21
Depreciation	34,143.00	35,326.00
Amortisation	27,769.20	27,769.20
Increase/(decrease) in provision for income tax	-70,984.32	41,196.43
Increase/(decrease) in future income tax benefit	1,275.68	-288.86
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	-3,975.96	-6,635.52
(Increase) decrease in prepayments	737.77	-962.90
Increase (decrease) in trade creditors and accruals	12,105.29	-31,651.87
Increase (decrease) in sundry provisions	-10,099.00	296.96
<b>Net cash provided by operating activities</b>	<b>48,032.05</b>	<b>243,813.65</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2013

## 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 financial 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 company has adopted all of the new, revised or amended Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been adopted.

Any significant impact on the accounting policies of the company from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

# Notes to the financial statements (continued)

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## Note 1. Statement of significant accounting policies (continued)

### (A) Basis of preparation (continued)

#### Adoption of new and revised accounting standards (continued)

The following Accounting Standards and Interpretations are most relevant to the company:

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

The company has applied AASB 2011-9 amendments from 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 amendments also introduced the term 'Statement of Profit or Loss and Other Comprehensive Income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

#### New accounting standards and interpretations not yet mandatory or early adopted

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, 101, 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 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.

# Notes to the financial statements (continued)

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## Note 1. Statement of significant accounting policies (continued)

### (A) Basis of preparation (continued)

#### New accounting standards and interpretations not yet mandatory or early adopted (continued)

- 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 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The disclosure requirements of AASB 7 'Financial Instruments: Disclosures; (and consequential amendments to AASB 132 'Financial Instruments: Presentation') have been enhanced to provide users of financial statements with information about netting arrangements, including rights of set-off related to an entity's financial instruments and the effects of such rights on its statement of financial position. The adoption of the amendments from 1 July 2013 will increase the disclosures by the company.

- AASB 2012-13 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of "currently has a legally enforceable right of set-off"; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the company.

- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 (IFRS 1) 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes';

# Notes to the financial statements (continued)

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## Note 1. Statement of significant accounting policies (continued)

### (A) Basis of preparation (continued)

#### New accounting standards and interpretations not yet mandatory or early adopted (continued)

and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the company.

#### Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**<sup>®</sup> branches at Mareeba and Dimbulah, Queensland. The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**<sup>®</sup> branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**<sup>®</sup> branches;
- training for the branch managers 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 have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).



# Notes to the financial statements (continued)

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## Note 1. Statement of significant accounting policies (continued)

### (B) Accounting policies (continued)

#### Revenue (continued)

##### Revenue calculation

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

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited 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 Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

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

#### 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.

# Notes to the financial statements (continued)

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## Note 1. Statement of significant accounting policies (continued)

### **(B) Accounting policies (continued)**

#### **Income tax (continued)**

##### Deferred tax (continued)

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

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

##### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of 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 not made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employees are seconded staff of Bendigo and Adelaide Bank Limited and are treated as employees of Bendigo and Adelaide Bank Limited. The company is invoiced each month for a provision to employee entitlements, such as long-service leave, holiday pay and sick leave. Any provision for employee entitlements are accrued by Bendigo and Adelaide Bank Limited.

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.

Bendigo and Adelaide Bank Limited 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 statement of financial position.

#### **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.

#### **Other receivables**

Receivables are carried at their amounts due. Refer to Note 7.

# Notes to the financial statements (continued)

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## Note 1. Statement of significant accounting policies (continued)

### (B) Accounting policies (continued)

#### 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%

#### Intangibles

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

#### 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.

# Notes to the financial statements (continued)

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## Note 1. Statement of significant accounting policies (continued)

### **(B) Accounting policies (continued)**

#### **Financial instruments (continued)**

##### Classification and subsequent measurement

###### i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market 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 Directors assess whether there is objective evidence that financial instruments have been impaired. Impairment losses are recognised in the statement of profit or loss and comprehensive income.

#### **Leases**

Leases of fixed assets 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 value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

#### **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.

# Notes to the financial statements (continued)

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## Note 1. Statement of significant accounting policies (continued)

### **(B) Accounting policies (continued)**

#### **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 Australian Taxation Office. 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 in the statement of financial position are shown inclusive of GST.

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

#### **Liquidity risk**

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

#### **Cash flow and fair value interest rate risk**

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

# Notes to the financial statements (continued)

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## Note 2. Financial risk management (continued)

### Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

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

i) the distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2013 can be seen in the statement profit or loss and other comprehensive income.

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

## Note 3. Critical accounting estimates 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 statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

# Notes to the financial statements (continued)

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## Note 3. Critical accounting estimates and judgements (continued)

### **Taxation (continued)**

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 liabilities may require adjustment, resulting in corresponding credit or charge to the statement of profit or loss and other 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.

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 profit or loss and other comprehensive income immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decreases.

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 profit or loss and other 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.



## Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 4. Revenues from ordinary activities</b>		
Operating activities:		
- Gross margin	900,718.21	890,498.41
- Upfront product commission	54,813.99	46,167.45
- Trailer product commission	305,307.99	302,482.61
- Fee income	158,976.32	148,733.60
- Market development fund	81,666.78	121,987.98
- Hire of labour	457.91	
- Refunds & reimbursements	2,324.51	
<b>Total revenue from operating activities</b>	<b>1,504,265.71</b>	<b>1,509,870.05</b>
- Interest received	32,758.16	33,961.37
<b>Total revenue from non-operating activities</b>	<b>32,758.16</b>	<b>33,961.37</b>
<b>Total revenues from ordinary activities</b>	<b>1,537,023.87</b>	<b>1,543,831.42</b>

## 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%	83,337.25	254,964.78
Prima facie income tax at 30%	27,552.54	77,697.58
Less tax effect of		
- Deductible prospectus cost amortised		
- Prepaid insurance	-1,275.68	-1,272.01
- Prepaid sponsorship		-225.00
<b>Income tax expense/(revenue)</b>	<b>26,276.86</b>	<b>76,200.57</b>
<b>Income tax expense attributable to profit from ordinary activities</b>	<b>26,276.86</b>	<b>76,200.57</b>
The applicable weighted average effective tax rates are as follows (%):	31.53	29.89

## Note 6. Cash and cash equivalents

Bank accounts:

- Bendigo Cheque Account	43,767.99	107,009.30
- Bendigo Market Development Fund Account	57,585.13	42,321.89
- Bendigo Business Solutions Account	-1,122.46	-951.83
- Bendigo Business Cash Management Account	57.68	

## Notes to the financial statements (continued)

	2013 \$	2012 \$
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### Note 6. Cash and cash equivalents (continued)

Other cash items:

- Bendigo Term Deposit	511,015.80	450,000.00
- Bendigo Term Deposit		80,000.00
	<b>611,304.14</b>	<b>678,379.36</b>

#### 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	612,426.60	679,331.19
- Bank overdrafts	-1,122.46	-951.83
	<b>611,304.14</b>	<b>678,379.36</b>

### Note 7. Receivables

#### Current

Trade debtors	137,942.74	133,966.78
	<b>137,942.74</b>	<b>133,966.78</b>

#### Non-current

Amounts receivable from

- Loan: Mareeba Golf Club Inc	32,000.00	
	<b>32,000.00</b>	

The Mareeba Golf Club Inc loan is payable in four equal instalments of \$8,000.00 beginning with the first payment due on the first anniversary of the loan (dated 31 January 2013); then annually thereafter, concluding on 31 January 2017. No interest is charged on the loan.

A first mortgage security over the borrower's water allocation is held to secure the payment obligations. The loan is fully documented.

### Note 8. Tax assets

#### Current

GST Payable control account	-24,804.96	-24,704.17
Input tax credit control account	41,124.88	30,925.09
Provision for income tax	19,997.89	
Deferred tax assets	221.33	1,497.01
	<b>36,539.14</b>	<b>7,717.93</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
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### Note 9. Other assets

#### Current

Prepayments	4,252.27	4,990.04
	<b>4,252.27</b>	<b>4,990.04</b>

### Note 10. Property, plant and equipment

#### Leasehold improvements:

- At cost	449,721.89	436,930.39
- Less: Accumulated depreciation	-223,272.36	-191,017.36
	<b>226,449.53</b>	<b>245,913.03</b>

#### Plant and equipment:

- At cost	22,529.41	22,529.41
- Less: Accumulated depreciation	-17,223.45	-15,335.45
	<b>5,305.96</b>	<b>7,193.96</b>

<b>Total written down amount</b>	<b>231,755.49</b>	<b>253,106.99</b>
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### Note 11. Intangible assets

#### Start-up costs:

- At cost	170,000.00	170,000.00
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#### Franchise fees:

- At cost	43,140.00	43,140.00
- Less: Accumulated amortisation	-11,958.00	-7,330.00
	<b>31,182.00</b>	<b>35,810.00</b>

#### Renewal process fees:

- At cost	115,706.00	115,706.00
- Less: Accumulated amortisation	-59,781.60	-36,640.40
	<b>55,924.40</b>	<b>79,065.60</b>

<b>Total written down amount</b>	<b>257,106.40</b>	<b>284,875.60</b>
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## Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 12. Trade and other payables</b>		
Unsecured:		
- Trade creditors	93,379.88	81,379.09
- Deposits refundable (POS)	104.50	
	<b>93,484.38</b>	<b>81,379.09</b>

## Note 13 Tax liabilities

### Current

Provision for income tax	50,986.43
	<b>50,986.43</b>

## Note 14. Contributed capital

<b>1,004,511 Ordinary shares at \$1.00 each fully paid</b>	<b>1,004,511.00</b>	<b>1,004,511.00</b>
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### 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.

#### 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 Limited 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).

# Notes to the financial statements (continued)

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## Note 14. Contributed capital (continued)

### **Rights attached to shares (continued)**

#### Transfer

Generally, 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 attached 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.

# Notes to the financial statements (continued)

	2013 \$	2012 \$
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## 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	49,042.44	48,736.76
- between 12 months and 5 years	211,330.53	197,145.79

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	7,454.55	9,950.00
	<b>7,454.55</b>	<b>9,950.00</b>

## 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 (ceased: 30/07/2013)
Amy K Phillips	Non-Executive Director (appt: 30/01/2013)
Graeme E Ford	Non-Executive Director
Edward Balzarolo	Non-Executive Director
Gianfranco De Iacovo	Non-Executive Director
Glenys A Pilat	Non-Executive Director (ceased: 6/08/2012)
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.

# Notes to the financial statements (continued)

## Note 17. Director and related party disclosures (continued)

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

Millar Teitzel Certified Practising Accountants received \$14,800.00 in accounting fees for the financial year for work related to preparation of monthly figures for both 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. Fees of \$2,700.00 have been charged this financial year for holding the share registry, share transactions throughout the year, payment of dividends and communications to shareholders in relation to the registry.

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.

Shareholdings	2013	2012
Graeme E Ford	20,002	20,002
Gilbert J Teitzel	6,091	6,091
Cheryl E Tonkin	5,001	5,001
Evan D McGrath	1,501	1,501
Gianfranco De Iacovo	1,001	1,001
Edward Balzarolo	nil	nil
Glenys A Pilat	nil	nil
Natasha Srhoj	nil	nil
Amy K Phillips	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.



# Notes to the financial statements (continued)

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## 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 Limited.

## 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 statement of financial position. 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 statement of financial position 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.

## Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 22. Financial instruments (continued)		
<b>Interest rate risk</b>		
At the reporting date, the interest rate profile of the company's interest-bearing financial instruments was: Variable rate instruments:		
<b>Financial assets</b>		
Cash and cash equivalents	100,288.34	148,379.36
	<b>100,288.34</b>	<b>148,379.36</b>
<b>Fixed rate instruments:</b>		
Financial assets		
Cash and cash equivalents	511,015.80	530,000.00
	<b>511,015.80</b>	<b>530,000.00</b>
<b>Net financial assets</b>	<b>611,304.14</b>	<b>678,379.36</b>
<b>Non-interest bearing instruments:</b>		
<b>Financial assets</b>		
Cash and cash equivalents		
Receivables	170,164.07	135,463.79
	<b>170,164.07</b>	<b>135,463.79</b>
<b>Financial liabilities</b>		
Payables	93,484.38	81,379.09
	<b>93,484.38</b>	<b>81,379.09</b>
<b>Net financial assets</b>	<b>76,679.69</b>	<b>54,084.70</b>

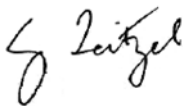
# Directors' declaration

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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 2013 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**



**Amy K Phillips**  
**Director**

Dated: 17 September 2013

# Independent audit report

## Cairns Quality Accounting

\* Tax \* Accounting \* Audit

Suite 23/25 Grafton Street Cairns Qld 4870

PO Box 5145 Cairns Qld 4870

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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*

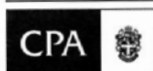
The Directors of the entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining 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.



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*

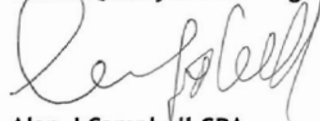
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*, Australian professional accounting bodies and others.

### *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

Franchisee: Mareeba & Dimbulah Financial Services Ltd  
94 Byrnes Street, Mareeba QLD 4880  
ABN: 53 115 503 930

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[www.bendigobank.com.au/dimbulah](http://www.bendigobank.com.au/dimbulah)  
(BMPAR13132) (10/13)

