



Annual Report 2018

Mandurah Community Financial Services
Limited

Halls Head **Community Bank®** Branch

ABN 56 098 081 308

Dear Shareholder

This year marks 20 years since the first Community Bank was opened in country Victoria and 16 years since our company, opened the Halls Head Branch in April 2002. Over that time the Bendigo Bank family as I like to think of it, being Bendigo & Adelaide Bank Ltd and the over 300 Community Bank branches owned by local Community Bank companies, such as ours, located through the country now mean Bendigo Bank is the 5th largest Retail banking group in Australia. In a recent national survey Bendigo Bank was rated the third most trusted brand and no other bank was in the top ten.

Over the past year there have been changes both at board and staff level. I would like to welcome aboard two new directors, Megan Turner and Tim Williams, who add to the experience of your current board. I would also like to thank the rest of the board, Deputy Chair Kerrie Robinson, Alisha Joynes, Andrew Brown, Adrian Pitsikas, Doug Savarese and Terry Power for their hard work, support and commitment over the past year. I also acknowledge the all too brief involvement of Kay Williams, who for personal reasons had to step down from the board.

Within the branch, our previous manager Stephen Boyham resigned in February to take up a position with another financial institution. As result the board appointed to the role of manager Kelly Litton, who had previously been the assistant manager. Kelly brings a passion for the Community Bank concept and drive to develop business and along with the support of the other branch staff allows our company to make the contributions it has made and continues to make, for our Mandurah Community.

I also like to acknowledge the hard work and tireless efforts of our Community Engagement Officer and Company Secretary Sharon Hooper. Sharon is responsible maintaining our relationships with our existing partnerships and developing new partnership opportunities throughout the Mandurah Community. Through her hard work we were again a finalist in the recent Peel Regional Chamber Small Business awards.

In this year's audited result before tax we recorded an operating loss of \$6,284, which compares to an operating loss of \$43,231 for 2017. It should be noted that these results are after making significant contributions with respect to Donations and Sponsorships of \$137,823 this year and \$111,136 last year. As mentioned in last year's report the Board made the decision to purchase shares in Bendigo & Adelaide Bank Limited itself, in the main because the return via dividend payments is currently better than interest earning rates. However, the movement in the share price resulted in an unrealized loss of \$1,188 which was reflected in the reported operating loss. In addition, the two Bendigo branded vehicles which the company owns were traded in June and two new vehicles have been purchased. The trade in of the old vehicles resulted in a loss on disposal of \$12,842, which is also reflected in the reported operating loss.

The overall financial position of the company remains strong, with cash reserves of over \$1.087M as at the 30th June, and shareholder equity, your equity, at \$1.215M, equivalent to \$2.04 per share.

As Shareholders, you have also received a fully franked dividend of 6.5 cents per share last November. To the date of this report, that now means the company has now paid a total \$597,462 in cash dividends together with associated imputation credits of \$252,101. This represents cash dividend payments of \$1.01 cents and imputation credits of 42 cents per issued share, and effective return of \$1.43 per share.

Furthermore, the Board has recently approved the payment of a further dividend of 7 cents per share to be paid in this coming November, fully franked to company tax rate of 27.5%.

Mandurah Community Financial Services Limited is a Franchise Bank within the Bendigo and Adelaide Bank network. Our point of difference is that of a Community Bank putting back into local communities. This year we have continue to make contributions to various community groups and organizations, including;

- Joining with the City of Mandurah
 - in RYDE Programme – Driver education by purchasing a car to use in programme
 - and Wearable Art 2018
- Make Place, which provides assistance with a collaborative work space and youth on leadership programs;
- Sponsoring a local student to attend the Magic Moments youth leadership summit;
- Sponsoring the Fantasy of Flowers State event here at Mandurah Performing Arts Centre;
- John Tonkin College, Falcon Primary School, Halls Head Primary School, Hall Head College, Ocean Road Primary School and South Halls Head Primary School in relation to student awards and activities;
- Mandurah Performing Arts Centre - in relation to the Manjar Art Awards;
- Halls Head Croquet Club – To assist in the purchase of defibrillator;
- Mandurah City Council – in relation to the Children’s Festival;
- Halls Head Bowling Club;
- Peel Thunder Football Club;
- Peel Hockey and as well numerous others.

Over our 16 year journey, we have contributed directly up to 30th June 2018, some \$1.21M to our community, and indirectly when the 2009 Bendigo Bank Community Bank National Conference and two State Bendigo Bank Community Bank Conferences which held here in Mandurah, the economic benefit to the local businesses and the local community was estimated to be in excess of \$960,000.

So, as the Community Banking celebrates its 20th year in 2018, please remember, the one thing that has not changed is our ongoing commitment to friendly, personalized banking services. So, if you, your family, friends or work colleagues need any banking related services call, or call into the Hall Heads Community Bank Branch of Bendigo Bank. Together we can continue to do Big Things for Mandurah.

Ian Ilsley
Chairman
11th October 2018

Manager's Report

For year ending 30 June 2018

I would like to introduce myself, my name is Kelly Litton and I am the Halls Head Community Bank Branch Manager, being officially appointed in the role in June 2018.

Whilst I have been in the Branch Manager role for only a short period of time, I have been employed with the Halls Head Community Bank since September 2011 taking on various roles within the business leading me to become your Branch Manager.

I have a clear understanding of Bendigo Banks vision which is to become Australia's bank of choice. This has inspired me to lead the team with this vision at the forefront of mind during day to day dealings with members of our community. I am extremely proud to work for an organisation that is built on community and aligns with one of my passions "Connectivity". I want to set the foundations for a strong community connected business, one that collaboratively works together to grow in all areas of our businesses.

Halls Head Community Bank Branch of Bendigo Bank currently employs a team of 8 staff members. All are involved in different aspects of the business, from the branches sales activities, community engagement, corporate initiatives & outstanding customer service. If you don't already bank with the Halls Head Community Bank, I would like to extend an open invitation for you, your family and friends to come and experience Halls Head Community Banks point of difference.

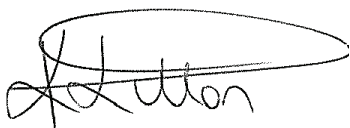
Now is the time to spread our Community bank story and appreciate how our Business influences the local Community. Over our 16-year journey, we have contributed \$1.21M to our community. Our ongoing aim is to become Mandurah's bank of choice and I look forward to working with the wider community to build on this objective whilst also telling our community story and driving solid business outcomes for the 2018/19 financial year.

I would like to take the time to thank our Shareholders and Directors past and present. Without their courage in taking a leap for the better of our community - we would not be in the position we are today – Contributing \$1.21 million dollars into our home – the **Mandurah Region**.

And lastly to the Halls Head Community Bank team and our wonderful customers, you are driving successful outcomes in this community. This is something you should all be extremely proud of.

Kelly Litton

Branch Manager

A handwritten signature in black ink, appearing to read 'Kelly Litton', with a large, sweeping loop at the end.

Bendigo and Adelaide Bank report

For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank**[®] branch opened. And it has only been a few months since the latest, the 321st, **Community Bank**[®] branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank**[®] branch to the most recent one, and the 319 in between.

This year, five of our Community Bank branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank**[®] branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank**[®] funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over \$200 million in **Community Bank**[®] contributions, all because of people banking with their local **Community Bank**[®] branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank**[®] network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only '*community bank*', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank**[®] company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank**[®] company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank**[®] branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank®** branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.

A handwritten signature in black ink, appearing to read 'Robert Musgrove', with a stylized, cursive script.

Robert Musgrove
Bendigo and Adelaide Bank

MCFSL Community Investment 2017 – 2018

\$500.00	Donation	Arts, Culture & Heritage	Peel Connect
\$200.00	Donation	Education & Research	John Tonkin College
\$1,500.00	Sponsorship	Education & Research	Dudley Park Primary P&C Assoc (Inc.)
\$50.00	Donation	Education & Research	Dudley Park Primary P&C Assoc (Inc.)
\$200.00	Donation	Education & Research	John Tonkin College
\$50.00	Donation	Education & Research	Glencoe Primary school
\$50.00	Donation	Education & Research	Ocean Road Primary School
\$50.00	Donation	Education & Research	Halls Head Primary School
\$50.00	Donation	Education & Research	Falcon Primary
\$454.55	Sponsorship	Arts, Culture & Heritage	Mandurah Wildlife Rescue Inc.
\$5000.00	Sponsorship	Sport & Recreation	PEEL HOCKEY
\$370.00	Donation	Health & Wellbeing	Halls Head Retirement Village
\$3800.00	Sponsorship	Sport & Recreation	Halls Head Bowling & Recreation Club Inc.
\$5844.55	Sponsorship	Arts, Culture & Heritage	Mandurah Floral Art Group Inc.
\$500.00	Sponsorship	Sport & Recreation	PORT BOUVARD REC CLUB
\$1000.00	Sponsorship	Community Facilities & Infrastructure	City of Mandurah
\$18000.00	Sponsorship	Community Facilities & Infrastructure	The Makers
\$1700.00	Sponsorship	Arts, Culture & Heritage	Friends of OXFAM
\$2000.00	Donation	Health & Wellbeing	Timbers Edge Men's Shed
\$5000.00	Sponsorship	Arts, Culture & Heritage	Lakelands Primary School
\$409.09	Sponsorship	Arts, Culture & Heritage	Cycles Mandurah
\$500.00	Sponsorship	Arts, Culture & Heritage	Pride in Peel
\$1,590.91	Sponsorship	Sport & Recreation	Sports power
\$200.00	Donation	Education & Research	Halls Head College
\$1500.00	Sponsorship	Sport & Recreation	Yarloop Bowls Club
\$2500.00	Sponsorship	Sport & Recreation	Peel Junior Cricket Association
\$500.00	Sponsorship	Health & Wellbeing	Martin, Damian
\$1000.00	Sponsorship	Arts, Culture & Heritage	Friends of MPAC
\$51500.00	Sponsorship	Sport & Recreation	Peel Thunder Football Club Inc.
\$2,033.00	Donation	Health & Wellbeing	Halls Head Croquet Club

MCFSL Community Investment 2017 – 2018

\$500.00	Donation	Arts, Culture & Heritage	Bindjareb Murray Darts Association
\$1,000.00	Sponsorship	Sport & Recreation	Mandurah Masters Swimming Inc.
\$375.00	Sponsorship	Health & Wellbeing	Silver Wheels Cycle Club
\$500.00	Sponsorship	Health & Wellbeing	Silver Wheels Cycle Club
\$500.00	Sponsorship	Health & Wellbeing	2018 Country Pennants
\$625.00	Sponsorship	Education & Research	Innovation Institute
\$500.00	Sponsorship	Arts, Culture & Heritage	Falcon Keep Fit
\$200.00	Sponsorship		Bendigo
\$3,636.36	Sponsorship	Arts, Culture & Heritage	City of Mandurah
\$1,000.00	Sponsorship	Arts, Culture & Heritage	Mandurah Performing Arts Centre
\$300.00	Sponsorship	Education & Research	Teaching Hub
\$13,636.36	Sponsorship	Health & Wellbeing	City of Mandurah
\$600.00	Sponsorship	Health & Wellbeing	Mandurah Table Tennis
\$250.00	Sponsorship	Health & Wellbeing	National Seniors Branch Mandurah
\$200.00	Sponsorship	Arts, Culture & Heritage	Mandurah Historical Society
\$120.00	Sponsorship	Arts, Culture & Heritage	FOMPAC
\$625.00	Sponsorship	Education & Research	Innovation Institute
\$100.00	Sponsorship	Health & Wellbeing	Peel Thunder
\$50.00	Sponsorship	Arts, Culture & Heritage	FOMPAC
\$60.00	Sponsorship	Arts, Culture & Heritage	FOMPAC
\$500.00	Sponsorship	Arts, Culture & Heritage	Creating Communities
\$750.00	Sponsorship	Education & Research	South Halls Head Primary School
\$120.00	Sponsorship	Arts, Culture & Heritage	Skipper Van Peer
\$360.00	Sponsorship	Arts, Culture & Heritage	Plants With Purpose
\$1,454.55	Sponsorship	Education & Research	Magic Moments

Mandurah

Community Financial Services Limited

ABN: 56 098 081 308

Financial Statements

For the year ended

30 June 2018

Mandurah Community Financial Services Limited

Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

Directors

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

Ian James Anson Ilsley

Chairman

Occupation: Certified Practicing Accountant

Qualifications, experience and expertise: Director of Ward and Ilsley Partners Pty Ltd, Certified Practicing Accountants, formerly the Treasurer of Frederick Irwin Anglican School Parents & Friends Association for 13 years, Treasurer of Mandurah Country Club since 2001, Board member of the Mandurah Performing Arts Centre from 2008 to 2014, one of two community representatives' on the City of Mandurah's Audit & Risk Committee and a former board member on the Board of John Tonkin College, Mandurah.

Special responsibilities: Chair and Treasurer

Interest in shares: 3,500

Kerrie Patricia Robinson

Deputy Chair

Occupation: Village Manager - Lifestyle Village

Qualifications, experience and expertise: Currently employed as Village Manager at Settlers Lakeside Village in Ravenswood WA, responsible for the physical and financial management of the property. Kerrie has also held positions in local government including youth and seniors portfolios and enjoys working in the community sector/ Other previous experiences include working in retail/commercial property management roles. Kerrie holds diplomas in both community development and business management and is currently studying a diploma in village management.

Special responsibilities: Deputy Chair and Chair of the HR Committee

Interest in shares: 1,000

Andrew James Brown

Director

Occupation: Railway Employee

Qualifications, experience and expertise: Formerly the owner of the Halls Head Bakers Delight Franchise (10 years) and has Certificate 3 in Small Business Franchising. Previously the business owner of A & J Fabricators which involved 20 years contracting to mining, oil and gas industries, past director of small business Centre Peel and previously board member of HHCC & Career Enterprise Centre in Mandurah.

Special responsibilities: Chair of Finance Committee

Interest in shares: 500

Douglas Philip James Savarese

Director

Occupation: Directors - Quadbovey Pty Ltd

Qualifications, experience and expertise: Douglas' experience includes being a Area Manager for Counterpoint Marketing , Assistant Manager at Coles Myer and Newmart Supermarket and Sales/Territory Manager for Kellogg's Australia. Douglas currently owns a private company, Quadbovey P/L, which has contracts with Australia Post for parcel delivery service. Douglas is also a past Captain of the Mandurah Country Club.

Special responsibilities: Marketing Committee

Interest in shares: 500

Mandurah Community Financial Services Limited

Directors' Report

Directors (*continued*)

Terence Edmund Power

Director

Occupation: Management Consultant

Qualifications, experience and expertise: Terry is a management consultant, business author and international keynote speaker, with a diverse range of clients; from multi-nationals like Hilton Hotel Group, PMI International and Commonwealth Bank to SME's, Government and the not-for-profit sector. He currently lectures at Curtin University's Centre for Entrepreneurship and Murdoch University's Executive Education, at the Masters level. Terry is an experienced board member having served on State and National boards, including Volunteer Australia. Terry holds a BA (Hons) and Graduate Diploma in Education from Murdoch University.

Special responsibilities: Chair of Marketing Committee

Interest in shares: Nil

Alisha Anne Joynes

Director

Occupation: Youth Development Officer - City of Mandurah/ Mum

Qualifications, experience and expertise: Alisha's knowledge of the Mandurah area stems back 30 years when her family moved from Perth and she began schooling at Mandurah Primary. Alisha has worked locally for the City of Mandurah for over 15 years in the areas of sport, recreation and community development, currently employed part time as a Youth Development Officer. Alisha has been heavily involved in a number of local sporting associations and clubs in a variety of roles over the past 20 years, including Peel Hockey and Mandurah Triathlon Club. Alisha is currently undertaking a degree in Sport, Recreation and Event Management and became a new mum last year.

Special responsibilities: Marketing and HR committees

Interest in shares: 1,000

Adrian Paul Pitsikas

Director

Occupation: Director of Turf Production company

Qualifications, experience and expertise: Adrian, together with his brother own and operate Greenacres Turf Group the largest turf producer in Western Australia and have done so for the past 27 years. Adrian is the former chair of the Turf Australia (the industry peak body for the whole of Australia). Adrian holds Diplomas in Horticulture (Turf), Irrigation and Business Management.

Special responsibilities: Finance and HR committees

Interest in shares: Nil

Timothy David Williams

Director (*Appointed 7 August 2018*)

Occupation: Currently not employed

Qualifications, experience and expertise: Timothy has extensive experience in community development with some experience in community engagement. He has a BA double major in sociology and community development. Timothy has significant experience in local government, cross-cultural engagement skills, facilitation skills and strategic development skills. Strong history in working alongside the Aboriginal community.

Special responsibilities:

Interest in shares: Nil

Mandurah Community Financial Services Limited

Directors' Report

Directors (*continued*)

Megan Christie Turner

Director (*Appointed 7 August 2018*)

Occupation: Small Business Owner

Qualifications, experience and expertise: Megan has a retail management background, as well as a senior position in real estate. She was president for Lakelands Primary School P & C and held positions at Link up, Heartbeat and Lakelands Primary School Board. Megan is the founder and head organiser of Lakefest and is currently president of Coastal Lakes Collage P & C Association Inc.

Special responsibilities:

Interest in shares: Nil

Kay Williams

Director (*Appointed 7 August 2018*)

Occupation: Community Engagement & Policy Manager

Qualifications, experience and expertise: Kay has been a business owner in Mandurah in the area of tourism as well as a Rotarian with Mandurah City for the past 11 years as Community Director. Kay has facilitated the CCA support group in Mandurah for the past 5 years. She attained a double diploma in Community/Aged Care as well as a BA Degree in Community Development/ Sociology and a Post graduate in Policy. Kay has a passion for community projects, advocacy and support and is a believer to be a good communitarian is being a part of a community making a difference to individuals lives ("the sum of the parts of the whole"). As Community Engagement Manager she is connected to many stakeholders in the Peel Region as well as further afield in areas such as City of Mandurah, Nidjalla Waangan Mia, GP Down South, MPAC, RSL, and Rotary etc.

Special responsibilities: HR Committee

Interest in shares: Nil

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

The company secretary is Sharon Hooper. Sharon was appointed to the position of secretary on 15 January 2016.

Sharon has been working in Banking and finance for the past 23 years. 13 years with ANZ Banking Group Ltd in various retail and customer service roles. Three years with Australian Defence Credit Union as Insurance specialist for Western Australia. Three years as Finance Officer, Peel Health Campus and currently employed by Mandurah Community Financial Services Ltd, Franchisee of the Halls Head Community Bank Branch of Bendigo and Adelaide Bank as Marketing and Administration Coordinator and Company Secretary.

Principal Activities

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

There have 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 loss of the company for the financial year after provision for income tax was:

Year ended	Year ended
30 June 2018	30 June 2017
\$	\$
(4,958)	(31,541)

Mandurah Community Financial Services Limited

Directors' Report

Dividends

	Year ended 30 June 2018	
	Cents	\$
Dividends paid in the year	6.5	38,642

Significant changes in the state of affairs

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

Events since 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 21 and 23 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.

Mandurah Community Financial Services Limited

Directors' Report

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					
			Marketing		Human Resources		Audit & Risk	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
Ian James Anson Ilsley	11	11	-	-	9	7	1	1
Kerrie Patricia Robinson	11	9	-	-	9	8	-	-
Andrew James Brown	11	11	-	-	-	-	1	1
Douglas Philip James Savarese	11	8	12	9	-	-	-	-
Terence Power	11	11	12	10	-	-	-	-
Alisha Anne Joynes	11	10	12	11	9	6	1	1
Adrian Paul Pitsikas	11	10	-	-	9	5	1	1
Timothy David Williams (<i>Appointed 7 August 2018</i>)	-	-	-	-	-	-	-	-
Kay Williams (<i>Appointed 7 August 2018</i>)	-	-	-	-	-	-	-	-
Megan Christie Turner (<i>Appointed 7 August 2018</i>)	-	-	-	-	-	-	-	-

A - eligible to attend

B - number attended

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

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

The board of directors has considered the position, in accordance with the advice received from the audit and risk 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 and risk 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.

Mandurah Community Financial Services Limited

Directors' Report

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Signed in accordance with a resolution of the board of directors at Mandurah, Western Australia on 4 September 2017.



Ian James Anson Ilsley, Chairman

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Mandurah Community Financial Services Limited

As lead auditor for the audit of Mandurah Community Financial Services Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 4 September 2018



David Hutchings
Lead Auditor

Mandurah Community Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	1,126,622	1,107,610
Employee benefits expense		(574,095)	(626,249)
Charitable donations, sponsorship, advertising and promotion		(153,297)	(134,146)
Occupancy and associated costs		(124,054)	(121,241)
Systems costs		(64,217)	(62,921)
Depreciation and amortisation expense	5	(17,840)	(19,391)
General administration expenses		(199,403)	(186,893)
Loss before income tax		(6,284)	(43,231)
Income tax	6	1,326	11,690
Loss after income tax		(4,958)	(31,541)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:			
		(4,958)	(31,541)
Earnings per share		¢	¢
Basic earnings per share	24	(0.83)	(5.31)

The accompanying notes form part of these financial statements

Mandurah Community Financial Services Limited

Balance Sheet

as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,087,004	1,140,730
Trade and other receivables	8	88,226	89,073
Current tax asset	9	2,522	8,213
Total current assets		1,177,752	1,238,016
Non-current assets			
Financial assets	9	53,658	54,846
Property, plant and equipment	10	64,806	36,950
Intangible assets	11	41,988	53,180
Deferred tax asset	12	11,054	8,982
Total non-current assets		171,506	153,958
Total assets		1,349,258	1,391,974
LIABILITIES			
Current liabilities			
Trade and other payables	13	65,086	59,506
Provisions	14	30,302	23,101
Total current liabilities		95,388	82,607
Non-current liabilities			
Trade and other payables	13	25,430	38,144
Provisions	14	12,750	11,933
Total non-current liabilities		38,180	50,077
Total liabilities		133,568	132,684
Net assets		1,215,690	1,259,290
EQUITY			
Issued capital	15	594,490	594,490
Retained earnings	16	621,200	664,800
Total equity		1,215,690	1,259,290

The accompanying notes form part of these financial statements

Mandurah Community Financial Services Limited

Statement of Changes in Equity

for the year ended 30 June 2018

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016		594,490	737,955	1,332,445
Total comprehensive income for the year		-	(31,541)	(31,541)
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(41,614)	(41,614)
Balance at 30 June 2017		594,490	664,800	1,259,290
Balance at 1 July 2017		594,490	664,800	1,259,290
Total comprehensive income for the year		-	(4,958)	(4,958)
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(38,642)	(38,642)
Balance at 30 June 2018		594,490	621,200	1,215,690

The accompanying notes form part of these financial statements

Mandurah Community Financial Services Limited

Statement of Cash Flows

for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		1,217,094	1,183,448
Payments to suppliers and employees		(1,200,948)	(1,202,439)
Interest received		19,315	37,760
Income taxes paid		4,945	(4,662)
Net cash provided by operating activities	17	40,406	14,107
Cash flows from investing activities			
Payments for property, plant and equipment		(61,891)	(1,726)
Proceeds from property, plant and equipment		14,544	-
Payments for intangible assets		(11,559)	(10,698)
Payments for financial assets		-	(59,955)
Dividends received		3,416	1,683
Net cash used in investing activities		(55,490)	(70,696)
Cash flows from financing activities			
Dividends paid	22	(38,642)	(41,614)
Net cash used in financing activities		(38,642)	(41,614)
Net decrease in cash held		(53,726)	(98,203)
Cash and cash equivalents at the beginning of the financial year		1,140,730	1,238,933
Cash and cash equivalents at the end of the financial year	7(a)	1,087,004	1,140,730

The accompanying notes form part of these financial statements

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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 Standards Board (AASB) 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 which 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.

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (*continued*)

a) Basis of preparation (*continued*)

Application of new and amended accounting standards (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$354,527, on an undiscounted basis (see Note 18).

No significant impact is expected for the company's finance leases.

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®** branch at Halls Head, Western Australia.

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®** branch 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.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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
- 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 benefits 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).

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies *(continued)*

b) Revenue *(continued)**Revenue calculation*

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- *plus* any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (*continued*)

b) Revenue (*continued*)*Ability to change financial return*

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

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 payable (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 entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies *(continued)*

c) Income tax *(continued)**Deferred tax (continued)*

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 entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or gain from a bargain purchase.

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 are reviewed at the end of each annual reporting period.

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

- plant and equipment	2.5 - 40	years
- motor vehicles	3 - 5	years

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also 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. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

*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) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (*continued*)

k) Financial instruments (*continued*)**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 Profit or Loss and Other Comprehensive Income.

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) Issued capital

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.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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.

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 where 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%.

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 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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 carried-forward 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. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

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.

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 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.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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

Impairment of assets (continued)

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.

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Note 4. Revenue from ordinary activities	2018	2017
	\$	\$
Operating activities:		
- gross margin	933,628	878,090
- services commissions	40,583	73,711
- fee income	108,555	120,030
- market development fund	18,750	10,000
Total revenue from operating activities	<u>1,101,516</u>	<u>1,081,831</u>
Non-operating activities:		
- interest received	20,563	21,407
- dividend received	3,416	1,683
- other revenue	1,127	2,689
Total revenue from non-operating activities	<u>25,106</u>	<u>25,779</u>
Total revenues from ordinary activities	<u><u>1,126,622</u></u>	<u><u>1,107,610</u></u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5.	Expenses	2018	2017
		\$	\$
	Depreciation of non-current assets:		
	- plant and equipment	1,128	3,639
	- motor vehicle	5,520	5,454
	Amortisation of non-current assets:		
	- franchise fee	8,954	8,060
	- renewal processing fee	2,238	2,238
		<u>17,840</u>	<u>19,391</u>
	Bad debts	<u>213</u>	<u>281</u>
	Loss on sale of asset	<u>12,842</u>	<u>-</u>

Note 6.	Income tax credit		
	The components of tax credit comprise:		
	- Current tax	746	-
	- Future income tax benefit attributable to losses	-	(1,080)
	- Movement in deferred tax	(3,152)	(10,610)
	- Recoupment of prior year tax losses	1,080	-
		<u>(1,326)</u>	<u>(11,690)</u>
	The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows		
	Operating loss	(6,284)	(43,231)
	Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	(1,728)	(11,888)
	Add tax effect of:		
	- non-deductible expenses	327	1,405
	- timing difference expenses	2,824	9,205
	- other deductible expenses	403	198
		<u>1,826</u>	<u>(1,080)</u>
	Movement in deferred tax	<u>(3,152)</u>	<u>(10,610)</u>
		<u>(1,326)</u>	<u>(11,690)</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7.	Cash and cash equivalents	2018	2017
		\$	\$
	Cash at bank and on hand	172,003	152,104
	Term deposits	915,001	988,626
		<u>1,087,004</u>	<u>1,140,730</u>

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	Cash at bank and on hand	172,003	152,104
	Term deposits	915,001	988,626
		<u>1,087,004</u>	<u>1,140,730</u>

Note 8. Trade and other receivables

	Trade receivables	72,289	74,443
	Prepayments	12,659	12,599
	Other receivables and accruals	3,278	2,031
		<u>88,226</u>	<u>89,073</u>

Note 9. Financial assets

Current

Available for sale financial assets	Note 17	<u>53,658</u>	<u>54,846</u>
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Note 10. Property, plant and equipment

	Plant and equipment		
	At cost	274,961	273,238
	Less accumulated depreciation	(270,137)	(269,010)
		<u>4,824</u>	<u>4,228</u>
	Motor vehicles		
	At cost	60,168	43,630
	Less accumulated depreciation	(186)	(10,908)
		<u>59,982</u>	<u>32,722</u>
	Total written down amount	<u>64,806</u>	<u>36,950</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Property, plant and equipment (<i>continued</i>)	2018	2017
	\$	\$
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	4,228	6,142
Additions	1,723	1,725
Disposals	-	-
Less: depreciation expense	(1,128)	(3,639)
Carrying amount at end	<u>4,823</u>	<u>4,228</u>
Motor vehicles		
Carrying amount at beginning	32,722	38,176
Additions	60,168	-
Disposals	(27,387)	-
Less: depreciation expense	(5,520)	(5,454)
Carrying amount at end	<u>59,983</u>	<u>32,722</u>
Total written down amount	<u><u>64,806</u></u>	<u><u>36,950</u></u>

Note 11. Intangible assets

Franchise fee		
At cost	111,192	111,192
Less: accumulated amortisation	(102,781)	(100,543)
	<u>8,411</u>	<u>10,649</u>
Renewal processing fee		
At cost	44,769	44,769
Less: accumulated amortisation	(11,192)	(2,238)
	<u>33,577</u>	<u>42,531</u>
Total written down amount	<u><u>41,988</u></u>	<u><u>53,180</u></u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Tax	2018	2017
	\$	\$
Current:		
Income tax refundable	<u>(2,522)</u>	<u>(8,213)</u>
Non-Current:		
Deferred tax assets		
- accruals	1,865	885
- employee provisions	11,838	9,634
- tax losses carried forward	-	1,080
- listed shares	1,732	1,405
	<u>15,435</u>	<u>13,004</u>
Deferred tax liability		
- accruals	901	558
- deductible prepayments	3,480	3,464
	<u>4,381</u>	<u>4,022</u>
Net deferred tax asset	<u>11,054</u>	<u>8,982</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(2,072)</u>	<u>(11,690)</u>

Note 13. Trade and other payables

Current:		
Trade creditors	18,544	21,813
Other creditors and accruals	46,542	37,693
	<u>65,086</u>	<u>59,506</u>
Non Current:		
Other creditors and accruals	<u>25,430</u>	<u>38,144</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions	2018	2017
	\$	\$
Current:		
Provision for annual leave	15,983	16,314
Provision for long service leave	14,319	6,787
	<u>30,302</u>	<u>23,101</u>

Non-Current:

Provision for long service leave	<u>12,750</u>	<u>11,933</u>
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Note 15. Issued capital

594,490 ordinary shares fully paid (2017: 594,490)	<u>594,490</u>	<u>594,490</u>
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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®** branch 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 2001*.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Issued capital *(continued)*

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 397. As at the date of this report, the company had 419 shareholders.

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

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

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a 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.

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.

Note 16. Retained earnings	2018	2017
	\$	\$
Balance at the beginning of the financial year	664,800	737,955
Net loss from ordinary activities after income tax	(4,958)	(31,541)
Dividends provided for or paid for	(38,642)	(41,614)
Balance at the end of the financial year	<u>621,200</u>	<u>664,800</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Statement of cash flows	2018	2017
	\$	\$
Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities		
Loss from ordinary activities after income tax	(4,958)	(31,541)
Adjustments for:		
- depreciation	6,648	9,093
- amortisation	11,192	10,298
- loss on disposal of asset	12,843	-
- decrease in net market value of financial assets	1,188	5,109
- dividends received	(3,416)	(1,683)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	847	24,828
- (increase)/decrease in other assets	15,178	(13,644)
- increase/(decrease) in payables	(7,134)	544
- increase/(decrease) in provisions	8,018	13,811
- increase/(decrease) in current tax liabilities	-	(2,708)
Net cash flows provided by operating activities	<u>40,406</u>	<u>14,107</u>

Note 18. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	53,658	-	-	53,658
	<u>53,658</u>	<u>-</u>	<u>-</u>	<u>53,658</u>
Total assets at fair value	<u>53,658</u>	<u>-</u>	<u>-</u>	<u>53,658</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Fair value measurement *(continued)*

At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	54,846	-	-	54,846
	<u>54,846</u>	<u>-</u>	<u>-</u>	<u>54,846</u>
Total assets at fair value	<u>54,846</u>	<u>-</u>	<u>-</u>	<u>54,846</u>

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

- Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.
- Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

Note 19. Leases	2018 \$	2017 \$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	94,540	92,467
- between 12 months and 5 years	259,987	346,751
	<u>354,527</u>	<u>439,218</u>

The operating lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease was renewed in March 2017.

Note 20. Auditor's remuneration

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

- audit and review services	4,400	4,850
- non audit services	1,400	1,540
- share registry services	4,909	-
	<u>10,709</u>	<u>6,390</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Director and related party disclosures

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

Ian James Anson Ilsley
 Kerrie Patricia Robinson
 Andrew James Brown
 Douglas Philip James Savarese
 Terence Power
 Alisha Anne Joynes
 Adrian Paul Pitsikas
 Timothy David Williams (*Appointed 7 August 2018*)
 Kay Williams (*Appointed 7 August 2018*)
 Megan Christie Turner (*Appointed 7 August 2018*)

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:	2018 \$	2017 \$
Ian Ilsley is a director of Ward & Ilsley Partners Pty Ltd which supplied the company with accounting and taxation services during the financial year. During the financial year the total benefit Ward & Ilsley Partners Pty Ltd received was	30,270	28,325

Directors Shareholdings	2018	2017
Ian James Anson Ilsley	3,500	3,500
Kerrie Patricia Robinson	1,000	1,000
Andrew James Brown	500	500
Douglas Philip James Savarese	500	500
Terence Power	-	-
Alisha Anne Joynes	-	1,000
Adrian Paul Pitsikas	-	-
Timothy David Williams (<i>Appointed 7 August 2018</i>)	-	-
Kay Williams (<i>Appointed 7 August 2018</i>)	-	-
Megan Christie Turner (<i>Appointed 7 August 2018</i>)	-	-

There was movement in directors shareholdings during the year.

Note 22. Dividends provided for or paid	2018 \$	2017 \$
<i>a. Dividends paid during the year</i>		
Current year dividend		
100% (2017: 100%) franked dividend - 6.5 cents (2017: 7 cents) per share	<u>38,642</u>	<u>41,614</u>

The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Dividends provided for or paid (<i>continued</i>)		2018	2017
		\$	\$
b. Franking account balance			
Franking credits available for subsequent reporting periods are:			
-	franking account balance as at the end of the financial year	333,953	370,522
-	franking debits that will arise from refund of income tax as at the end of the financial year	(3,522)	(8,213)
-	franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:		330,431	362,309
-	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	-	-
Net franking credits available		<u>330,431</u>	<u>362,309</u>

Note 23. 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.

Note 24. Earnings per share

(a)	Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(4,958)	(31,541)
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	594,490	594,490

Note 25. Events occurring after the reporting date

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

Note 26. Contingent liabilities and contingent assets

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

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 27. Segment reporting

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

Note 28. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
C/- Ward & Ilsley Partners Pty Ltd.	Halls Head Shopping
55C Mandurah Terrace	Shop 7 Peelwood Parade
Mandurah WA 6210	Halls Head WA 6210

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 29. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	170,972	151,253	915,001	988,626	-	-	-	-	1,031	851	1.87	1.81
Receivables	-	-	-	-	-	-	-	-	72,289	74,443	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	18,544	21,813	N/A	N/A

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

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed 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 interest rates.

As at 30 June 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018 \$	2017 \$
Change in profit/(loss)		
Increase in interest rate by 1%	10,860	11,399
Decrease in interest rate by 1%	(10,860)	(11,399)
Change in equity		
Increase in interest rate by 1%	10,860	11,399
Decrease in interest rate by 1%	(10,860)	(11,399)

Mandurah Community Financial Services Limited

Directors' Declaration

In accordance with a resolution of the directors of Mandurah Community 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 2018 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.



Ian James Anson Ilsley, Chairman

Signed on the 4th of September 2018.

Halls Head **Community Bank**[®] Branch
Halls Head Shopping Centre, Halls Head WA 6210
Phone: 9586 1399 Fax: 9586 1522

Franchisee: Mandurah Community Financial Services Limited
Halls Head Shopping Centre, Halls Head WA 6210
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AFS Chartered Accountants

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(S56052) (410371_v1) (28/08/2018)

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