



# Annual Report 2016

Mareeba & Dimbulah  
Financial Services Limited

ABN 53 115 503 930

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

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# Chairman's report

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For year ending 30 June 2016

"Building communities. While this has not always been seen as the role of commercial enterprises, we are starting to understand that companies that do not contribute positively to their community are finding it harder to justify their right to take from the community." <sup>1</sup>

Corporate social responsibility has been integrated into the culture of corporate society for the past couple of decades, so it is poignant to reflect on what this mean for both our community entity, Mareeba & Dimbulah Financial Services Limited and that of our franchise partners, Bendigo and Adelaide Bank Limited.

"Social responsibility is the responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that:

- Contributes to sustainable development, including the health and the welfare of society,
- Takes into account the expectations of stakeholders,
- Is in compliance with applicable law and consistent with international norms of behaviour, and
- Is integrated throughout the organization and practised in its relationships." <sup>2</sup>

The message we have strived to convey to our customers, shareholders and community over the past decade is, how the **Community Bank**<sup>®</sup> model is like no other. Why would a large corporate entity offer to share the revenue it makes from any small community, be that in the suburbs of a larger city to a rural township of just a few thousand individuals? This is what Bendigo and Adelaide Bank Limited. is about, building communities.

"No other bank in the market has a similar impact on local communities and our local community is the sole driver of the size of that impact." <sup>1</sup>

The Board recognises that the future financial landscape will be different and continues to present a difficult environment to predict. The best we can do as a Board is to strengthen our dedication to setting the direction of the company into the future, and this has been reflected in the processes of the committee. We have sharpened our focus on the future direction of the company and have instituted a more diligent approach to building business through a dedicated focus on strategic planning. We continue to mould the strategy to what best fits our company profile for maximising business growth now and into the future.

In my previous report to the Annual General Meeting, in November 2015 I indicated that the company would be moving to a 'Funds Transfer Pricing' methodology for calculating the share of margin income or share of revenue Mareeba & Dimbulah Financial Services Limited would receive through the franchise model we are signed up to. What was not evident at that time was that this was not an automatic transfer into this different methodology, but rather we would need to formally agree to the change. The Board has decided to remain with the current margin share calculation provided under our existing franchise agreement. Further the Board has decided to remain with the existing franchise renewal, providing for a further and final five years of this existing franchise agreement, rather than take up the offer of moving to a 'Plain English' version of the franchise agreement, including an additional five years added onto that new franchise agreement.

The 2015/16 financial year has again proved to be highly successful for both **Community Bank**<sup>®</sup> branches. Under the leadership of Branch Manager Stephen Gear the Mareeba **Community Bank**<sup>®</sup> Branch and staff members Rebecca, Carmel, Freda, Beverley, Kira, Sara, Kristie-Lee and Jenni, have been recognised as the branch for achieving the second highest for writing particular rural product in Queensland and fourth in the whole country. Similarly, Branch Manager Ann-Maree Zugno and staff of Debbie, Christine, Sally and Kayla of the Dimbulah **Community Bank**<sup>®</sup> Branch received top awards for writing the most in a particular rural product in Queensland and second in the whole country. These results are impressive and the staff must be commended for their efforts and dedication, not only to their roles, but also to the community.

# Chairman's report (continued)

Over the course of the 2015/16 year we provided about \$38,000 in sponsorship and \$195,000 in grants to the Mareeba and Dimbulah communities. Since the establishment of Mareeba & Dimbulah **Community Bank**<sup>®</sup> branches, almost \$2 million has been returned to the community either by distribution of dividends to shareholders or through grants, donations and sponsorship of local clubs and organisations [Table 1] [Table 2]. Importantly, the Board also continues to maintain a consistent dividend policy to recognise the support shown by the community to bring this company into existence and supporting this valuable business model with Bendigo and Adelaide Bank Limited.

**Table 1 – Dividends paid**

Financial Year	Date Paid	Rate	Amount
2006/07			
2007/08	01 October 2007	0.06 cents	\$60,270.66
2008/09	30 January 2009	0.07 cents	\$70,315.77
2009/10	15 December 2009	0.06 cents	\$60,270.66
2010/11	17 November 2010	0.06 cents	\$60,270.66
2011/12	12 December 2011	0.06 cents	\$60,270.66
2012/13	19 December 2012	0.07 cents	\$70,315.77
2013/14	18 September 2013	0.03 cents	\$30,135.33
	19 December 2013	0.07 cents	\$70 315.77
2014/15	08 December 2014	0.07 cents	\$70,315.77
2015/16	19 December 2015	0.07 cents	\$70,315.77
	<b>Total</b>	<b>0.62 cents</b>	<b>\$622,796.82</b>

**Table 2 – Community contributions**

Financial Year	Sponsorships	Grants	Business	Total
2006/07	\$13,024	\$0	\$0	\$13,024
2007/08	\$29,210	\$50,000	\$1,121	\$80,331
2008/09	\$13,482	\$28,000	\$20,992	\$62,474
2009/10	\$30,811	\$37,000	\$43,266	\$111,077
2010/11	\$45,640	\$0	\$55,812	\$101,452
2011/12	\$41,731	\$3,000	\$39,091	\$83,822
2012/13	\$49,068	\$111,123	\$53,447	\$213,638
2013/14	\$45,000	\$111,000	\$41,762	\$197,762
2014/15	\$50,650	\$125,300	\$29,817	\$205,767
2015/16	\$38,425	\$195,500	\$37,747	\$271,672
<b>Total</b>	<b>\$357,041</b>	<b>\$660,923</b>	<b>\$ 323,055</b>	<b>\$1,341,019</b>

The company also has approximately \$436,000 available in the Community Enterprise Foundation™ for future projects.

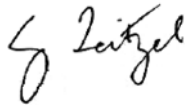
The 'Bendigo Bank Recreational Precinct' is taking shape, with games already played on the four new outdoor courts by both netball and basketball groups. The committee, made up of representatives from community sporting groups and organisations that will benefit from the project, in conjunction with a close working relationship with our local council, continue the work on the 'Bendigo Bank Recreational Precinct' development. We have to this stage engaged a consultant to report on the potential viability of a complex suitable for providing the community with a structure to suit the needs of the users of such a facility, well into the future.

# Chairman's report (continued)

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Our Board, the Managers and staff of both branches continue the important roles necessary to build on what has been achieved to date. All staff go above and beyond their normal weekly work duties, to provide a great relationship with the community in which we all work and live. It is certainly pleasing to witness the generous comments and feedback our staff receive.

As a Board we continue to maintain a firm focus on corporate governance and community impact with the aim of delivering on our Mission which is, "We work with and invest in our communities to embrace and create opportunities; for a sustainable and positive future."



**Gilbert Teitzel**  
**Chairman**

<sup>1</sup> Juliann Byron, Chair of the Canterbury Surrey Hills Community Finance Ltd – Annual Report 2015

<sup>2</sup> International Organisation for Standardisation's Guidance Standard on Social Responsibility, ISO 26000, published in 2010

# Managers' report

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For year ending 30 June 2016

The Mareeba and Dimbulah **Community Bank**<sup>®</sup> branches' successes are reflective of the continual annual business growth displayed in the below table, and which have continued on trend for both branches for the 2015/16 financial year. It is with great pleasure that we are able to report our second consecutive year of achieving growth in excess of \$20 million. The significance of this growth for the 2015/16 financial year, in such a highly competitive market, can be attributed to the dedication of the staff from both the Mareeba and Dimbulah branches and the support we receive from our Business Banking and Rural Banking Teams led by Yadranka Keeling and Grant Turner.

Financial Year	Total Footings of Mareeba and Dimbulah Community Bank <sup>®</sup> branches
2007/08	\$119.5 million
2008/09	\$129.0 million
2009/10	\$133.5 million
2010/11	\$145.7 million
2011/12	\$155.3 million
2012/13	\$170.6 million
2013/14	\$181.0 million
2014/15	\$201.4 million
2015/16	\$221.6 million

The Tableland Business banking team have achieved strong growth for our region during the 2015/16 financial year. We would like to acknowledge our Business Banking Manager Yadranka Keeling and Business Banking Officer Joanne Ius who in the 2015/16 financial year, and out of the nine Business Banking teams in the North Queensland Region, achieved the highest net growth in business lending. This result saw the Tableland team take out the number one spot in the region.

Following on from this, our Rural Banking team have also achieved great results, under the guidance of our Agribusiness Relationship Manager, Grant Turner. The Rural Bank lending and deposit portfolio continues to be a growth area for the bank, enabling our branches to offer products and services designed to service the needs of our agricultural customers.

Rural Bank footings continued to grow throughout the year with Dimbulah **Community Bank**<sup>®</sup> Branch achieving the number two position for growth in Farm Managed Deposit funds (FMD's) in Australia and the number one position for growth in Queensland. Mareeba **Community Bank**<sup>®</sup> Branch followed closely behind, achieving number four in Australia and the number two position for growth in Queensland.

In support of the Agricultural sector in our community, the **Community Bank**<sup>®</sup> company hosted an Agricultural function at the Mutchilba Community Centre in May. It was an opportunity for our local farming community to come together for the evening to hear a presentation from our Agribusiness Manager, Grant Turner while enjoying dinner and a machinery display from one of our local dealers.

The **Community Bank**<sup>®</sup> company continued their strong support of local business through our sponsorship of the Mareeba Chamber of Commerce, Mareeba and District Fruit and Vegetable Growers dinner, Mareeba Rodeo, Dimbulah Lions Festival and the Wheelbarrow Race. The Board will continue with support of the community and has committed to the development of the Bendigo Bank Recreational Precinct.

## Managers' report (continued)

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It is through the many hours of work our Board of Directors accomplish on a volunteer basis for the Mareeba and Dimbulah communities that such projects are possible. We would like to acknowledge the Board for their valued contribution throughout the year and the support they offer to their **Community Bank®** branches.

Finally, to our existing shareholders, account holders and supporters we thank you for your continued support and encourage you, your friends and family to call in and speak to our staff about our great range of products. The growth of our business enables the **Community Bank®** company Board to further increase their support of projects and programs in your local area. Your advocacy of the **Community Bank®** branches will continue to play a vital role in our future growth.



**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 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank®** branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank®** communities in every state and territory of Australia.

The statistics are impressive:

- More than \$148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than \$38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank®** companies.

- Aged care
- Youth disengagement
- Homelessness
- Domestic and family violence
- Mental health
- Unemployment
- Environment

I have no doubt that your **Community Bank®** company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank®** branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers... and the list goes on.

As **Community Bank®** company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank®** branch the success it is today.

To every single one of our 1,900-plus **Community Bank®** company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank®** community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank®** community can achieve.



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



# Corporate governance statement

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The Board of a company has a significant role in achieving the company's mission and goals. The Board has the onus to act in the best interests of the company's shareholders. The Board is accountable to its shareholders and also to stakeholders in the community in which it supports. Sound overview by a strong and balanced Board is vital in addressing a company's strategic direction. By such governance the Board can fulfill its moral and legal responsibilities and also allow management to carry out its role within defined parameters without the day-to-day intervention of the Board.

The areas this Board has identified that are relevant for a governance framework to enable it to make effective decisions are:

- To provide strategic leadership, to proactively move the company's banking business forward and address emerging issues
- To adhere to good corporate ethics with a sense of duty to act in good faith and in the best interests of the company; this assures stakeholders that the Board is fulfilling its responsibilities with due diligence and accountability
- To identify and understand:
  - the key duties and responsibilities of an organisation's Directors and officers
  - the role of committees
  - the role of external audit
  - risk assessment from the perspective of the Board and individual Board members
- To provide performance reports to stakeholders on a timely basis
- To be aware of good corporate governance issues
- To make known to stakeholders the company's governance process and to report on the Board's adherence to its corporate governance policies.

To maximise its effectiveness, the Board has:

- Implemented sub-committees, from which groups of individuals make decisions and recommendations for the Board to approve; these sub committees include:
  - a Governance and Business Development Committee,
  - a Sponsorship & Marketing Committee,
  - a Finance and Audit Committee and
  - a Human Resources Committee.

The use of these subcommittees will enable the workload to be balanced amongst the entire Board in areas where individuals have and bring particular skills to that sub-committee:

- promoted an environment in which personal and Board risk is understood, articulated and managed from a basis of sound governance policy and a risk management framework;
- investment in individual Director and Board education and training;
- encouraged a diversity of opinions and views as a means towards effective decision making by the Board;
- adhered to a clear distinction between the Board and branch Managers' roles;
- recognised the views of our franchise agreement partner, Bendigo Bank Limited, in Board discussions and to utilise its experience.

In all things the Board shall be transparent in its dealings and have strong corporate governance focus. The Board will adopt corporate governance policies and procedures that will guide Mareeba & Dimbulah Financial Services Limited into the future.

# A little about us

Our **Community Bank**<sup>®</sup> company works because your banking is profitable for our **Community Bank**<sup>®</sup> branches.

But instead of taking those profits out of your community, your **Community Bank**<sup>®</sup> company makes significant investments to help build our local community.

Bendigo Bank introduced the **Community Bank**<sup>®</sup> network to empower local communities. It gave local communities the chance to take a direct equity interest in their local banking service provider, without giving up the advantages of scale so necessary to banking. It was conceived as a genuine partnership, based on a franchise model:

- Bendigo Bank provides the balance sheet, the financial products, systems and training.
- The local **Community Bank**<sup>®</sup> company provides the premises, equipment and staff.

Our **Community Bank**<sup>®</sup> branch in Dimbulah returned banking to the small Dimbulah community, while the Mareeba **Community Bank**<sup>®</sup> Branch took on the major banks and demonstrated how our local community can benefit when the profits are retained here.

Today we provide various community groups over \$40,000 per year to make our local community a better place to live, work and play. We drive major projects like the Bendigo Bank Recreational Precinct and work with our community to lobby for improved health services and implement homelessness projects.

All of this is only achievable because our customers choose to bank with us.

We remain, at heart, a local company with a primary focus on service, while our partners at Bendigo Bank can provide any banking solution to fit the needs of our customers.

From business banking and personal banking to insurances and lending, your banking is what helps the community building to happen.

Our aim is to provide better banking services to our customers, provide reasonable returns to our local shareholders and to make material community investments. While we have achieved great results on these aims to date, we will continue to work with our community to build on these results.



## Future focus.

MDFSL Strategic Goals as at July 2016.

Timeframe	Goals
3 Years	Bendigo Bank is bank of next choice.
	Target the demographic gaps within the business.
	Total footings Mareeba & Dimbulah are sitting at EOFY17 \$240 million, EOFY18 \$260 million, EOFY19 \$280 million.
	Increase take up of non-margin products.
	Engage community to identify top priorities for high impact – which do not necessarily require financial commitment.
	Community Enterprise Foundation™ balance covers the \$750,000 for the Recreational Precinct contribution and next community project / focus.
	Understand the impact of the Bendigo Bank Business Transformation Process on performance, and strategically address positive / negative impacts.
	Grow the asset value of the business.
	Build a strategic relationship with Bendigo Bank and Rural Bank to benefit our business.





## Our Major Project – Bendigo Bank Recreational Precinct.

We are very proud to have organised the official opening of Stage 1 of the Bendigo Bank Recreational Precinct on the 8 October. It is great to see the new facilities are being well utilised by various clubs and community groups.

It has been nearly three years since the **Community Bank®** company Board became aware that the Mareeba Netball and Mareeba Basketball clubs were struggling to meet community demands for their respective sports. The problem was that Mareeba didn't have any facilities that had at least two courts. Consequently the clubs have moved from school to school, to the PCYC to hold their games, and neither club had a place to call 'home' as such. It was at this time that the Board was looking for a 'major' project for Mareeba.

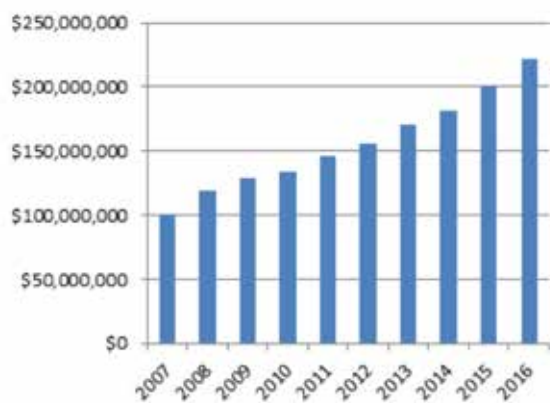
A Sports Reference Group was established to investigate the options and see if there might be an opportunity to invest in an indoor facility with two courts which could also provide additional benefits to the broader community. The first two years were spent talking to clubs, investigating vacant land around Mareeba and discussing the idea with Council. After some time we were presented with a 'plan' that encompassed the Davies, Firth and Eales Park area. The concept established a 'sports and recreational precinct area' which provided facilities that all of the community could enjoy. There was very good support from all sporting clubs and organisations that would benefit from such a facility. After much discussion, it was at this point that the Board pledged \$1 million to develop the project. In partnership with Mareeba Shire Council, the Board and Reference Group took the idea on and undertook planning to prepare an initial master plan that allowed a funding application to be submitted for the 'Playing Plus' grant program that was being offered by the State Government. The Bank provided \$250,000 from the \$1 million pledge and other clubs and entities provided the remaining \$170,000 required to provide matching funding for the grant. In December 2014 we were advised that the application had been successful and so began the work to roll out Stage 1 of the project which included four outdoor multipurpose courts, a new cricket pitch and bike/walking paths around the area. The successful grant has seen \$840,000 of infrastructure investment.

The next stage is to develop a Business Plan for the indoor complex. It is imperative that the complex can stand alone financially and a consultant has been appointed to investigate the project to ensure it is viable. Providing the investigations confirm there is sufficient demand for such a complex in Mareeba, we will then source State and Federal Government funding to support the Board's investment to construct the complex.

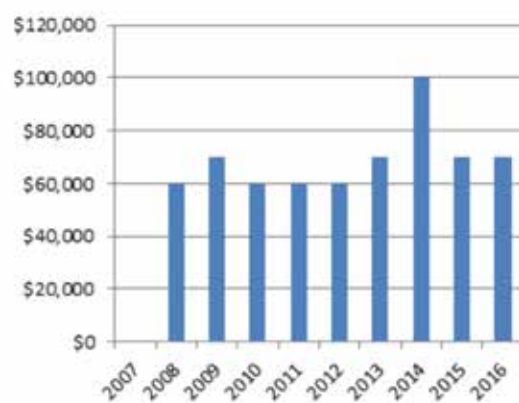


## Highlights.

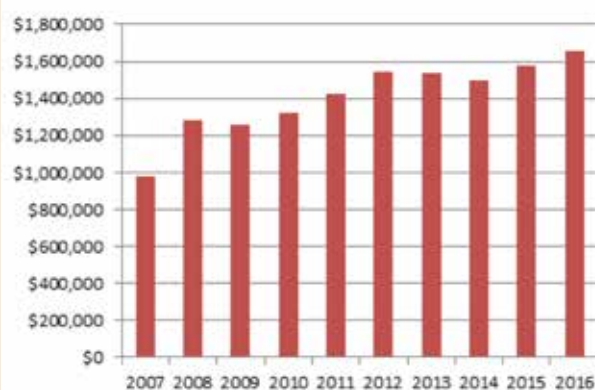
Footings Growth



Dividends Paid



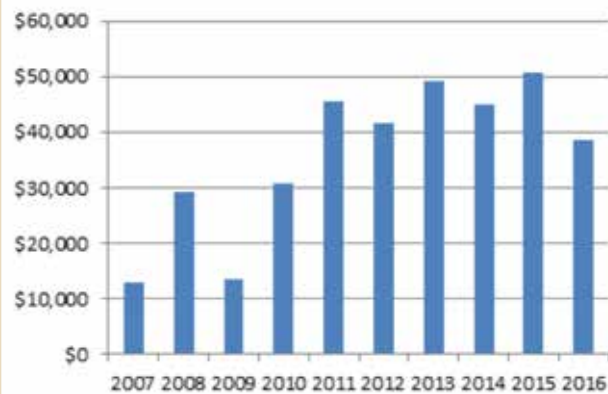
Revenue



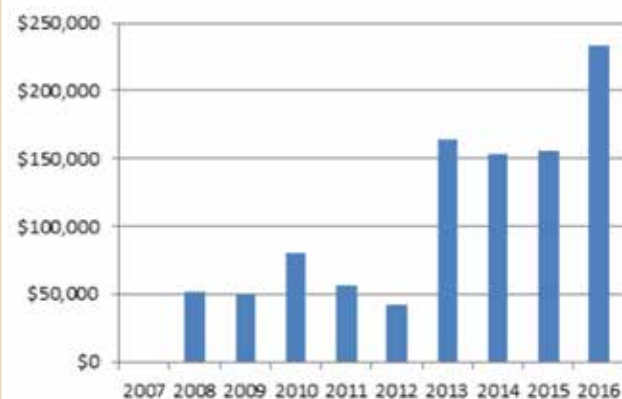


## Highlights.

Sponsorships



Community Investment



# Directors' report

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For the financial year ended 30 June 2016

Your Directors present this report on the company for the financial year ended 30 June 2016.

## Directors

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

<b>Name:</b>	<b>Gilbert Teitzel</b>
Position:	Chairman
Qualifications:	Certified Practising Accountant
Special Responsibilities:	Governance & Business Development Committee, Human Resource Committee, Chair of Audit/Finance Committee and Strategic Planning
<b>Name:</b>	<b>Gianfranco De Iacovo</b>
Position:	Vice-Chairman
Qualifications:	Business Owner
Special Responsibilities:	Marketing & Sponsorship Committee
<b>Name:</b>	<b>Cheryl Eileen Tonkin</b>
Position:	Secretary
Qualifications:	Civil Celebrant/Auctioneer
Special Responsibilities:	Governance & Business Development Committee and Human Resource Committee
<b>Name:</b>	<b>Amy Kathryn Phillips</b>
Position:	Treasurer
Qualifications:	Marketing Director
Special Responsibilities:	Audit/Finance Committee and Strategic Planning
<b>Name:</b>	<b>Edward Balzarolo [Ceased: 30/03/2016]</b>
Position:	Director
Qualifications:	Primary Producer
Special Responsibilities:	Marketing & Sponsorship Committee and Governance & Business Development Committee
<b>Name:</b>	<b>Natasha Srhoj</b>
Position:	Director
Qualifications:	Accounts Manager Mareeba Express
Special Responsibilities:	Marketing & Sponsorship Committee
<b>Name:</b>	<b>Graeme Eric Ford</b>
Position:	Director
Qualifications:	Automotive Dealer
Special Responsibilities:	Chair of Governance & Business Development Committee and Chair of Human Resource Committee
<b>Name:</b>	<b>Charles Edward Khan</b>
Position:	Director
Qualifications:	Ambulance Officer
Special Responsibilities:	Marketing & Sponsorship Committee



# Directors' report (continued)

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## Directors (continued)

<b>Name:</b>	<b>Chris Gillies [Appt: 22/10/2015]</b>
Position:	Director
Qualifications:	Computer Technician
Special Responsibilities:	Marketing & Sponsorship Committee, Governance & Business Development Committee and Strategic Planning

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

## Review of operations and financial results

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

<b>Year ended 30 June 2016</b>	<b>Year ended 30 June 2015</b>
<b>\$</b>	<b>\$</b>
111,804	78,838

## 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.

## Dividends

The fully franked dividend of \$70,315.77 (\$0.07 per share) referred to in the previous Directors' report dated 31 December 2015 was paid on 18 December 2015.

## Events arising since the end of the reporting period

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect either:

- the company's operations in future financial years,
- the results of those operations in future financial years; or
- the company's state of affairs in future financial 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 legislation

The company is not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

# Directors' report (continued)

## 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.

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 has been included on page 7 of this Financial Report and forms part of this Directors Report.

## Directors' meetings

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

	Eligible to attend	Number attended
Gilbert J Teitzel	12	11
Gianfranco De Iacovo	12	11
Cheryl E Tonkin	12	6
Amy K Phillips	12	11
Edward Balzarolo	8	5
Graeme E Ford	12	10
Natasha Srhoj	12	11
Charles E Khan	12	7
Chris Gillies	11	10

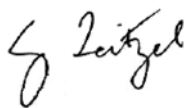
## Proceedings on behalf of the company

No person has applied for leave of Court under section 237 of the Corporations Act 2001 for leave 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.

## 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**



**Cheryl E Tonkin**  
**Director**

Dated: 13 September 2016

# Auditor's independence declaration

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## **Mareeba & Dimbulah Financial Services Limited**

**ABN 53 115 503 930**

### **Auditor's Independence Declaration**

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**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

**To THE DIRECTORS OF: Mareeba & Dimbulah Financial Services Limited**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been :

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the Audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit



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Megan O'Neill FCPA  
Cairns Quality Accounting  
Registered Company Auditor #419579  
23/25-29 Grafton Street, Cairns Qld 4870

Dated: 16 September 2016

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	4	1,658,623	1,578,145
<b>Gross profit</b>		<b>1,658,623</b>	<b>1,578,145</b>
Administration and general costs		-198,626	-194,367
Employment secondment expenses		-812,957	-816,557
ATM expenses		-17,282	-19,292
Depreciation and amortisation expenses		-62,151	-72,977
IT leasing and running costs		-43,446	-43,370
Occupancy costs		-109,859	-115,820
Marketing Development Fund expenses		-64,435	-74,175
Grants and donations		-195,500	-125,300
<b>Profit before income tax</b>		<b>154,369</b>	<b>116,288</b>
Income tax attributable to operation profit (loss)	5	42,565	37,450
<b>Operating profit after income tax</b>		<b>111,804</b>	<b>78,838</b>
<b>Total comprehensive income for the year</b>		<b>111,804</b>	<b>78,838</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic profit for the year		11.13	7.85

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	619,207	654,108
Trade and other receivables	8	154,279	144,592
Other	9	4,951	4,966
<b>Total current assets</b>		<b>778,437</b>	<b>803,666</b>
<b>Non-current assets</b>			
Receivables	7	14,750	21,750
Property, plant and equipment	10	234,800	271,831
Intangible assets	11	312,006	201,564
<b>Total non-current assets</b>		<b>561,555</b>	<b>495,144</b>
<b>Total assets</b>		<b>1,339,992</b>	<b>1,298,810</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	89,498	94,823
Current tax liabilities	13	33,830	29,220
<b>Total current liabilities</b>		<b>123,328</b>	<b>124,043</b>
<b>Total liabilities</b>		<b>123,328</b>	<b>124,043</b>
<b>Net assets</b>		<b>1,216,665</b>	<b>1,174,767</b>
<b>Equity</b>			
Contributed equity	14	1,004,511	1,004,511
Retained profits		212,154	170,256
<b>Total equity</b>		<b>1,216,665</b>	<b>1,174,767</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Changes in Equity for the year ended 30 June 2016

	Issued capital \$	Accumulated profit (loss) \$	Total equity \$
<b>Balance at 1 July 2014</b>	<b>1,004,511</b>	<b>162,154</b>	<b>1,166,665</b>
Shares issued during year	-	-	-
Profit/(loss) attributable to the members of the company		78,838	78,838
Sub-total:	1,004,511	240,992	1,245,503
Dividends paid or provided for		(70,735.77)	(70,735.77)
<b>Balance at 30 June 2015</b>	<b>1,004,511</b>	<b>170,256</b>	<b>1,174,767</b>
<b>Balance at 1 July 2015</b>	<b>1,004,511</b>	<b>170,256</b>	<b>1,174,767</b>
Shares issued during year	-	-	-
Profit/(loss) attributable to the members of the company		111,804	111,804
Sub-total:	1,004,511	282,060	1,286,571
Adjustment re prior years		14	14
Dividends paid or provided for		-69,920	-69,920
<b>Balance at 30 June 2016</b>	<b>1,004,511</b>	<b>212,154</b>	<b>1,216,665</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Cash flow from operating activities</b>			
Receipts from customers		1,638,209.78	1,553,120.48
Payments to suppliers and employees		-1,451,269.58	-1,383,846.04
Interest received		11,602.85	17,580.13
Income tax paid		-34,961.40	-8,517.30
<b>Net cash provided by (used in) operating activities (note 2)</b>		<b>163,581.65</b>	<b>178,337.27</b>
<b>Cash flow from investing activities</b>			
Payment for:			
Payments for property, plant and equipment			-103,425.96
Intangible assets		-135,562.00	
Proceeds from disposal of:			
Loans to other persons		7,000.00	2,250.00
<b>Net cash provided by (used in) investing activities</b>		<b>-128,562.00</b>	<b>-101,175.96</b>
<b>Cash flow from financing activities</b>			
Dividends paid		-69,920.27	-70,735.77
<b>Net cash provided by (used in) financing activities</b>		<b>-69,920.27</b>	<b>-70,735.77</b>
Net increase (decrease) in cash held		-34,900.62	6,425.54
Cash at the beginning of the year		654,107.72	647,682.18
<b>Cash at the end of the year (note 1)</b>		<b>619,207.10</b>	<b>654,107.72</b>

The accompanying notes form part of these financial statements.



# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2016 (continued)

	2016 \$	2015 \$
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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 on the Statement of Financial Position as follows:

Cash at bank	119,207	129,108
Term deposit	500,000	525,000
	<b>619,207</b>	<b>654,108</b>

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

Operating profit (loss) after tax	111,804	78,838
Depreciation	37,031	45,208
Amortisation	25,120	27,769
Adjustment prior years	14	27,443
Increase/(decrease) in provision for income tax	9,034	27,443
Increase/(decrease) in future income tax benefit	-1,430	1,490
Changes in assets and liabilities net of effects of purchases and disposals of controlled entities:		
(Increase) decrease in trade and term debtors	-9,687	-8,189
(Increase) decrease in prepayments	16	-212
Increase (decrease) in trade creditors and accruals	-5,325	-8,619
Increase (decrease) in sundry provisions	-2,994	14,610
<b>Net cash provided by operating activities</b>	<b>163,582</b>	<b>178,337</b>

# Notes to the financial statements

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For year ended 30 June 2016

## Note 1. Statement of significant accounting policies

### **(A) basis of preparation**

The company has elected to adopt the Australian Accounting Standards - Reduced Disclosure Requirements.

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the Corporations Act 2001. Mareeba & Dimbulah Financial Services Limited is a for-profit entity for the purpose of preparing the financial statements.

The financial statements for the year ended 30 June 2016 were approved and authorised for issue by the Board of Directors on 31 August 2016.

### **Changes in accounting policies**

The accounting policies are consistent with those applied in the previous financial year except as follows:

The entity has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as at 1 July 2015:

AASB 2014-8: Amendments to Australian Accounting Standards arising from AASB 9(December 2014) - Application of AASB 9 (December 2009) and AASB 9 (December 2010), such that for annual reporting periods beginning on or after 1 January 2015, an entity may apply AASB 9 (December 2009) or AASB 9 (December 2010) if, and only if, the entity's date of initial application (as described in the applicable Standard) is before 1 February 2015.

AASB 2014-8 mandatorily applies to annual reporting periods beginning on or after 1 January 2015.

AASB 2015-3: Amendments to Australian Accounting Standards (issued January 2015) completes the Australian Accounting Standards Board project regarding the withdrawal of AASB 1031 Materiality (July 2004) by amending AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors to supersede and delete references to AASB 1031 in the Australian Accounting Standards listed in the appendix to this Standard.

AASB 1031 mandatorily applies to annual reporting periods beginning on or after 1 July 2015.

AASB 2015-4: Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Groups with a Foreign Parent (issued January 2015) makes amendments to align AASB 128: Investments in Associates and Joint Ventures with the relief available in AASB 10: Consolidated Financial Statements in respect of the financial reporting requirements for Australian groups with a foreign parent. This Standard also makes a consequential amendment to AASB 127: Separate Financial Statements.

AASB 2015-4 mandatorily applies to annual reporting periods beginning on or after 1 July 2015.

There have been no material impacts as a result of the accounting standards adopted above.

### **Compliance with IFRS**

#### Recently issued or amended standards not yet effective

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2016.

AASB 9 Financial Instruments (December 2014) introduces changes to the classification and measurement of financial assets and financial liabilities, impairment of financial assets and new rules for hedge accounting. This standard is mandatory for the 30 June 2019 financial statements. The potential effects of adoption of the standard are currently being assessed. The company has not elected whether to early adopt this standard at this point in time.

# Notes to the financial statements (continued)

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

### Compliance with IFRS (continued)

#### Recently issued or amended standards not yet effective (continued)

AASB 1057 Application of Australian Accounting Standards aims to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific working. This Standard will be effective from 1 January 2016. When it is first adopted for the financial year ending 30 June 2017, there will be no impact on the financial statements.

When applicable, AASB 16 Leases (issued February 2016) will supersede the existing lease accounting requirements in AASB 117: Leases and the related Interpretations. The company is yet to undertake a detailed assessment of the impact of AASB 16.

AASB 2014-4: Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation (issued August 2014) amends AASB 116 and AASB 138: Intangible Assets to disallow revenue-based methods of depreciation and amortisation, declaring them an inappropriate basis for measuring the consumption of economic benefits embodied in an asset. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment. When these amendments are first adopted for the financial year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements

AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 (issued January 2015) focuses on clarifying the presentation and disclosure requirements in AASB101, in order to increase the scope for entities to judge how and/or what information is to be disclosed in their financial statements. When these amendments are first adopted for the financial year ending 30 June 2017, there will be no material impact on the financial statements.

AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses (issued February 2016) makes amendments to AASB 112: Income Taxes to clarify the requirements regarding recognition of deferred tax assets arising on account of unrealised losses on debt instruments measured at fair value. When these amendments are first adopted for the financial year ending 30 June 2018, there will be no material impact on the financial statements.

AASB 2016-2: Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 (issued March 2016) makes amendments to AASB 107: Statement of Cash Flows to require an entity to additionally disclose the details regarding movement in the liabilities that arise from financing activities by way of reconciliation in the statement of financial position. Such reconciliation shall be accompanied with sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and statement of cash flows. When these amendments are first adopted for the financial year ending 30 June 2018, there will be no material impact on the financial statements.

### **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®** 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®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

# Notes to the financial statements (continued)

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

### **Economic dependency - Bendigo and Adelaide Bank Limited (continued)**

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®** 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 fitout of the **Community Bank®** branches;
- training for the branch Manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many 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.

### **Summary of accounting policies**

#### Overall consideration

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

#### **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).

#### 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 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.

# Notes to the financial statements (continued)

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

### Revenue (continued)

#### Revenue calculation (continued)

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 between the tax bases of assets and liabilities and their carrying amounts in the financial statements and 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 taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred income 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.

# Notes to the financial statements (continued)

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## Note 1. Statement of significant 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 Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

### Employee benefits

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 personal leave. Any provision for employee entitlements are accrued by Bendigo and Adelaide Bank Limited.

### 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.

### 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:

<b>Class of asset</b>	<b>Depreciation rate %</b>
Leasehold improvements	2.5 - 40.0%
Plant and equipment	2.5 - 40.0%
Fixtures and fittings	2.5 - 40.0%

Gains and losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

# Notes to the financial statements (continued)

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

### **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.

### **Borrowings**

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

### **Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to Mareeba & Dimbulah Financial Services Limited are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value. 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 their estimated useful lives where it is likely that Mareeba & Dimbulah Financial Services Limited will obtain ownership of the asset or over the term of the lease.

Lease payments under 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**

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

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 Service Tax (GST)**

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

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



# Notes to the financial statements (continued)

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## Note 2. Financial Instruments

### **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.

### **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 2016 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

## Note 3. Critical accounting estimates 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 Profit or Loss and Other Comprehensive Income. Deferred tax assets, including those arising from unrecouped 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.

# Notes to the financial statements (continued)

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

### **Taxation (continued)**

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, operation 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 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 decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in 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)

	2016 \$	2015 \$
<b>Note 4. Revenues from ordinary activities</b>		
<b>Operating activities:</b>		
Gross margin	1,013,364	951,443
Upfront product commission	52,018	56,965
Trailer product commission	330,138	297,565
Fee income	153,167	161,226
Market Development Fund	98,333	92,917
Gross receipts		449
	<b>1,647,020</b>	<b>1,560,565</b>
<b>Non-operating activities:</b>		
Interest revenue	11,603	17,580
<b>Total revenue from non-operating activities</b>	<b>11,603</b>	<b>17,580</b>
<b>Total revenue from ordinary activities</b>	<b>1,658,623</b>	<b>1,578,145</b>

## Note 5. Income tax

The prima facie tax payable on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:

Profit/(loss) from ordinary activities before income tax	154,369	116,288
Prima facie income tax	43,995	34,886
Add tax effect of:		
-Non-deductible entertainment costs		1,074
-Prepaid insurance	-1,430	1,490
Income tax expense/(revenue)	42,565	37,450
Income tax expense attributable to profit from ordinary activities	42,565	37,450
The applicable weighted average effective tax rates are as follows (%):	27.57	32.20

## Note 6. Dividends

Dividends provided for or paid	69,920	70,736
	<b>69,920</b>	<b>70,736</b>

On 18 December 2015 dividend payments of \$70,315.77 were made. \$395.50 of these that were initially rejected remain outstanding.

## Notes to the financial statements (continued)

	2016 \$	2015 \$
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### Note 7. Cash and cash equivalents

Bank accounts:

Bendigo Cheque Account	66,118	35,062
Bendigo Market Development Fund Account	52,558	94,450
Bendigo Business Solutions Account	348	-822
Bendigo Business Cash Management Account	184	417

Other cash items:

Bendigo Term Deposit	500,000	525,000
	<b>619,207</b>	<b>654,108</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	619,207	654,930
- Bank overdrafts		-822
	<b>619,207</b>	<b>654,108</b>

### Note 8. Trade and other receivables

#### Current

Trade debtors	154,235	144,592
Refundable deposits	44	
	<b>154,279</b>	<b>144,592</b>

#### Non-current

Amounts receivable from

- Loan: Mareeba Golf Club Inc	14,750	21,750
	<b>14,750</b>	<b>21,750</b>

### Note 9. Other assets

#### Current

Prepayments	4,951	4,966
	<b>4,951</b>	<b>4,966</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 10. Property, plant and equipment</b>		
Leasehold improvements:		
- At cost	533,798	533,798
- Less: Accumulated depreciation	-299,290	-263,880
	<b>234,508</b>	<b>269,918</b>
Plant and equipment:		
- At cost	10,184	10,184
- Less: Accumulated depreciation	-9,892	-8,271
	<b>292</b>	<b>1,913</b>
<b>Total written down amount</b>	<b>234,800</b>	<b>271,831</b>

## Note 11. Intangible assets

Start up costs:		
- At cost	170,000	170,000
Franchise fees:		
- At cost	65,734	43,140
- Less: Accumulated amortisation	-25,399	-21,218
	<b>40,335</b>	<b>21,922</b>
Renewal Process fees:		
- At cost	228,674	115,706
- Less: Accumulated amortisation	-127,003	-106,064
	<b>101,671</b>	<b>9,642</b>
<b>Total written down amount</b>	<b>312,006</b>	<b>201,564</b>

## Note 12. Trade and other payables

Unsecured:		
- Trade creditors	89,498	94,823
	<b>89,498</b>	<b>94,823</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 13. Tax liabilities</b>		
<b>Current</b>		
GST Payable control account	28,788	26,440
Input tax credit control account	-24,339	-18,997
Provision for income tax	28,116	19,083
Deferred tax assets	1,265	2,695
	<b>33,830</b>	<b>29,220</b>

## Note 14. Contributed capital

<b>1,004,511 Ordinary shares at \$1.00 each fully paid</b>	<b>1,004,511</b>	<b>1,004,511</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 a 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®** branch 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 payments of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

#### 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.

# Notes to the financial statements (continued)

## Note 14. Contributed capital (continued)

### Rights attached to shares

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 515 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.

	2016 \$	2015 \$
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## Note 15. Leases

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

Payable - minimum lease payments (subject to market reviews and CPI):

- not later than 12 months	53,503	52,309
- between 12 months and 5 years	284,054	275,259

The Mareeba property lease is a non-cancellable lease. An option was taken up with a five year term, due to expire on 30 November 2020, with rent payable monthly in advance. There remains one five year option 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 second five year option was taken up on 22 December 2015 and will be due to expire on 30 November 2020 with no further options to renew.



# Notes to the financial statements (continued)

## Note 16. Director and related party disclosures

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.

	2016 \$	2015 \$
<b>Related party transactions</b>		
The following transactions occurred with related parties:		
Payment for goods and services:		
- Payment for services from associates	16,980	17,680
<b>Shareholdings</b>		
Number of shares held by Directors:	33,596	33,596

## Note 17. 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 18. Contingent liabilities

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

## Note 19. 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.

# Directors' declaration

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## Mareeba & Dimbulah Financial Services Limited

ABN 53 115 503 930

### 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 Reduced Disclosure Requirements and the Corporations Regulations; and
  - (b) give a true and fair view of the company's financial position as at 30 June 2016 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.


The directors are responsible for the reliability, accuracy and completeness of the accounting records and the disclosure of all material and relevant information.

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



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Gilbert J Teitzel  
Director



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Cheryl E Tonkin  
Director

Dated: 13/09/16

# Independent audit report



Tax • Accounting • Audit

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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 audited the accompanying financial report of Mareeba and Dimbulah Financial Services Ltd which comprises the statement of Profit or Loss and other comprehensive income for the year ended 30 June 2016, statement of financial position as at 30 June 2016, 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.

#### *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 FCPA, Registered Company Auditor, MPA Cdec

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# Independent audit report (continued)

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## 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 2016 and of its performance for the year ended on that date; and
  - (ii) Complying with Australian Accounting Standards Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

### Cairns Quality Accounting



Megan O'Neill FCPA  
Registered Company Auditor #419579  
Cairns Quality Accounting

Signed at Cairns on 16 September 2016



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