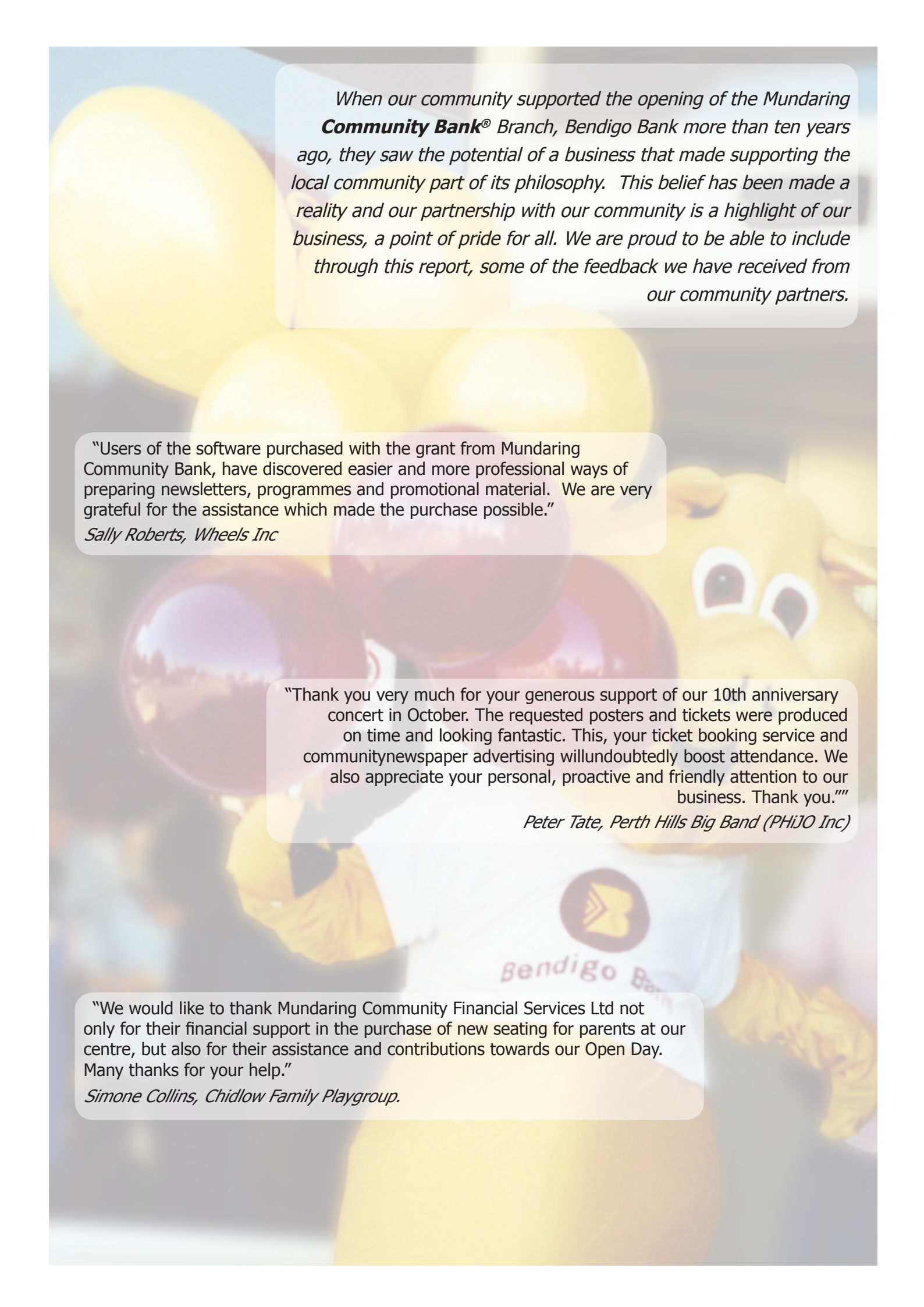




MUNDARING FINANCIAL SERVICES LIMITED
ANNUAL REPORT 2011 - 2012



*When our community supported the opening of the Mundaring **Community Bank**® Branch, Bendigo Bank more than ten years ago, they saw the potential of a business that made supporting the local community part of its philosophy. This belief has been made a reality and our partnership with our community is a highlight of our business, a point of pride for all. We are proud to be able to include through this report, some of the feedback we have received from our community partners.*

"Users of the software purchased with the grant from Mundaring Community Bank, have discovered easier and more professional ways of preparing newsletters, programmes and promotional material. We are very grateful for the assistance which made the purchase possible."

Sally Roberts, Wheels Inc

"Thank you very much for your generous support of our 10th anniversary concert in October. The requested posters and tickets were produced on time and looking fantastic. This, your ticket booking service and communitynewspaper advertising will undoubtedly boost attendance. We also appreciate your personal, proactive and friendly attention to our business. Thank you."

Peter Tate, Perth Hills Big Band (PHiJO Inc)

"We would like to thank Mundaring Community Financial Services Ltd not only for their financial support in the purchase of new seating for parents at our centre, but also for their assistance and contributions towards our Open Day. Many thanks for your help."

Simone Collins, Chidlow Family Playgroup.

Chairman's Report	3
Branch Manager's Report	6
Community Investment Report	8
Director's Report	12
Auditor's Independence Declaration	20
Statement of Comprehensive Income	21
Statement of Financial Position	22
Statement of Changes In Equity	23
Statement of Cash Flows	24
Directors' Declaration	46
Independent Audit Report	49

"Mundaring **Community Bank**® Branch Bendigo Bank's support for our recent 'Travel into the Future' event, enabled us to present a much more professional display. Arrangements with the bank were all very community friendly and simple to negotiate and the staff were all very positive and helpful. Recognition of volunteer effort as part of the consideration for grant funding was also much appreciated. HSG members felt that their individual efforts really counted. Thanks."

Patrick Crichton, Hills Sustainability Group

"We cannot thank the Mundaring **Community Bank**® Bendigo Bank enough for their support of our fundraising event. We had many, many people who bought artwork using the EFTPOS and without the bank we would have raised far less money."

Nicola Ritter, 30x30x30 fundraiser, Treetops Montessori School



Chairman's Report



The Board of Directors have pleasure in presenting to the shareholders of Mundaring Community Financial Services the Annual Report of your company for the 2011/12 financial year, our 10th year of business. We are pleased to be able to present a profit of \$291,311, with a cash contribution to our local community of \$100,172. This is also supported by a further \$25,000 provided as in-kind support to community groups including advertising, promotional assistance and trophies and prizes.

The events taking place globally have continued to have a huge impact on our economy and in turn our communities and we are delighted to be able to present a report which highlights the excellence of your branch and your staff, and the Bendigo and Adelaide Bank's **Community Bank**® network Australia-wide.

This year your branch has, once again, regularly been rated No 1 in WA and in the top 20 nationally for Bendigo Bank. Our congratulations go to branch management and staff for the excellent job they continue to do which has been a major factor in our ability to report a healthy profit for the financial year.

The restructure of our corporate office has been finalised with the office now operating from premises in Mundaring, just down from the branch and we welcome Ms Lee McMaster as our Community Administration Officer. These changes have improved the effectiveness of our staff in maximising community benefits, with stronger partnerships developed throughout the year with a number of community groups, as well as a more united approach to promoting our banking business.

As a Board it is our intention to look for opportunities to increase the value of your investment and provide a continually expanding role in your community. While the view is that we have another 18 months before the economic situation improves we are already preparing ourselves to take advantage of the opportunities that will arise for the benefit of both our business and our community.

On a personal note I would like to thank the Board members for their dedication to making Mundaring Community Financial Services Ltd the sought after partner of many community groups and I would like to welcome Mr Matt Yacopetti and Mr Les Guest to our Board.

Always our thanks go to you, the shareholders both past and current. Without your commitment staff could not have made the impact on your community that has been made.

We have continued with reporting to you in an electronic format and hope that this makes our report more accessible. Hard copies will be available on request.

A stylized blue ink signature of Arthur Maddison, written in a cursive script.

Arthur Maddison
Chairman

Bendigo and Adelaide Bank report

For year ending 30 June 2012

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

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

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

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

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

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

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

Today that figure is an astonishing \$80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top \$100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

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

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

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

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

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

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

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

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

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

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



Russell Jenkins
Executive Customer and Community

Branch Manager's Report



Bank with us and...

This year sees us celebrate our first 10 years which is an achievement I am very proud to be associated with, and yes, we have grown beyond my wildest dreams in this first phase of our journey.

What is really pleasing and continues to be the motivation is that we have been able to distribute more than \$750,000 back into the community. An achievement which I am sure you would all agree is very special.

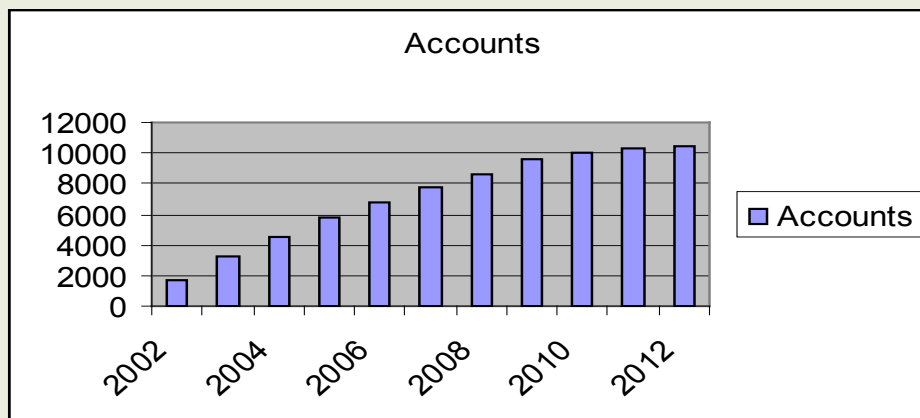
Naturally we could not have achieved this without the support of the Board, corporate staff, you, the share holders and the general public who have certainly embraced the concept of having a local bank with community focus.

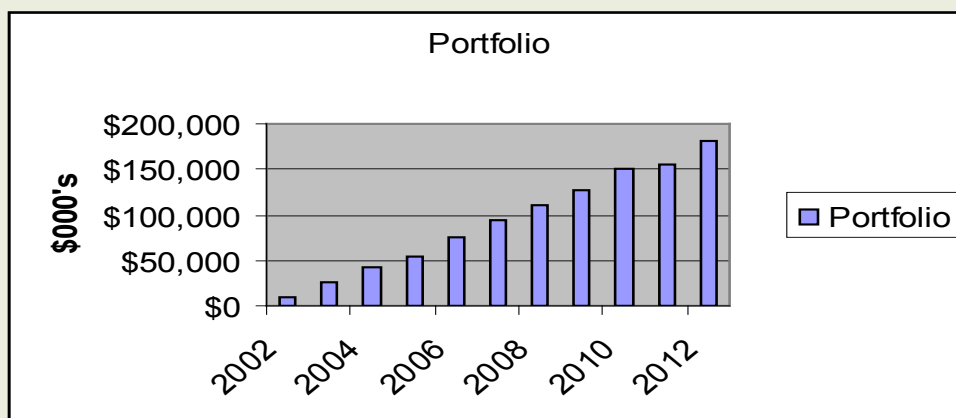
The corner stone to any successful business is the staff, who are fabulous in their efforts and their commitment to customer service. So to Ann, Leanne, Taryn, Denise, Helena, Ruby, Heidi, Sandra, Susan, Amy and Penny thank you for everything you have done over the past 12 months.

During the past 12 months we have welcomed Amy and Penny to our team and farewelled Ruby to further her career with Bendigo and Adelaide Bank in Melbourne. Taryn is currently on maternity leave whilst Susan is on extended sick leave, both of whom we hope will be back with us in a few months time.

It is pleasing to note the continued growth in account numbers and sustained portfolio growth following on from the global financial crisis.

The following graphs certainly demonstrate this with account numbers now at 10,493 and a portfolio of \$180 million.





I am also very appreciative of the Board, who through their underlying support make our job a lot easier.

However, we would not be in this strong position we find ourselves in without the support of our shareholders. You are the people who had the faith and belief to make this all happen, thank you.

Later in the report you will see what we have been able to give back to the community, which I believe is the real benefit of our existence.

I personally look forward to another year of solid growth as we continue our journey together, and you can all be assured that the staff and I will continue to provide an exceptional level of personal customer service.

Gerry Toovey
Branch Manager



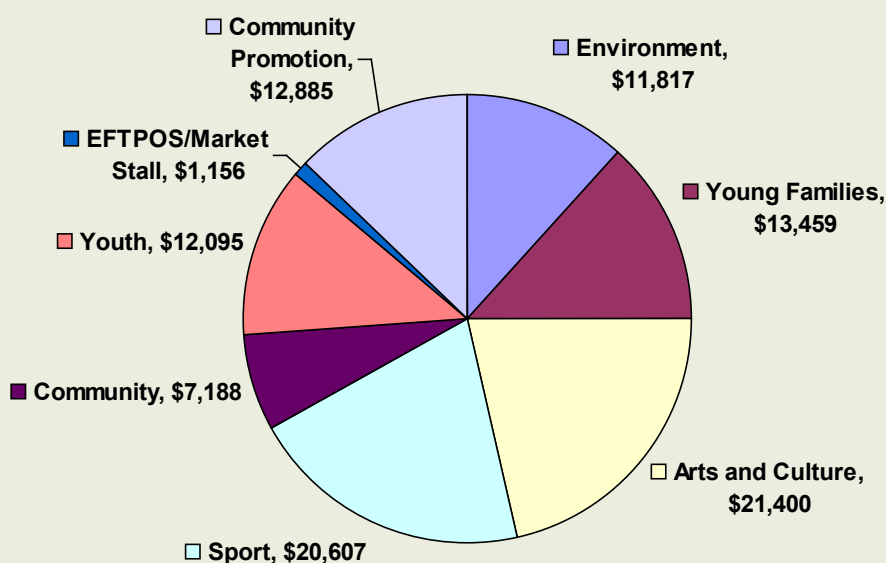
Arthur Maddison (Chairman), Ann Templeton (Customer Relationship Manager) and Gerry Toovey (Branch Manager) celebrating 10 years at the branch."

Community Investment Report

...the community benefits.

The past 12 months have seen us continue to build on our strong presence in the community with more than \$100,000 returned to local groups in the form of sponsorships, marketing and advertising support, the use of our EFTPOS machines and the stall at the Mundaring Sunday Markets.

Our Community Spend in 2011/12



Our strategy focussing on providing community groups with help with graphic design, marketing and promotion for their projects, events and clubs, which was first implemented in 2009/2010, has continued to develop. In 2011/12 we have supported many local groups with the design and production of brochures, flyers, posters/signage and tickets, ticket sales and advertising in our local papers. By assisting groups in this manner we are helping to develop our community resources as well as multiply the benefit to community groups. This allowed us to be actively involved in the community, and to stretch our ability to offer cash sponsorships to a larger number of groups. It has proven to be a great way of connecting us to the community and we extend our sincere appreciation to all the groups who have partnered with us in this manner.

We have continued with providing the (very much in demand) EFTPOS facility for local community groups and this has been used extensively across the community with a total of \$74,437 being processed through our EFTPOS machine on behalf of community groups. Community groups that have used the facility in 2011/12 include Hills Choir, Hills Symphony Orchestra, Darlington Chamber Concerts, Gooseberry Hills Arts and Crafts, Eastern Hills Hawks Football Club, Parkerville Junior Football Club, Perth Hills United Football Club, Mundaring Netball Club, Eastern Hills Hornets Baseball and Teeball Club, Glen Forrest Netball Club, Parkerville Primary School P&C, Mundaring Primary School P&C, Mt Helena Football Club and the Wildflower Society of WA (Eastern Hills Branch).

Our community EFTPOS facility not only provides a major benefit to community groups but it also gives us, both staff and Directors, the opportunity to meet and talk with a wide range of people in our community. This avenue for discussion means we are able to better find out what the community needs, how they see our role and also improve the community's understanding of the range of activities we undertake – both in banking services and community support.

2011 saw the launch of the Mundaring Chamber of Commerce and we are proud to be an active supporter of the Chamber. We believe that a strong local business community and healthy local economy are key elements in maintaining a healthy community spirit and volunteer community. Local business support is often essential for the survival of local sporting clubs, community and school groups and not-for-profit organisations. Supporting our local Chamber of Commerce goes back to one of our key community principles of building capability within our community.



We are proud to support the following community groups and individuals in 2011/12.

Celebrating Seniors Concert	Chidlow Marsupial Hospital
Craig Brogle – budding scientist	Curtis Bacon – Junior baseball
Darlington Arts Festival	Darlington Chamber Concerts
Darlington Family Playgroup	Darlington United Church
Eastern Hills Hawks Football Club	East Gidgegannup Volunteer Bush Fire Brigade
Eastgate Christian Youth Group	Eastern Hills Hornets Baseball & Teeball Assoc
El Caballo Golf Club	Emily Henderson - soccer
Fit to Cheer	Gidgegannup Small Farm Field Day
Glen Forrest Christmas Gathering	Glen Forrest Netball Club
Hills Choir Inc	Glen Forrest Community K'garten & Playgroup
Hills Football Association	Hills Lions Basketball Club
Hills Out of School Care Association	Hills Sports Star of the Year Hills
Symphony Orchestra	In Step Dance Studio
Kalgoorlie or Bust fundraising team	Kasey Smith – track cycling
Lesley Smit – Paralympian contender	Katherine Susannah Pritchard Writers Centre
Midland Puffin Billies Rugby Club	Little Possums Occl Childcare & 3yr old K'garten
Mt Helena Football Club	Mt Helena Junior Football Club
Mt Helena Residents and Ratepayers Assoc – Whim Festival	Mundaring Junior Football Club
Mundaring Community Men's Shed	Mundaring Primary School
Mundaring Netball Club	Mundaring Sporting Club – Golf and Bowls
Mundaring Sharing	Parkerville Primary School P&C
Panthers Basketball Club	Perth Hills and Wheatbelt Band
Parkerville/Darlington Football Club	Seen and Heard
Perth Hills United Football Club	Shire of Mundaring MusicFest
Sawyers Valley Primary School – Interschool Science Carnival	Steven Baxter - baseball
Seniors Week Tea Dance	Swan View Football Club
Soroptimists International (Hills)	Tiahanna Scandrett - soccer
Swan View Cricket Club	Wheels Inc
Swan View Playgroup	Wildflower Society of WA (Eastern Hills Branch)
WA Young Event Riders Assoc	Wooroloo Primary School P&C
Wooroloo Adult Riding Club	Wundowie Golf Club
Wooroloo Primary School	
Wundowie Football Club	

"The Midland Branch of National Seniors Australia give wholehearted thanks to the Mundaring Community Bank® Branch Bendigo Bank for their sponsorship and support for the annual Celebrating Seniors Concert. This is the fifth year the bank has supported through the provision of advertising, printing and a ticket sales outlet. The assistance towards catering has helped to ensure the success of the concert providing seniors in the region with an affordable, quality afternoon's entertainment."

Trevor Haworth, National Seniors Australia (Midland Branch).

"Many thanks to the Mundaring Community Bank for your sponsorship this year, with funds going towards new umpire shirts, umpire fees and umpire courses. Plus the contribution of water bottles for our junior players."

Jamie Walter, Mundaring Junior Football Club

"Because of the support from the Bendigo Bank we were able to create a fun interactive area with free and educational activities for all children with the day being a huge hit for all families."

Nicola Smith, Gidgegannup Small Farms Field Day.



Director's Report

Your directors present their report on the Company for the year ended 30 June 2012.

Directors

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



Arthur Robert Maddison

Position: Non-Executive Director to September 30 2009
Chairman from 1 October 2009

Occupation: Retired

Background Information:

Mr Maddison was a successful retail business owner, now retired, who has extensive community involvement in the Mundaring Shire built from his many years working in Mt Helena. Arthur brings 30 years of small business and retail operation expertise to the board.

Interest in MCFS shares and options: 10,200 shares



Gerard Alexander Tonks

Position: Non-Executive Director, Company Secretary & Chair Audit and Governance Sub-Committee

Occupation: Retired Chartered Accountant

Background Information:

Mr Tonks has been the Company Secretary since January 2002. He is a Chartered Accountant and Chartered Secretary who has been in both public practice and commerce and specialised in corporate administration. He retired from consultancy in June 2010.

Interest in MCFS shares and options: 1,000 shares



Robert Emery

Position: Non-executive Director

Occupation: Consultant in Logistics and Marketing

Background Information:

Starting out as a commissioned officer in the Royal Navy in the UK, Robert has gained extensive experience in senior management roles in Shipping and Marketing in London. He came to Melbourne with his family as general manager Transport with Wesfarmers. He joined Rio Tinto serving with Bougainville Copper and came to Western Australia for Hamersley Iron as the general manager of the Port of Dampier and then general manager of Dampier Salt Pty Ltd. He joined the WA State Government for ten years as General Manager of the Port of Albany until he retired and took a more leisurely approach to work and focused on developing his Consulting Company. He has many years' experience as Councillor in Local and Regional Government in Mundaring, Albany and currently Kalamunda.

Robert has professional (fellow) membership of several professional associations in shipping, logistics and international marketing.

Interest in MCFS shares and options: Nil



James Saunders

Position: Non-executive Director

Occupation: Chartered Accountant

Background Information:

With extensive experience in corporate accounting and tax services, James has worked for PriceWaterhouseCoopers and RSM Bird Cameron. He specialised in company advisory services, including restructuring, valuations, auditing and tax. He is now a director of an exploration company and a geological consulting company. James was responsible for the Community Bank® businesses with RSM Bird Cameron at their Perth office. James lives in Darlington with his family and is active in the community including the 1st Darlington Scouts and Darlington Junior Football Club.

Interest in MCFS shares and options: 3,000 Shares



Richard Stuart (Dr)

Position: Non-executive Director

Occupation: Offshore Oil and Gas Pipeline Engineer

Background Information:

Richard was born in the UK, spent part of his childhood in India and was educated at the University of London, graduating with a Bachelor and PhD in engineering. He has worked extensively across the world in the oil and gas industries, emigrating to Australia in 1993 and now lives in Mundaring. He has a keen interest in current affairs and sports. Richard has quality auditing qualifications for the oil and gas industry, and is a Fellow of the Institute of Engineers (Australia).

Interest in MCFS shares and options: 500 shares



Peter Hackett

Position: Non-executive Director and Chair Community Distributions Sub-Committee

Occupation: Semi- retired

Background Information:

Peter is a semi-retired electronics technician and worked for Marconi Space and Defence Systems in the UK before emigrating to Australia in 1981, where he worked at Western Mining Corporation in Kalgoorlie. He now lives on the El Caballo Estate in Wooroloo. He has been self employed since 1991, and his business employs two staff working in the communications and electronics field. His interests are varied and include the Variety Club Charity Bash, Chidlow Hall and Heritage Group and the Volunteer Bush Fire Brigades in Wooroloo and Inkpen.

Interest in MCFS shares and options: 500 shares



Mark Yacopetti

Position: Non-executive Director from 5 October 2011

Occupation: Geoscientist & Executive Director

Background Information:

Matt was educated at the Australian National University and has spent 24 years working as a professional geoscientist in the mining and oil & gas industries. Matt has lived and worked throughout Australia and overseas and presently works with a Perth based technology firm that provides products and services to the international mining and resources sector. While Matt and his family have called the Perth Hills home since 1998, his extended family has had a long association with the Hills and the Mundaring in particular. His interests include the role of technology in business and the role of business in the communities in which they operate.

Interest in MCFS shares and options:

Nil

Les Guest



Position: Non-executive Director from 8 February 2012

Occupation: Retired

Background Information:

Born in the UK, Les moved to Australia in 1972 and settled in WA. He worked for Cadbury Schweppes for 27 years, retiring as State Manager in 2006. He is now actively involved with National Seniors Australia and enjoys gardening and a good round of golf, captaining the over 55's golf club at Hill View Golf Course. He brings to the Board his wealth of experience and expertise in business management and marketing.

Interest in MCFS shares and options:

Nil

Company Secretary

Gerard Alexander Tonks, FCA, FCSA

Director's Meetings Attended

During the financial year, 11 meetings of Directors were held. Attendances by each Director during the year were as follows:

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Arthur Maddison	11	10
Gerard Tonks	11	10
Robert Emery	11	10
Les Guest	4	3
Peter Hackett	11	8
James Saunders	11	7
Richard Stuart	11	9
Matt Yacopetti	8	7

Principal activity and review of operations

The principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo Bank, pursuant to a franchise agreement.

Operating results

The profit of the Company after providing for income tax amounted to \$291,311 (2011: \$249,099).

Dividends paid or recommended

At the Board meeting on 5 September 2012 the Directors resolved to pay a dividend of 15.0 cents per share (total dividend of \$84,850) to holders of securities in the Company appearing in the share registry at close of business on 30 November 2012. This dividend will be fully franked (at 30 cents per share) and paid on or about 15 December 2012.

Financial position

The net assets of the Company at year end were \$1,139,636 (2011: \$848,325), which is an improvement on prior year due to the improved operating performance of the Company. The directors believe the Company is in a stable financial position.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, not otherwise disclosed in these financial statements.

After balance date events

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

Future developments

Likely developments in the operations of the Company with the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company. However the Board has agreed in principle to invest in a franchise Bendigo Bank Branch in Midland jointly and equally with Bayswater Community Financial Services Ltd. The capital commitment could be up to \$450,000 over three years.

Remuneration Report - Audited

This report details the nature and amount of remuneration for each of the directors (being the key management personnel) of Mundaring Community Financial Services Limited. There were no specified executives involved in the management of the company who were not also directors.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, not otherwise disclosed in these financial statements.

After balance date events

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

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Remuneration Report - Audited

This report details the nature and amount of remuneration for each of the directors (being the key management personnel) of Mundaring Community Financial Services Limited. There were no specified executives involved in the management of the company who were not also directors.

Remuneration of Directors

Directors received fees for their services as Directors of the Company during the year 1 July 2011 to 30 June 2012 as follows:

Names of Directors	Role	2012	2011
		\$	\$
Arthur Maddison	Chairman	4,000	4,360
Gerard Tonks	Non-Executive Director/Company Secretary/ Chairman Audit & Governance Committee	2,000	2,180
James Saunders	Non-Executive Director	2,000	2,180
Richard Stuart	Non-Executive Director	2,000	2,180
Robert Emery	Non-Executive Director	2,000	2,015
Peter Hackett	Non-Executive Director/Chairman Community Investment Committee	2,000	2,015
Matt Yacopetti	Non-Executive Director	1,500	-
Les Guest	Non-Executive Director	667	-
Paige McNeil	Non-Executive Director	-	1,272
Andrew Wells	Non-Executive Director	-	1,515
Total Remuneration		\$16,167	\$17,717

Remuneration policy

The remuneration policy of the Company has been designed to take account of the community based objectives of the Company and within that context, clearly differentiates between the essentially community based objectives of the non-executive members of the board as distinct from those who carry specific executive roles. These are then aligned with shareholder and business objectives by providing a fixed remuneration component based on reasonable reward for workloads and responsibilities involved in the management of the Company's affairs. The board of the Company believes this remuneration policy to be appropriate and effective in its ability to attract and retain the appropriate board members and competent key management personnel to run and manage the Company, in addition to being aligned with the needs and goals of all members of the Company – shareholders included.

The board's policy for determining the nature and amount of remuneration for management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the management personnel, was developed by the Board;
- All key management personnel receive fixed salary which is based on factors such as market rates appropriate to the position, taking account of qualifications and experience and superannuation;
- The Board reviews management personnel packages annually by reference to Executive performance and comparable information from industry sectors; and
- At the Board's absolute discretion, a modest annual bonus is paid to all staff in December, in recognition of their collective achievement of targets and maintenance of high standards of service to customers.

The performance of management personnel is measured against criteria agreed annually with each individual and is based predominantly on the achievement of personal and corporate targets, the maintenance of shareholder value, and the consistent delivery of tangible benefit

to the community in which the company operates . The policy is designed to attract and retain a team of high calibre executives with personal commitment to the Company's objectives, and to properly reward them for performance that results in the maintenance of true standards of excellence in customer services and community engagements, together with long-term growth in shareholder value.

The management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Individuals are free to elect to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to management personnel is valued at the cost to the Company and expensed.

Performance-based remuneration

Apart from the modest discretionary annual bonus payment referred to above which is made to all staff, the Company does not make any performance or incentive based remuneration payments to its key management personnel.

Company performance, shareholder wealth and Executive remuneration

The remuneration policy has been tailored to achieve goal congruence between shareholders and Executives. The method applied in achieving this aim is to remunerate non-executive directors at relatively nominal (honorarium) levels, and to pay fixed competitive market rate salaries to key executives and staff. The Company believes this policy to have been effective in building a competent and committed board/executive team, which has steadily built both shareholder wealth and community benefit levels over the past 9 years.

Management personnel remuneration policy

The remuneration structure for management personnel is based on a number of factors, including length of service, particular experience and effectiveness of the individual concerned, and in general terms, the overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

The employment contracts stipulate a resignation period. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Associated management personnel remuneration

2012

	Salary	Fees	Superannuation Contribution	Non-cash Benefits	Total	Performance related
	\$	\$		\$	\$	%
Gerard Tonks	2,050				2,050	
	2,050				2,050	

2011

Allison I'Dell (resigned 02/03/11)	74,532		6,565	-	81,097	-
Gerard Tonks	-	2,500		-	2,500	-
	74,532	2,500	6,565	-	83,597	-

NOTE: The share based payments during the year were nil (2010: nil)

Options

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

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

Indemnifying officers or auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an Officer, but not an Auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Share options

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

Environmental issues

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

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Corporate governance

The Company has implemented various corporate governance practices, which include:

- Director approval of operating budgets and monitoring of progress against these budgets;
- Ongoing Director training; and
- Monthly Director meetings to discuss performance and strategic plans

The Company has in place a separate Audit and Governance Committee.

Non-audit Services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2002. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external Auditors during the year ended 30 June 2012:

Taxation and accounting services:	\$3,250
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Auditors Independence Declaration

A copy of the Auditor's Independence Declaration is included within the financial statements.

This report is signed in accordance with a resolution of the Board of Directors.

Director: Gerard Tonks



Dated this 21st day of September 2012

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF
MUNDARING COMMUNITY FINANCIAL SERVICES LIMITED

In relation to our audit of the financial report of Mundaring Community Financial Services Limited for the year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Mack & Co.

PKF MACK & Co

Simon Fermanis

SIMON FERMANIS
PARTNER

21 SEPTEMBER 2012
WEST PERTH,
WESTERN AUSTRALIA

Mundaring Community Financial Services Limited
 ABN 63 097 289 677
 Financial Report for the year ended 30 June 2012

Statement of Comprehensive Income

For the year ended 30 June 2012

		2012	2011
	Note	\$	\$
Revenue	2	1,814,661	1,743,652
Employee benefits expense		(775,165)	(768,849)
Depreciation and amortisation expense		(53,016)	(52,582)
Community development sponsorships	24	(87,265)	(76,903)
Other expenses	3	(479,681)	(483,544)
Total expenses		(1,395,127)	(1,381,878)
Profit before income tax		419,534	364,774
Income tax expense	4	(128,223)	(112,675)
Profit for the year		291,311	249,099
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		291,311	249,099

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2012

	Note	2012	2011
		\$	\$
Current Assets			
Cash and cash equivalents	5	1,090,325	897,048
Trade and other receivables	6	176,139	153,437
Other current assets	8	4,885	7,438
Total Current Assets		<u>1,271,349</u>	<u>1,057,923</u>
Non-Current Assets			
Property, plant and equipment	9	93,773	119,054
Intangible assets	10	45,834	7,042
Other non current assets	8	3,921	4,986
Deferred tax asset	7	30,047	25,180
Total Non-Current Assets		<u>173,575</u>	<u>156,262</u>
Total Assets		<u>1,444,924</u>	<u>1,214,185</u>
Current Liabilities			
Trade and other payables	11	112,368	201,485
Current tax liability	7	88,204	69,127
Financial liability	12	11,720	10,594
Short-term provisions	13	38,877	43,777
Total Current Liabilities		<u>251,169</u>	<u>324,983</u>
Non-Current Liabilities			
Financial liability	12	-	3,903
Deferred tax liability	7	4,944	1,525
Long-term provisions	13	49,175	35,449
Total Non-Current Liabilities		<u>54,119</u>	<u>40,877</u>
Total Liabilities		<u>305,288</u>	<u>365,860</u>
Net Assets		<u>1,139,636</u>	<u>848,325</u>
Equity			
Issued capital	14	559,585	559,585
Retained profits		580,051	288,740
Total Equity		<u>1,139,636</u>	<u>848,325</u>

The accompanying notes form part of these financial statements

Statement of Changes in Equity

For the year ended 30 June 2012

	Share Capital (Ordinary shares)	Retained profits/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 July 2011	559,585	288,740	848,325
Total comprehensive income	-	291,311	291,311
Dividends paid or provided	-	-	-
Balance at 30 June 2012	<u>559,585</u>	<u>580,051</u>	<u>1,139,636</u>
Balance at 1 July 2010	559,585	107,521	667,106
Total comprehensive income	-	249,099	249,099
Dividends paid or provided	-	(67,880)	(67,880)
Balance at 30 June 2011	<u>559,585</u>	<u>288,740</u>	<u>848,325</u>

The accompanying notes form part of these financial statements

Statement of Cash Flows

For the year ended 30 June 2012

		2012	2011
	Note	\$	\$
Net cash provided by operating activities			
Receipts from customers		1,749,622	1,710,615
Payments to suppliers and employees		(1,422,403)	(1,274,660)
Finance costs paid		(1,712)	-
Interest received		44,888	37,065
Income Tax Paid or refund received		(110,593)	(67,294)
Net cash provided by operating activities	16(a)	259,802	405,726
Net cash used in investing activities			
Payments for plant and equipment		(16,525)	(60,746)
Payment for franchise fee		(50,000)	-
Proceeds of asset sales		-	18,000
Net cash used in investing activities		(66,525)	(42,746)
Net cash used in financing activities			
Repayment of borrowings		-	(26,563)
Dividends paid		-	(56,567)
Net cash used in financing activities		-	(83,130)
Net increase in cash held		193,277	279,850
Cash held at the beginning of the financial year		897,048	617,198
Cash held at the end of the financial year	5	1,090,325	897,048

The accompanying notes form part of these financial statements

Notes to the Financial Statements

1. Statement of significant accounting policies

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

The financial report covers Mundaring Community Financial Services Limited as an individual entity. Mundaring Community Financial Services Limited is an unlisted public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(b) Property, plant and equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

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

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%

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

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

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

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in 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 year.

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.

(d) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as

at fair value through profit or loss are expensed to profit or loss immediately. 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 Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. 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.

iii. 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 Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities

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

Derivative instruments

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

The Company does not hold any derivative instruments.

Fair value

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

Impairment

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

Financial Guarantees

Where material financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

(e) Impairment of assets

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

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

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

(f) Intangibles**Franchise fee**

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) year period of the agreement, being the period of expected economic benefits of the franchise fee.

(g) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(j) Revenue and other income

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

Revenue is measured at the fair value of the consideration received or receivable from the franchisor.

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

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(l) Goods and services 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.

(m) Comparative figures

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

(n) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Company during the reporting period which remains unpaid.

(o) Inventories

The Company holds inventory of consumable items, which are measured at lower of cost or net realisable value. The inventory balance held by the Company is not material to the financial statements.

(p) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates — Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2011 as the intangibles are amortised over their useful life.

(q) Authorisation for financial report

The financial report was authorised for issue on 21 September 2012 by the Board of Directors.

(r) Adoption of new and revised accounting standards

During the current year, the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Company.

AASB 101: Presentation of financial statements**Disclosure impact**

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

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

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

The Company financial statements now contain a statement of comprehensive income.

Other comprehensive income - The revised version of AASB 101 introduces the concept of 'other

comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

AASB 3: Business Combinations

This standard does not apply to the Company.

AASB 8: Operating Segments

The implementation of this standard will not change the disclosures in respect of operating segments in Note 21.

(s) New accounting standards for application in future periods

The AASB has issued the following new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards, and has not yet determined the potential impact on the financial statements from the adoption of these standards and interpretations.

This section intentionally left blank

AASB NO.	TITLE	ISSUE DATE	OPERATIVE DATE (ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER)
9	Financial Instruments	Dec 2010	1 Jan 2015
10	Consolidation	Aug 2011	1 Jan 2013
11	Joint Arrangements	Aug 2011	1 Jan 2013
12	Disclosure of Interests in Other Entities	Aug 2011	1 Jan 2013
13	Fair Value Measurement	Sep 2011	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	Jun 2010	1 Jul 2013
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Jun 2010	1 Jul 2013
2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec 2010	1 Jan 2013
2010 – 8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	Dec 2010	1 Jan 2012
2010 – 9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	Dec 2010	1 Jul 2011
2010 – 10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec 2010	1 Jan 2013
2011 - 4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	Jul 2011	1 Jul 2013
2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]	Jun 2012	1 Jan 2013
2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	Jun 2012	1 Jan 2014
2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	Jun 2012	1 Jan 2013

Australian Interpretations

AASB NO.	TITLE	ISSUE DATE	OPERATIVE DATE (ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER)
20	Stripping Costs in the Production Phase of a Surface Mine	Nov 2011	1 Jan 2013

	2012	2011
	\$	\$
2. Revenue		
Franchise margin income	1,769,773	1,706,587
Interest revenue	44,888	37,065
	<u>1,814,661</u>	<u>1,743,652</u>
3. Expenses		
Advertising and marketing	64,023	56,769
ATM leasing and running costs	53,798	50,024
Bad Debts	4,569	2,630
Freight and postage	21,622	20,492
Insurance	17,734	17,551
IT leasing and running costs	28,561	29,480
Occupancy costs	173,737	162,893
Printing and stationery	27,624	25,520
Finance costs	1,294	1,424
Sale of assets	-	3,564
Other operating expenses	86,719	113,197
	<u>479,681</u>	<u>483,544</u>
Remuneration of the auditors of the Company		
Audit services	15,000	15,500
Other services	4,050	3,250
	<u>19,050</u>	<u>18,750</u>
Superannuation contributions	65,721	

	2012	2011
	\$	\$
4. Income tax expense		
a. The components of tax expense comprise:		
Current tax	126,775	107,595
Deferred tax	1,448	5,080
	<u>128,223</u>	<u>112,675</u>
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
prima facie tax payable on profit before income tax at 30% (2011: 30%)	125,860	108,532
Add:		
Tax effect of:		
non-deductible depreciation and amortisation	2,363	3,219
other non-allowable items	-	1,108
Less:		
Tax effect of:		
other allowable items	-	(184)
Income tax attributable to the Company	<u>128,223</u>	<u>112,675</u>
5. Cash and cash equivalents		
Cash at bank and in hand	<u>1,090,325</u>	<u>897,048</u>
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	1,090,885	897,873
Community EFTPOS Trust Account	(560)	(825)
	<u>1,090,325</u>	<u>897,048</u>
6. Trade and other receivables		
Accrued Income (trade)	174,924	153,137
Other debtor	1,215	300
	<u>176,139</u>	<u>153,437</u>

Trade debtors are normally settled within 30 days. Due to the short term nature the carrying value is assumed to be the fair value.

	2012	2011
	\$	\$
7. Tax		
a. Liability		
Income tax payable	88,204	69,127
Deferred tax liabilities comprise:		
Interest income accrued	4,944	1,525
b. Assets		
Income tax credit	-	-
Deferred tax assets comprise:		
Accrued expenses	3,632	1,050
Provisions	26,4015	24,130
	30,047	25,180
c. Reconciliations		
i. Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	23,655	28,735
Charged(credit) to income statement	1,448	(5,080)
Closing balance	25,103	23,655
ii. Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
<i>Provisions and Accruals</i>		
Opening balance	25,180	29,379
Charged/(credit) to the income statement	4,867	(4,199)
Closing balance	30,047	25,180
iii. Deferred Tax Liabilities		
The movement in deferred tax liabilities for each temporary difference during the year is as follows		
Accrued Income		
Opening Balance	(1,525)	(644)
Charged/(credit) to income statement	(3,419)	(881)
	(4,944)	(1,525)

	2012	2011
	\$	\$
8. Other assets		
Current		
Prepayment	4,885	7,438
Non-Current		
Deferred GST	421	1,486
Security deposit	3,500	3,500
Non-Current	3,921	4,986

9. Property, plant and equipment

Plant and Equipment

Cost	393,477	376,952
Accumulated depreciation	(299,704)	(257,898)
	93,773	119,054

Movement in carrying amount

Balance at the beginning of the year	119,054	122,454
Additions	16,525	60,746
Disposals	-	(29,229)
Depreciation expense	(41,806)	(42,582)
Depreciation on disposals	-	7,665
Carrying amount at the end of the year	93,773	119,054

10. Intangible assets

Franchise fee

Cost	150,000	100,000
Accumulated amortisation	(104,166)	(92,958)
	45,834	7,042

Initial cost and first renewal fee, each \$50,000, have both been fully amortised over ten years and the balance of the second renewal, \$50,000, is being written off over the current five years.

11. Trade and other payables

Trade creditors and accruals	61,726	89,651
GST payable	48,411	41,723
Dividend payable	2,231	70,111
	112,368	201,485

Trade and other payables are normally settled within 30 days. Due to short term nature the carrying value is assumed to be the fair value.

	2012	2011
	\$	\$

12 Financial liabilities

Current

Community EFTPOS Trust Account	-	996
Finance lease	11,720	9,598
	<u>11,720</u>	<u>10,594</u>

Non current

Finance lease	-	3,903
Security:		

The finance lease is secured by a floating charge over the Company's assets.

13. Provisions

Current

Provision for employee entitlements	38,877	43,777
-------------------------------------	--------	--------

Non current

Provision for employee entitlements	49,175	35,448
-------------------------------------	--------	--------

Number of employees at year end	26	18
---------------------------------	----	----

14. Equity

565,670 (2011: 565,670) fully paid ordinary shares (nil par value)	565,700	565,700
Cost of raising equity	(6,115)	(6,115)
	<u>559,585</u>	<u>559,585</u>

The Company is not subject to any externally imposed capital requirements

	2012	2011
	\$	\$

15. Cash flow information

- a. Reconciliation of cash flow from operations with profit after tax

Profit after tax	291,311	249,099
Depreciation and amortisation	53,013	49,507
Loss on Sale of assets	-	3,564
Movement in assets and liabilities		
Stock	-	8,190
Receivables	(22,702)	6,926
Other assets	3,618	(2,898)
Deferred tax asset	(4,867)	4,199
Deferred tax liability	3,419	881
Payables	(89,117)	59,507
Provision for tax/(tax paid)	19,078	38,466
Financial Liability	(2,777)	-
Provisions for employees	8,826	(11,705)
Net cash provided by/(used in) operating Activities	259,802	405,736

- b. Credit Standby Arrangement and Loan Facilities

The Company does not operate a bank overdraft facility or have any loan facilities at present.

16. Related party transactions

Refer to note 24 for related party transactions.

17. Leasing commitments

- (i). Leasing commitments for premises

Non cancellable operating lease commitment contracted for but not capitalised in the financial statements

Bank Branch Mundaring

Payable

Not longer than 1 year	44,414	22,206
Longer than 1 year but not longer than 5 years	155,449	-
	(199,863)	22,206

	2012	2011
	\$	\$
<i>Corporate Office Mundaring</i>		
Payable		
Not longer than 1 year	31,200	-
Longer than 1 year but not longer than 5 years	48,100	-
	<u>(79,300)</u>	<u>-</u>
<i>Poynton House Midland</i>		
Payable		
Not longer than 1 year	37,275	48,900
Longer than 1 year but not longer than 5 years	-	30,562
	<u>(37,275)</u>	<u>79,462</u>
(ii) Leasing commitments for motor vehicles		
Current	11,720	9,598
Non-Current	-	3,903
Total	<u>11,720</u>	<u>13,501</u>

18. Dividends

(i) Distributions paid	-	67,880
(ii) Dividend declared in September 2012 at 15 cents per share payable in December 2012	84,850	-
(iii) Balance of dividend franking account	<u>344,635</u>	<u>245,503</u>

19. Financial instruments

(a) Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2012.

(b) Financial Risk exposures and management

The main risks the company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

In regards to liquidity risk the Company currently maintains a substantial balance of cash funds in comparison to its commitments under a finance lease for a motor vehicle (\$5,496 p.a.) and three operating leases for premises in Midland (\$45,000 p.a.) and Mundaring (\$76,614 p.a.). The Midland lease commenced in February of 2008 and expires in February 2013. The two Mundaring leases for the branch and corporate office run from January 2012 to January 2017 (5 year lease) and from January 2012 to January 2015 (3 year lease) respectively. The Directors therefore consider the liquidity risk in this context to be negligible.

Credit risk

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

There are no material amounts of collateral held as security at 30 June 2012.

In regards to credit risk the Company has a receivable at the end of each month, including at the end of each accounting period, being fees and commissions due to it under its franchise agreement, from Bendigo and Adelaide Bank Ltd. This amount, now in the order of \$150,000, is due and receivable, and is regularly received, in the third week following month end. The risk of this not being paid is considered by the Directors of the Company to be low. The franchise arrangement has been in place for nine and a half years and to date there has not been any undue delay in receiving monthly payments from the Franchisor.

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2012 and 30 June 2011 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

Market risk

The market risks that are relevant to the business of the Company are two in number. The Company earned \$44,888 interest on its cash funds during the last year. The Directors believe that there is reasonable likelihood of interest rate variation of minus or plus 2% over the next year which would affect income by about \$21,800 which, however, would not be material to the Company.

The primary income source is fee and commission income from the conduct of banking business. This has been growing strongly each year since the franchise commenced operating in February, 2002. The franchise total portfolio of bank business, deposits and loans, has reached \$175 million and is still trending upwards but, in a period of more general credit and bank business uncertainty, the future of the franchise bank business growth is less predictable.

Capital management

The Company has a policy of capital management which is to maintain, as much as possible, the value of the original \$565,700 invested by shareholders in 2002 by secure investment, and other practices, and this is currently being achieved in the form of cash reserves. Surplus funds are applied to expand the bank business of the Company. A primary purpose of the Company is to maintain, improve and expand the provision of banking services in Mundaring and the surrounding region.

The Directors develop and implement Board policies and procedures to assess and minimise the risk of events that may disadvantage the business of the Company and diminish the value of its assets.

The business of the Company is dependent upon the continuation of the franchise agreement with Bendigo and Adelaide Bank Ltd and the Bank's honouring of that agreement which is not in doubt by the Directors of the Company.

The franchise has another four and half years to run of its current (the third) five years period and renewal for another five years is automatic if all covenants have been complied with.

The Company has established an approved market for securities in the Company. This market operates under an exemption granted by the Australian Securities and Investments Commission under the Corporations (Low Volume Markets) Exemption Notice 2003. A number of trades in shares were effected during the financial year with an average price of \$1.50. The Company commissioned an independent valuation during the 2008-09 year and the report placed a value on the securities of the Company at between \$2.41 and \$2.79.

Price risk

The company is not exposed to any material commodity price risk.

This section intentionally left blank

(c) Financial Instrument Composition and Maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as managements' expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

2012

		VARIABLE	FIXED			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
<i>Financial Assets</i>						
Cash and cash equivalents	5.65%	1,090,325	-	-	-	1,090,325
Loans and receivables		-	-	-	176,139	176,139
Total Financial Assets		1,090,325	-	-	176,139	1,266,464

Financial Liability

Trade and other payables		-	-	-	112,368	112,368
Lease liabilities	7.45%	-	11,720	-	-	11,720
Total Financial Liabilities		-	11,720	-	112,368	124,088

2011

		VARIABLE	FIXED			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
<i>Financial Assets</i>						
Cash and cash equivalents	6.1%	897,048	-	-	-	897,048
Loans and receivables		-	-	-	153,437	153,437
Total Financial Assets		897,048	-	-	153,437	1,050,485

Financial Liability

Bank overdraft secured		-	-	-	-	-
Trade and other payables		-	-	-	201,485	201,485
Lease liabilities	7.45%	-	10,594	3,903	-	14,497
Total Financial Liabilities		-	10,594	3,903	201,485	215,982

2012**2011**

\$

\$

Trade and sundry payables are expected to be paid as follows:

Less than 6 months	176,139	153,437
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(d) Net Fair Values

The net fair values of investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

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

Fair values are materially in line with carrying values.

(e) Sensitivity Analysis**Interest Rate Risk**

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2012, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows

2012	-2 %		+ 2 %		
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
Financial Assets					
Cash and cash equivalents	1,090,325	(21,806)	(21,806)	21,806	21,806
2011	-2 %		+ 2 %		
	Carrying Amount \$	Profit \$	Equity \$	Profit \$	Equity \$
Financial Assets					
Cash and cash equivalents	897,873	(17,958)	(17,958)	17,958	17,958

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The Company has no exposure to fluctuations in foreign currency.

20. Segment reporting

The Company operates in the financial services sector as a branch of Bendigo Bank in Western Australia. All income is derived as profit share from Bendigo Bank.

21. Events after the balance sheet date

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

22. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date other than \$21,220 in loans made under the Branch Manager's Discretionary Lending Authority.

23. Key management personnel compensation

(a) Names and positions

Name	Position
Arthur Maddison	Non-Executive Director (Chairman)
Gerard Tonks	Non-Executive Director (Company Secretary)
James Saunders	Non-Executive Director (appointed 13/01/10)
Richard Stuart	Non-Executive Director (appointed 13/01/10)
Peter Hackett	Non-Executive Director (appointed 13/01/10)
Robert Emery	Non-Executive Director (appointed 13/01/10)
Matt Yacopetti	Non-Executive Director (appointed 05/10/11)
Les Guest	Non-Executive Director (appointed 08/02/12)

(b) Associated Management Personnel Remuneration

Associated management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(c) Options provided as remuneration and shares issued on exercise of such options

No options were provided as remuneration or shares issued on exercise of options

(d) Option holdings

No options over ordinary shares in the Company are held by any Director of the Company or other key management personnel, including their personally related parties.

(e) Shareholdings

Number of ordinary shares held by key management personnel

2012	Directors	Balance at beginning of period	Purchased during the period	Other changes	Balance at end of period
	Arthur Maddison	10,000	200	-	10,200
	Gerard Tonks	1,000	-	-	1,000
	Robert Emery	-	-	-	-
	James Saunders	700	2,300	-	3,000
	Peter Hackett	-	500	-	500
	Les Guest	-	-	-	-
	Richard Stuart	500	-	-	500
	Matt Yacopetti	-	-	-	-
	Total	12,200	3,000	-	15,200

Summary from Remuneration Report

Names of Directors	Role	2012	2011
		\$	\$
Arthur Maddison	Chairman	4,000	4,360
Gerard Tonks	Non-Executive Director/Company Secretary	2,000	2,180
James Saunders	Chairman Audit & Governance Committee	2,000	2,180
Richard Stuart	Non-Executive Director	2,000	2,180
Robert Emery	Non-Executive Director	2,000	2,015
Peter Hackett	Non-Executive Director	2,000	2,015
Paige McNeil	Non-Executive Director/	-	1,272
Andrew Wells	Chairman Community Distributions Committee	-	1,515
Les Guest	Non-Executive Director (resigned)	1,500	-
Matt Yacopetti	Non-Executive Director (resigned)	666	-
Total Remuneration	Non-Executive Director	16,167	\$17,717

Associated Management Personnel

2012

	Salary	Fees	Superannuation Contribution	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
Gerard Tonks	2,050	-	-	-	2,050	-
	2,050	-	-	-	2,050	-

2011

	Salary	Fees	Superannuation Contribution	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
Allison I'Dell (resigned 02/03/11)	74,532	-	6,565	-	81,097	-
Gerard Tonks	-	2,500	-	-	2,500	-
	74,532	2,500	6,565	-	83,597	-

24. Community Expenditures

	2012	2011
	\$	\$
Community sponsorships	87,265	76,903
Employee's costs for community development	-	-
	87,265	76,903

In anticipation of estimated profits in a year, the Company expends monies on community development projects in the Mundaring region.

25. Company details

The administrative office of the Company is:

6895 Great Eastern Highway

Mundaring WA 6073

The principal place of business and registered office of the Company is:

6945 Great Eastern Highway

Mundaring WA 6073

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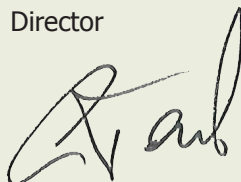
Directors' Declaration

The directors of the Company declare that:

1. the financial statements and notes and the remuneration report in the Directors Report designated as audited, are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the Company's financial position as at 30 June 2012 and its performance for the year ended on that date; and
 - c) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
 - a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c) the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director



Dated this 21st day of September 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MUNDARING COMMUNITY FINANCIAL SERVICES LIMITED

47

Report on the Financial Report

We have audited the accompanying financial report of Mundaring Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Mundaring Community Financial Services Limited (the company).

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Mundaring Community Financial Services Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 8 of 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.

Opinion

In our opinion, the Remuneration Report of Mundaring Community Financial Services Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

PKF Mack and Co.

PKF MACK & CO

Simon Fermanis

SIMON FERMANIS
PARTNER

21 SEPTEMBER 2012
WEST PERTH,
WESTERN AUSTRALIA

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Branch Address

**6945 Great Eastern Highway,
Mundaring WA 6073
Telephone: (08) 9295 0744**

Administration Address:

**6895 Great Eastern Highway
Mundaring WA 6073
Telephone: (08) 9295 6411**