



# annual report 2012

Mooroolbark & District  
Financial Services Limited

ABN 45 098 234 354

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# Chairman's report

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For year ending 30 June 2012

Allow me, on behalf of the Board, to thank our shareholders and supporters for another successful year. It has been a year of considerable change, but our branch has demonstrated its underlying strength by returning ever larger profits. As a direct result, much larger sponsorship and community support has been made possible. You will hear more of this at the AGM.

This excellent outcome is testament to the dedication and hard work of our Branch Manager, Rowan Alexander and our branch staff. Many thanks for their good work this past year.

The Board is also a delight and pleasure to work with. The subcommittees work efficiently and professionally and I am proud of their efforts.

This past year we celebrated ten years of the Mooroolbark **Community Bank**<sup>®</sup> Branch opening. It has grown from a tiny venture into one of Mooroolbark's most visible and important businesses, making all kinds of community activities possible. It is thus truly worthy of the coveted title of a **Community Bank**<sup>®</sup> branch!



**Peter McGowan**  
**Chairman**

# Manager's report

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For year ending 30 June 2012

The 2011/12 financial year turned out to be a very exciting and in some ways a changing and challenging 12-month period for Mooroolbark **Community Bank®** Branch.

Over recent years we have had to absorb and continue to grow our business whilst other Bendigo Bank branches have opened up around us. The latest local Bendigo Bank branch to open was our Lilydale branch. Given the recent new openings in Montrose, Healesville and Lilydale it has been pleasing that we have continued to grow our business at a good rate.

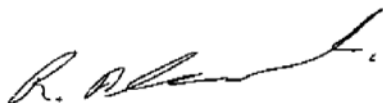
For the 30 June 2012 financial year our deposits grew by \$2.776 million and our lending grew by \$3.970 million. This is a yearly growth of \$6.746 million to our total banking business held. As at the 30 June 2012 the branch held \$147.624 million in lending and deposits.

A special event for the year was our 10th Birthday celebrations which was highlighted by a community "Street Party" held in the car park area in front of our branch on Saturday 19 May. The morning was full of entertainment provided by various displays from local community groups, roving entertainers, live music, Lions Club Sausage Sizzle and special appearances from Denise Drysdale and Lisa Edwards from the John Farnham Band. I would like to take this opportunity to thank everyone who supported this very special morning for our branch, whether it was by being part of a display, helping man a stall/activity, being part of the entertainment or just being in the crowd to help us celebrate.

To coincide with our 10th Birthday we also had a refurbishment of our branch premises. This consisted of a new paint over, new carpets, new signage and many other minor changes. Perhaps the main improvement was the much needed installation of a new automatic opening front door. It is amazing how much positive feedback we have received from just installing the new front door.

Since we first opened for business I have been able to boast that we have continued to employ all our original staff. Unfortunately with the resignation of our original Supervisor Amy before last Christmas I can no longer keep that boast going. On top of Amy leaving us we also had Melinda take up a new job within the Bendigo Bank network and Kelley and Charmaine also resigned. With these changes we now welcome new staff in Jenny, Alison, Debbie and Jodie to our branch. The four new staff have quickly fitted into our branch structure and I would like to formally welcome them to our branch.

As I do every year I would again like to thank our Regional Office support team who work from the Bendigo and Adelaide Bank's, Boronia Business Centre. Also again thank you to our Board of Directors who give me the support I require to successfully manage and grow our business. Finally a big thank you to our dedicated staff who work diligently to meet our customer's banking needs and play their role in ensuring that the Bendigo Bank is Australia's number one customer connected bank.



**Rowan Alexander**  
**Branch Manager**

# Promotion and sponsorship report

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For year ending 30 June 2012

Each year I am proud to be able to say that our **Community Bank®** branch has reached another new height in what it has been able to return to our local community by the way of Community Grant and Sponsorship payments.

Having just celebrated our 10th Birthday it is very pleasing to report we have again broken new levels of funding to our local not for profit groups.

During the 2011/12 financial year nine local community groups participated in a Community Grants program totalling \$80,640 in payments delivered. On top of this over 55 other local not for profit groups enjoyed sponsorship and donation payments totalling \$103,409. I am sure you will agree, being able to return over \$180,000 back into the local community over a 12 month period is a terrific result.

The Board took the opportunity during the year to utilise our 10th Birthday as a major promotional activity. We ran two functions, the first being a Street Party open to all the public and the second event was a Gala night where we invited our major share holders, our larger lending and/or deposit customers as well as the major community groups who we partner with and who we entrust to be consistently promoting our branch. The feedback from both of these events was highly positive and there is little doubt that these types of promotional activities help us to grow our banking business as well as generate a significant measure of goodwill.

At the time of our 10th Birthday back in May 2012 our **Community Bank®** branch had returned over \$600,000 to our local not for profit groups. Every year we get more and more requests for our financial assistance. The challenge is out there for us to try and meet our community needs. In saying this we must grow our business each year, we need to continue to increase our customer base and to do more banking business with our existing customers. We seek the public's continued banking support to enable us to increase our impact within our local community.



**David Hodgett**  
Director

# Directors' report

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For the financial year ended 30 June 2012

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

## Directors

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

### **Peter Alan McGowan**

Chairman  
Age: 58  
Engineer  
Bachelor of Mechanics  
Member of CPENG MIMEMA  
A.S.V.  
Interest in shares: 1,001

### **Frederick John Eakins**

Treasurer  
Age: 63  
Public Accountant  
Member of the Chartered Practising Accountants  
Special responsibilities: Audit Committee  
Interest in shares: 1

### **Joan Lesley Drew**

Secretary  
Age: 57  
Public Accountant  
Bachelor of Business degree  
Operator own firm for over 16 years  
Special responsibilities: Audit Committee  
Interest in shares: 2,051

### **Terence John Avery**

Director -  
Age: 55  
Councillor Yarra rangers  
Diploma of Business Management  
Interest in shares: Nil

### **Jean Hazel Mitchinson**

Director  
Age: 64  
Cleaner  
Interest in shares: 10,001

### **David John Hodgett**

Director  
Age: 48  
Member of Victorian Parliament  
Special responsibilities: Sponsorship & Marketing  
Committee Chair  
Interest in shares: 1,001

### **Richard Kim Nicholas**

Director  
Age: 58  
Real Estate Agent  
Member of A.R.E.I.  
G.A.I.C.D  
Licenced estate agent  
Special responsibilities: Marketing Committee  
Interest in shares: 500

### **David Lynton Wright**

Director  
Age: 47  
Certified Practising Accountant  
Bachelor of Accounting  
Member of the C.P.A  
Interest in shares: Nil

# Directors' report (continued)

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## Directors (continued)

### John Robert Connor

Director (Resigned 25 July 2012)

Age: 62

Bookkeeper

Interest in shares: 1,001

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

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

## Company Secretary

Joan Lesley Drew has been the company secretary of Mooroolbark & District Financial Services Limited since 2003. Joan's qualifications include a Bachelor of Business Degree, Accounting Major, Law Minor (Swinburne University) and Registered Tax Agent. Joan has operated her own accountancy practice for 16 years and was previously employed as an accountant and financial controller in private industry. Joan is member of the National Institute of Accountants and National Tax Agents Association.

## Principal Activities

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

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

## Operating Results

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

	Year ended 30 June 2012 \$	Year ended 30 June 2011 \$
	295,864	292,780

## 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.

The branch manager commenced employment on 6 May 2002. He is employed on a contract which is in line with the standards and remuneration levels applicable to Bendigo and Adelaide Bank staff in similar roles.

Dividends	Year Ended 30 June 2012	
	Cents	\$
Dividends paid in the year:	10	62,921

# Directors' report (continued)

## Significant Changes in the State of Affairs

The Company migrated from the (BSX) Bendigo Stock Exchange to the (NSX) National Stock Exchange during the year. The company remains listed on the (NSX).

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

## Matters Subsequent to the End of the Financial Year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected 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 will 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 19 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.

## 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

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

	Board Meetings Attended		Committee Meetings Attended					
			Audit		Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Peter Alan McGowan	7	7	-	-	-	-	-	-
Frederick John Eakins	7	5	2	2	-	-	-	-
Joan Lesley Drew	7	6	2	2	-	-	2	2
Terence John Avery	7	5	-	-	-	-	-	-



# Directors' report (continued)

## Directors' Meetings (continued)

	Board Meetings Attended		Committee Meetings Attended					
			Audit		Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Jean Hazel Mitchinson	7	6	-	-	-	-	-	-
David John Hodgett	7	2	-	-	4	4	-	-
Richard Kim Nicholas	7	3	-	-	4	4	-	-
David Lynton Wright	7	5	2	2	-	-	-	-
John Robert Connor (Resigned 25 July 2012)	7	4	-	-	-	-	-	-

The Board has sub-committees for Audit, Human Resources and Marketing/Promotions and Sponsorship. The sub-committees met on an informal and as needed basis during the financial year and report to the Board meetings as required.

### Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

### Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the board of directors at Mooroolbark, Victoria on 28 September 2012.



Peter Alan McGowan,  
Chairman

# Auditor's independence declaration

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## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Mooroolbark & District Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'Graeme Stewart', is written over a faint horizontal line.

**Graeme Stewart**  
**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550

Dated: 28 September 2012

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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# Financial statements

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## Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Revenues from ordinary activities	4	1,330,716	1,254,019
Employee benefits expense		(511,457)	(488,053)
Charitable donations, sponsorship, advertising and promotion		(206,445)	(97,969)
Occupancy and associated costs		(70,129)	(65,503)
Systems costs		(17,721)	(20,338)
Depreciation and amortisation expense	5	(13,094)	(18,778)
Finance Costs		-	(10)
General administration expenses		(102,474)	(140,826)
<b>Profit before income tax expense</b>		<b>409,396</b>	<b>422,542</b>
Income tax expense	6	(113,532)	(129,762)
<b>Profit after income tax expense</b>		<b>295,864</b>	<b>292,780</b>
<b>Total comprehensive income for the year</b>		<b>295,864</b>	<b>292,780</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year	22	47.02	46.53
- dividends paid per share		10	10

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2012

	Note	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	1,254,035	1,172,742
Trade and other receivables	8	128,619	105,338
<b>Total Current Assets</b>		<b>1,382,654</b>	<b>1,278,080</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	67,710	26,883
Intangible assets	10	56,805	9,159
Deferred tax assets	11	34,916	35,045
<b>Total Non-Current Assets</b>		<b>159,431</b>	<b>71,087</b>
<b>Total Assets</b>		<b>1,542,085</b>	<b>1,349,167</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	31,889	39,869
Current tax liabilities	11	40,891	87,160
Provisions	13	108,041	95,598
<b>Total Current Liabilities</b>		<b>180,821</b>	<b>222,627</b>
<b>Non-Current Liabilities</b>			
Provisions	13	9,745	7,964
<b>Total Non-Current Liabilities</b>		<b>9,745</b>	<b>7,964</b>
<b>Total Liabilities</b>		<b>190,566</b>	<b>230,591</b>
<b>Net Assets</b>		<b>1,351,519</b>	<b>1,118,576</b>
<b>Equity</b>			
Issued capital	14	629,209	629,209
Retained earnings	15	722,310	489,367
<b>Total Equity</b>		<b>1,351,519</b>	<b>1,118,576</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Changes in Equity for the Year Ended 30 June 2012

	Issued Capital \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1 July 2010</b>	<b>629,209</b>	<b>259,508</b>	<b>888,717</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>292,780</b>	<b>292,780</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(62,921)	(62,921)
<b>Balance at 30 June 2011</b>	<b>629,209</b>	<b>489,367</b>	<b>1,118,576</b>
<b>Balance at 1 July 2011</b>	<b>629,209</b>	<b>489,367</b>	<b>1,118,576</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>295,864</b>	<b>295,864</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(62,921)	(62,921)
<b>Balance at 30 June 2012</b>	<b>629,209</b>	<b>722,310</b>	<b>1,351,519</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cashflows for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		1,384,626	1,197,542
Payments to suppliers and employees		(1,028,938)	(789,994)
Interest received		49,765	56,171
Interest paid		-	(10)
Income taxes paid		(159,672)	(118,726)
<b>Net cash provided by operating activities</b>	<b>16</b>	<b>245,781</b>	<b>344,983</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(43,799)	(5,472)
Payment of intangible assets		(57,768)	-
<b>Net cash used in investing activities</b>		<b>(101,567)</b>	<b>(5,472)</b>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(62,921)	(62,921)
<b>Net cash used in financing activities</b>		<b>(62,921)</b>	<b>(62,921)</b>
<b>Net increase in cash held</b>		<b>81,293</b>	<b>276,590</b>
Cash and cash equivalents at the beginning of the financial year		1,172,742	896,152
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>1,254,035</b>	<b>1,172,742</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2012

## Note 1. Summary of Significant Accounting Policies

### a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

#### Compliance with IFRS

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

#### 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.

#### 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

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

#### 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> branch at Mooroolbark, Victoria.

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### a) Basis of Preparation (continued)

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

The branch operates 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®** branch 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.

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 fit out of the **Community Bank®** branch;
- 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 operating 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) 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 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 that loss.



# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### b) 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.

### c) 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 on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

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

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

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### c) Income Tax (continued)

#### Current and deferred tax for the period

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

### d) Employee Entitlements

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

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

### e) Cash and Cash Equivalents

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

### f) 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 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.

### g) 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:

- leasehold improvements                      40 years
- plant and equipment                            2.5 - 40 years
- furniture and fittings                            4 - 40 years

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### h) 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.

### i) Payment Terms

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

### j) Borrowings

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

### k) Financial Instruments

#### Recognition and initial measurement

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

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

#### Derecognition

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

#### Classification and subsequent measurement

##### (i) Loans and receivables

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

##### (ii) Held-to-maturity investments

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

##### (iii) Financial liabilities

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

#### Impairment

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

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### **l) Leases**

Leases of fixed assets where substantially all the risks 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.

### **m) 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.

### **n) 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.

### **o) 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.

### **p) Goods and Services Tax**

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

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

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

# Notes to the financial statements (continued)

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## 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.

### (i) Market risk

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

### (ii) 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.

### (iii) 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.

### (iv) 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.

### (v) 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.

### (vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

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

(i) the distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

# Notes to the financial statements (continued)

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## Note 2. Financial Risk Management (continued)

### (vi) Capital management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the statement of comprehensive income.

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

Assumptions about the generation of future taxable profits depend on 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.

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 comprehensive income.

### **Estimation of useful lives of assets**

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

# Notes to the financial statements (continued)

## Note 3. Critical Accounting Estimates and Judgements (continued)

### 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 estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss 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 profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2012	2011
	\$	\$

## Note 4. Revenue from Ordinary Activities

Operating activities:

- services commissions	250,865	249,612
- other revenue	1,015,428	948,319
<b>Total revenue from operating activities</b>	<b>1,266,293</b>	<b>1,197,931</b>
Non-operating activities:		
- interest received	64,423	56,088
<b>Total revenue from non-operating activities</b>	<b>64,423</b>	<b>56,088</b>
<b>Total revenues from ordinary activities</b>	<b>1,330,716</b>	<b>1,254,019</b>

## Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
<b>Note 5. Expenses</b>			
Depreciation of non-current assets:			
- plant and equipment		2,876	8,778
- leasehold improvements		96	-
Amortisation of non-current assets:			
- franchise agreement		9,352	10,000
- franchise renewal fee		770	-
		<b>13,094</b>	<b>18,778</b>
<b>Bad debts</b>		<b>665</b>	<b>301</b>

## Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax		125,437	135,796
- Movement in deferred tax		129	(6,034)
- Adjustments to tax expense of prior periods		(6,000)	-
- Under/(Over) provision of tax in the prior period		(6,034)	-
		<b>113,532</b>	<b>129,762</b>

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit		409,396	422,542
Prima facie tax on profit from ordinary activities at 30%		122,819	126,762
Add tax effect of:			
- non-deductible expenses		2,747	3,000
- timing difference expenses		(129)	6,034
- other deductible expenses		-	-
		<b>125,437</b>	<b>135,796</b>
Movement in deferred tax	11	129	(6,034)
Under/(Over) provision of income tax in the prior year		(6,034)	-
Adjustments to tax expense of prior periods		(6,000)	-
		<b>113,532</b>	<b>129,762</b>



## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 7. Cash and Cash Equivalents</b>		
Cash at bank and on hand	174,622	236,424
Term deposits	1,079,413	936,318
	<b>1,254,035</b>	<b>1,172,742</b>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

### Note 7(a) Reconciliation of cash

Cash at bank and on hand	174,622	236,424
Term deposits	1,079,413	936,318
	<b>1,254,035</b>	<b>1,172,742</b>

## Note 8. Trade and Other Receivables

Trade receivables	105,651	98,189
Other receivables and accruals	17,901	3,243
Prepayments	5,067	3,906
	<b>128,619</b>	<b>105,338</b>

## Note 9. Property, Plant and Equipment

### Plant and equipment

At cost	45,219	44,855
Less accumulated depreciation	(28,291)	(23,697)
	<b>16,928</b>	<b>21,158</b>

### Furniture & Fittings

At cost	27,392	14,885
Less accumulated depreciation	(7,442)	(9,160)
	<b>19,950</b>	<b>5,725</b>

### Leasehold improvements

At cost	196,709	165,781
Less accumulated depreciation	(165,877)	(165,781)
	<b>30,832</b>	-

<b>Total written down amount</b>	<b>67,710</b>	<b>26,883</b>
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## Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 9. Property, Plant and Equipment (continued)		
<b>Movements in carrying amounts:</b>		
<b>Plant and equipment</b>		
Carrying amount at beginning	21,158	24,703
Additions	364	1,100
Less: depreciation expense	(4,594)	(4,645)
<b>Carrying amount at end</b>	<b>16,928</b>	<b>21,158</b>
<b>Furniture &amp; Fittings</b>		
Carrying amount at beginning	5,725	5,484
Additions	12,507	4,372
Less: depreciation expense	1,718	(4,131)
<b>Carrying amount at end</b>	<b>19,950</b>	<b>5,725</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning	-	-
Additions	30,928	-
Less: depreciation expense	(96)	-
<b>Carrying amount at end</b>	<b>30,832</b>	<b>-</b>
<b>Total written down amount</b>	<b>67,710</b>	<b>26,883</b>

## Note 10. Intangible Assets

<b>Franchise fee</b>		
At cost	111,554	100,000
Less: accumulated amortisation	(100,193)	(90,841)
	<b>11,361</b>	<b>9,159</b>
<b>Renewal processing fee</b>		
At cost	46,214	-
Less: accumulated amortisation	(770)	-
	<b>45,444</b>	<b>-</b>
<b>Total written down amount</b>	<b>56,805</b>	<b>9,159</b>

## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 11. Tax</b>		
<b>Current:</b>		
<b>Income tax payable</b>	40,891	87,160
<b>Non-Current:</b>		
<b>Deferred tax assets</b>		
- employee provisions	40,286	36,018
	<b>40,286</b>	<b>36,018</b>
<b>Deferred tax liability</b>		
- accruals	5,370	973
	<b>5,370</b>	<b>973</b>
<b>Net deferred tax asset</b>	<b>34,916</b>	<b>35,045</b>
<b>Movement in deferred tax charged to statement of comprehensive income</b>	<b>129</b>	<b>(6,034)</b>

## Note 12. Trade and Other Payables

Trade creditors	12,089	20,069
Other creditors and accruals	19,800	19,800
	<b>31,889</b>	<b>39,869</b>

## Note 13. Provisions

<b>Current:</b>		
Provision for annual leave	71,168	95,598
Provision for long service leave	36,873	-
	<b>108,041</b>	<b>95,598</b>
<b>Non-Current:</b>		
Provision for long service leave	9,745	7,964

## Note 14. Contributed Equity

629,209 Ordinary shares fully paid (2011: 629,209)	629,209	629,209
	<b>629,209</b>	<b>629,209</b>

# Notes to the financial statements (continued)

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## Note 14. Contributed Equity (continued)

### Rights attached to shares

#### (a) Voting rights

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

On a show of hands or a poll, each member 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 member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member 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 members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

#### (b) Dividends

Generally, dividends are payable to members 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).

#### (c) 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").

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 member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member'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.

## Notes to the financial statements (continued)

### Note 14. Contributed Equity (continued)

#### Prohibited shareholding interest (continued)

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not as a result the base number clause does not operate whilst the company remains listed on the NSX.

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

	2012	2011
	\$	\$

### Note 15. Retained Earnings

Balance at the beginning of the financial year	489,367	259,508
Net profit from ordinary activities after income tax	295,864	292,780
Dividends paid or provided for	(62,921)	(62,921)
<b>Balance at the end of the financial year</b>	<b>722,310</b>	<b>489,367</b>

### Note 16. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	295,864	292,780
Non cash items:		
- depreciation	2,972	8,778
- amortisation	10,122	10,000
Changes in assets and liabilities:		
- increase in receivables	(23,281)	(4,388)
- (increase)/decrease in other assets	129	(6,034)
- increase/(decrease) in payables	(7,980)	5,908
-increase in provisions	14,224	20,869
-increase/(decrease) in current tax liabilities	(46,269)	17,070
<b>Net cashflows provided by operating activities</b>	<b>245,781</b>	<b>344,983</b>

## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 17. Leases</b>		
<b>Operating lease commitments</b>		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	37,216	25,317
- between 12 months and 5 years	120,952	-
- greater than 5 years	-	-
	<b>158,168</b>	<b>25,317</b>

The rental lease is a non-cancellable lease with a five-year term due in April 2017.

Rent is payable monthly in advance increases by CPI annually.

## Note 18. Auditor's Remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,500	4,500
- share registry services	3,863	3,130
- non audit services	1,180	1,086
	<b>9,543</b>	<b>8,716</b>

## Note 19. Director and Related Party Disclosures

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

Peter Alan McGowan  
Frederick John Eakins  
Joan Lesley Drew  
Terence John Avery  
Jean Hazel Mitchinson  
David John Hodgett  
Richard Kim Nicholas  
David Lynton Wright  
John Robert Connor (Resigned 25 July 2012)

Mooroolbark & District FSL used the accounting services offered by Frederick J Eakins during the financial year, the total benefit Frederick J Eakins received was \$2,117 (2011: \$2,090).

No other 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 19. Director and Related Party Disclosures (continued)

Directors' Shareholdings	2012	2011
Peter Alan McGowan	1,001	1,001
Frederick John Eakins	1	1
Joan Lesley Drew	2,051	2,051
Terence John Avery	-	-
Jean Hazel Mitchinson	10,001	5,001
David John Hodgett	1,001	1,001
Richard Kim Nicholas	500	500
David Lynton Wright	-	2,010
John Robert Connor (Resigned 25 July 2012)	1,001	1,001

	2012 \$	2011 \$
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### Note 20. Dividends Paid or Provided

#### a. Dividends paid during the year

<b>100% (2011: 100%) franked dividend - 10 cents (2011: 10 cents) per share</b>	<b>62,921</b>	<b>62,921</b>
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The tax rate at which dividends have been franked is 30%.

#### b. Franking account balance

Franking credits available for subsequent reporting periods are:

- franking account balance as at the end of the financial year	284,708	152,002
- franking credits that will arise from payment of income tax payable as at the end of the financial year	40,891	87,160
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
<b>Franking credits available for future financial reporting periods:</b>	<b>325,599</b>	<b>239,162</b>
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
<b>Net franking credits available</b>	<b>325,599</b>	<b>239,162</b>

## Notes to the financial statements (continued)

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### Note 21. Key Management Personnel Disclosures

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

There are no executives within the company whose remuneration is required to be disclosed.

	2012	2011
	\$	\$

### Note 22. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	295,864	292,780
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	629,209	692,209

### Note 23. 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 24. Contingent Liabilities

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

### Note 25. Segment Reporting

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

### Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office	Principal Place of Business
84 Taylor Road	Shop 19 Mooroolbark Shop Centre
Mooroolbark VIC 3138	66-74 Brice Avenue
	Mooroolbark VIC 3138



# Notes to the financial statements (continued)

## Note 27. Financial Instruments

### Net Fair Values

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

### Credit Risk

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

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

### Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 %	2011 %
<b>Financial Assets</b>												
Cash and cash equivalents	174,599	236,413	1,079,413	936,318	-	-	-	-	23	12	5.01	5.3
Receivables	-	-	-	-	-	-	-	-	105651	98188	N/A	N/A
<b>Financial Liabilities</b>												
Payables	-	-	-	-	-	-	-	-	12,088	20,148	N/A	N/A

# Directors' declaration

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In accordance with a resolution of the directors of Mooroolbark & District Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



**Peter Alan McGowan,**  
**Chairman**

Signed on the 28th of September 2012.

# Independent audit report

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## Independent auditor's report to the members of Mooroolbark & District Financial Services Limited

### Report on the financial report

We have audited the accompanying financial report of Mooroolbark & District Financial Services Limited, which comprises the balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and 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 fair 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 the financial statements comply with International Financial Reporting Standards.

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider internal controls relevant to the entity's preparation and 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

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# Independent audit report (continued)

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## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Auditor's opinion on the financial report

In our opinion:

- 1) The financial report of Mooroolbark & District Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2012 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

## Auditor's opinion

In our opinion, the remuneration report of Mooroolbark & District Financial Services Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



**Graeme Stewart**  
**Andrew Frewin Stewart**  
61 Bull Street Bendigo Vic 3550

Dated: 28 September 2012





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