



Annual Report 2019

Mandurah Community Financial Services
Limited

Halls Head Community Bank Branch

ABN 56 098 081 308

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Chair's Report

For year ending 30 June 2019

Dear Shareholder

The 2018/19 financial year marked a significant period in the journey of Community Banking, being 21 years since the first Community Bank was opened in country Victoria. Over that time the Bendigo Bank, being Bendigo and Adelaide Bank Ltd and the over 300 Community Bank branches owned by local Community Bank companies, such as ours, has become the 5th largest Retail banking group in Australia. Partnering with Australia's fifth largest bank, we're proud of the contribution we make to what is one of Australia's most trusted brands.

Over the past year there have been changes both at board and staff level. I would like to welcome aboard two new directors, Sharon Beetham and Brett Hill, and thank those directors who resigned during the past year, Alisha Joyne, Kay Williams, Megan Turner, Terry Power and Monique Power. I would also like to thank the rest of the board, Deputy Chair Kerrie Robinson, Andrew Brown, Adrian Pitsikas, Doug Savarese and Tim Williams for their hard work, support and commitment over the past year. I for one, greatly appreciate their support.

Last year we appointed Kelly Litton to the role of Branch Manager. Kelly has brought a passion for the Community Bank concept and a drive to develop business that, along with the support of the other branch staff, has allowed our company to make the contributions it has made and continues to make to our Mandurah community. Kelly is currently on maternity leave until January 2021, we wish her and partner all the best for the arrival of their new daughter.

While Kelly is on leave the board has appointed Gary Mitchell to the role of our Branch Manager. Prior to taking up this role, Gary has been employed by Bendigo and Adelaide Bank Ltd as a relieving branch manager and prior to that he was employed with another Community Bank. In the short time Gary has been with us, it has become obvious that he also has a passion for the Community Bank concept, so please feel free to make yourself known to Gary.

I would also like to acknowledge the hard work and tireless efforts of our former Community Engagement Officer and Company Secretary Sharon Hooper. After a number of years as both a branch staff member and the last few years in the role noted earlier, Sharon left us to take up a new opportunity with Vicinity Centres Group in a marketing role. We wish her all the best in her new role and the board thanks her for all the hard work, time and effort she put into the role.

The board welcomes Jenny Hammington to the newly re-branded role of Community Development Officer. Jenny is responsible for maintaining our relationships with our existing partnerships and developing new partnership opportunities throughout the Mandurah Community.

In this year's audited result before tax, we recorded an operating profit of \$44,059, which compares to an operating loss of \$6,284 for 2017/18. It should be noted that these results are after making significant contributions with respect to donations and sponsorships of \$126,633 this year and \$137,823 last year. The overall financial position of the company remains strong, with cash reserves of over \$1,100,000 as at the 30th June 2019, and shareholder equity, your equity, at \$1,207,000, equivalent to \$2.04 per share.

As Shareholders, you also received a fully franked dividend of 7 cents per share last November. To the date of this report, that means the company has now paid a total \$639,076 in cash dividends together with associated imputation credits of \$267,886. This represents cash dividend payments of \$1.08 cents, imputation credits of 45 cents per issued share, and an effective return of \$1.53 per share.

Mandurah Community Financial Services Limited is a Franchise Bank within the Bendigo and Adelaide Bank Ltd network. Our point of difference is that of a Community Bank, putting back into local communities. This year we have continued to make contributions to various community groups and organizations, including but not limited to:

- City of Mandurah
 - Sponsoring the Mandurah Senior Week - Living Well
 - Wearable Art 2019
 - The Children's Festival;
- Make Place, which provides assistance with a collaborative workspace and youth on leadership programs;
- FOMPAC – Friends of the Mandurah Performing Arts Centre;
- Innovation Institute – sponsorship of Young Entrepreneur program;
- 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 Primary School – with funding regarding Charlie the Educational Assistance dog;
- University of the Third Age –State Network Conference;
- Mandurah Performing Arts Centre;
- Halls Head Bowling Club;
- Peel Thunder Football Club;
- Peel Chamber of Commerce – re the 2019 Peel Small Business Awards; and
- Peel Hockey and as well numerous others.

In addition, the board made a special contribution with the assistance of students from Mandurah Catholic College in the construction of a wooden garden seat at Ella's House in memory of the Late David Waddell, a former Director and Chair of our company, who in the last years of his life lived with Alzheimer's.

Over our 17-year journey, up to 30 June 2019, we have contributed some \$1,340,000 directly to our community, and indirectly, the financial return to the local economy when the 2009 Bendigo Bank Community Bank National Conference and two State Bendigo Bank Community Bank Conferences were held here in Mandurah.

So, as Community Banking moves into its third decade, please remember, the one thing that has not changed is our ongoing commitment to friendly, personalised banking services.

As a shareholder, thank you for your ongoing support. I put the challenge to you to take the time to help us grow your business. If every single one of our shareholders referred one customer to Halls Head Community Bank Branch – imagine the growth to our business, your investment and ultimately, the benefit to your community with a greater pool of funds to distribute to community groups and projects.

Gary Mitchell, our Branch Manager, and the rest of the staff are ready to act on your referrals. So, if you, your family, friends or work colleagues need any banking related services call, or call into the Hall Heads Community Bank Branch, Bendigo Bank. Together we can continue to do Big Things for Mandurah.

Ian Ilsley
Chairman
20 September 2019

Manager's Report

For year ending 30 June 2019

The 2018/19 financial year has proven to be a successful year for the Halls Head Community Bank, ending the year with total book growth of \$10,610,830.

As a branch, we have continued to execute our plan of becoming Mandurah's bank of choice and are inspired by Bendigo Banks vision daily.

This year we have connected with our wider community through various partnerships. I myself have been lucky enough to be a part of many partnerships, one highlight being Mandurah Primary School's 'Charlie the assistance dog program'. This partnership started from attending a community rally and hearing the school principal speak passionately about our community. This partnership has grown beyond what we could have imagined and truly highlights what we can achieve collectively in the community when we partner with like-minded people. 'Charlie the assistance dog program' is a program that has not only been beneficial to the children and families of our community, it is a program that has reached beyond and will continue into the future. 'Charlie the assistance dog program' won the Best Community Project, Community Choice Award at this year's WA Community Bank Conference. which goes to show, you don't have to contribute a lot of money into a project. When there is passion, connectivity and raw realness – you can achieve things beyond your imagination!

Halls Head Community Bank Branch of Bendigo Bank currently employs a team of eight staff members. This year two of our staff members celebrated 10 years of service with Bendigo Bank – Jade Kelly and Jessica Winckles. This is a huge achievement and one that we are extremely proud of. We also thank Jade Kelly and Jessica Winckles for their contribution to Halls Head Community Bank, not only do we thank you, but our customers and community are grateful for your wealth of knowledge, excellent customer service and for always going that extra mile.

Once again, I would like to take this time to thank our Shareholders and Directors past and present. Keep on believing in the change we are making, for the better of our community and have faith that our mission has never changed over the 17 years we have been open – to feed into the community's prosperity not off it. Ending this year with contributing a total of \$1,340,000 into our community – the Mandurah Region.

And lastly, our wonderful staff and customers, you are the heart of our organisation, without your trust and business we cannot continue to be successful. I thank each and every one of you and ask that you continue to spread the word about the better big bank.

Kelly Litton
Branch Manager

BEN Report

CB Annual Report 2018/2019

As a bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our Community Bank partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent Community Bank branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 Community Bank company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your Community Bank company local board of directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your Community Bank branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local Community Bank business. All it takes is a referral to your local branch manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

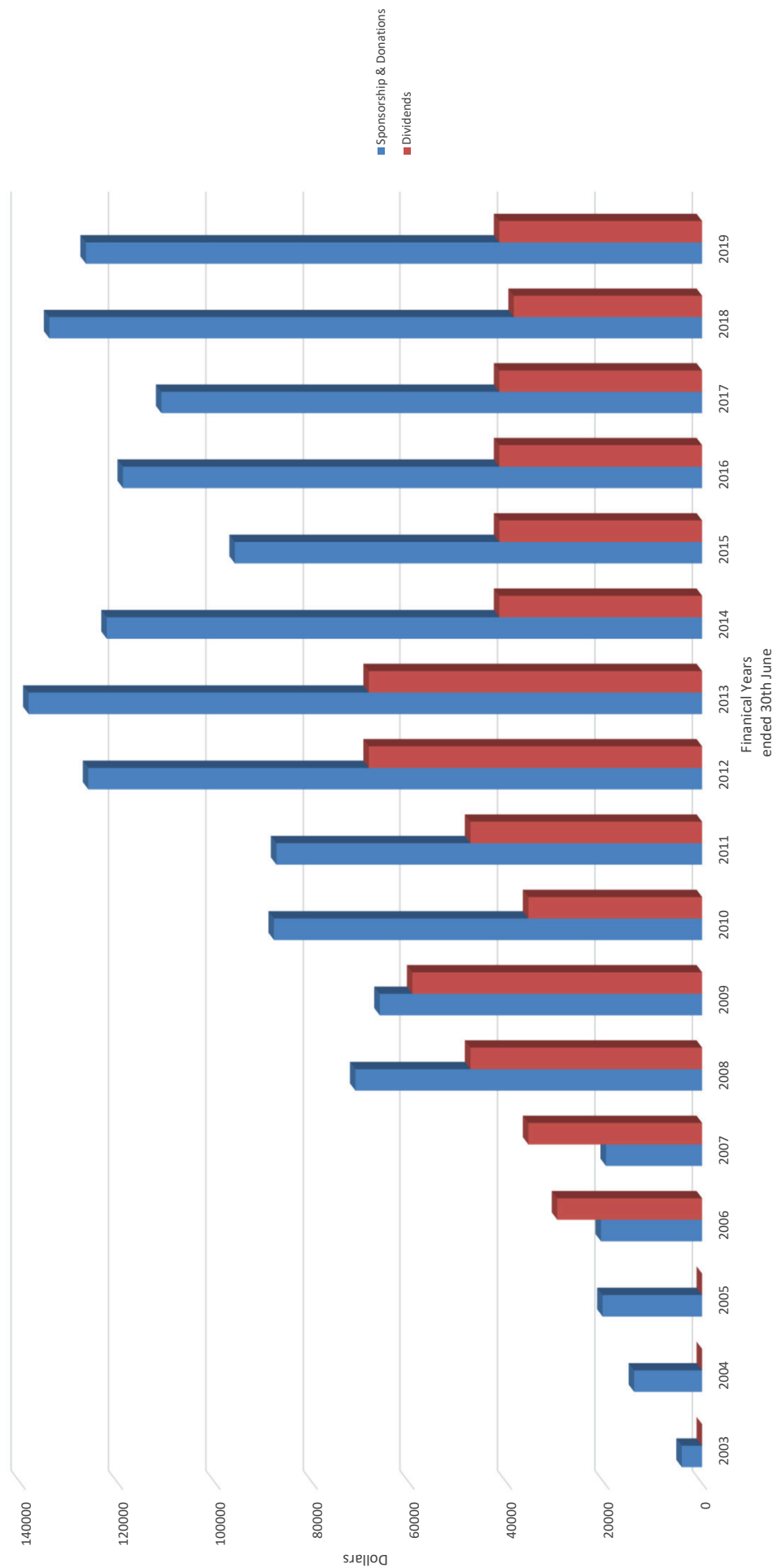
From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your Community Bank branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and directors in developing your business and supporting the communities that you live and work in.



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Mandurah Community Financial Services Ltd
Community Contributions and Dividends to Shareholders
2003 to 2019



Mandurah

Community Financial Services Limited

ABN: 56 098 081 308

Financial Statements

For the year ended

30 June 2019

Mandurah Community Financial Services Limited

Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

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 to 2018, Board member of the Mandurah Performing Arts Centre from 2008 to 2014, a community representative 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 of the Board, Treasurer, Member of the HR Committee.

Interest in shares: 3,500

Kerrie Patricia Robinson

Deputy Chair

Occupation: Operations Manager WA - Retirement Living

Qualifications, experience and expertise: Currently employed as Operations Manager – WA for Ingenia Communities, responsible for the management of six rental villages across WA. 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 community development, business management and village management.

Special responsibilities: Deputy Chair and Chair of the HR Committee.

Interest in shares: 1,000

Andrew James Brown

Director

Occupation: Company Director

Qualifications, experience and expertise: Formerly the owner of the Halls Head Bakers Delight Franchise (10 years) and has Certificate 3 in Small Business Management. 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. Cert IV in Workplace Training and Assessment.

Special responsibilities: Chair of Finance Committee

Interest in shares: 500

Douglas Philip James Savarese

Director

Occupation: Directors - Quadbogey 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, Quadbogey 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*)

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: Executive Officer

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

Special responsibilities: Marketing Committee

Interest in shares: Nil

Sharon Leeane Beetham

Director (*Appointed 1 July 2019*)

Occupation: Marketing

Qualifications, experience and expertise: 28 years of banking and finance, five years working within varying roles with Bendigo and Adelaide Bank - Halls Head Community Bank®. Local to Mandurah for over 15 years. Member of Singleton Residents Association. Community Engagement specialist, with a passion for anything that supports Mandurah business and community groups.

Special responsibilities: Marketing Committee

Interest in shares: 500

Horace Brett Hill

Director (*Appointed 27 August 2019*)

Occupation: Retired

Qualifications, experience and expertise: Family man and respected Noongar Elder within Noongar and wider community. Retired in May 2017 with over 43 years work experience in the Australian Public Service. Continues to be actively involved in community events and activities. Continues to work with Aboriginal organisations, individuals, youth, men and families.

Tertiary qualifications include BA Aboriginal Affairs Administration, Associate Diploma in Social Work, Community Development Certificate. Other Directorships include Winjan Aboriginal Corporation. Former Director at Noongar Boodjar Language Cultural Aboriginal Corporation - Resigned 2018.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Monique Claire Power

Director (*Appointed 27 March 2019, Resigned 5 September 2019*)

Occupation: Mother

Qualifications, experience and expertise: Monique has Degrees in International Relations and Political Science. She has worked as a Case worker with the Salvation Army and Your place Housing Support Services, a Media Communication Officer for Peel Development Commission, Consultant in project management and events services, Education Officer/Line Producer with Mandurah Performing Arts Centre and Youth Development Officer with the City of Mandurah. Monique has an ongoing commitment to volunteering both locally and overseas. She has run a personal tutoring business in relation to piano and music.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Mandurah Community Financial Services Limited

Directors' Report

Directors (*continued*)

Megan Christie Turner

Director (*Appointed 7 August 2018, Resigned 9 February 2019*)

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

Terence Edmund Power

Director (*Resigned 19 December 2018*)

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 (*Resigned 28 November 2018*)

Occupation: Youth Development Officer - City of Mandurah/Mum

Qualifications, experience and expertise: Alisha has been involved in the Mandurah community for over 30 years. Alisha has worked for the City of Mandurah for over 15 years in Sport, Recreation and Community Development. Alisha has been involved in a number of local sporting associations including Peel Hockey & Mandurah Triathlon Club. Alisha is undertaking a degree in sport, recreation & event management and gave birth to her second child in May this year.

Special responsibilities: Marketing and HR committees

Interest in shares: 1,000

Kay Williams

Director (*Appointed 7 August 2018, Resigned 28 November 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.

Mandurah Community Financial Services Limited

Directors' Report

Company Secretary

The company secretary is Andrew James Brown. Andrew was appointed to the position of secretary on 7 June 2019. Andrew took over from Sharon Hooper who held the role from 15 January 2016 to 6 June 2019.

Andrew was formerly the owner of the Halls Head Bakers Delight Franchise for 10 years and holds a Certificate 3 in Small Business Management. He was also previous business owner of A & J Fabricators which involved 20 years contracting to mining, oil and gas industries.

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 profit/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2019	Year ended 30 June 2018
\$	\$
33,831	(4,958)

Dividends

	Year ended 30 June 2019	
	Cents	\$
Dividends paid in the year	7	41,614

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.

Mandurah Community Financial Services Limited

Directors' Report

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Marketing		Human Resources	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
Ian James Anson Ilsley	12	12	-	-	5	5
Kerrie Patricia Robinson	12	11	-	-	5	5
Andrew James Brown	12	12	-	-	-	-
Douglas Philip James Savarese	12	6	6	2	-	-
Adrian Paul Pitsikas	12	10	-	-	5	4
Timothy David Williams ¹	11	9	6	5	-	-
Sharon Leanne Beetham ²	-	-	-	-	-	-
Horace Brett Hill ³	-	-	-	-	-	-
Monique Claire Power ⁴	3	2	3	2	-	-
Megan Christie Turner ⁵	6	4	-	-	-	-
Terence Edmund Power ⁶	6	5	2	2	-	-
Alisha Anne Joynes ⁷	4	2	2	1	1	1
Kay Williams ⁸	3	2	-	-	-	-

A - eligible to attend

B - number attended

¹ Appointed 7 August 2018

² Appointed 1 July 2019

³ Appointed 27 August 2019

⁴ Appointed 27 March 2019,
Resigned 5 September 2019

⁵ Appointed 7 August 2018,
Resigned 9 February 2019

⁶ Resigned 19 December 2018

⁷ Resigned 25 October 2018

⁸ Appointed 7 August 2018,
Resigned 15 October 2018

Due to the changing size of the board, all items related audit & risk where applicable were covered off via the full board meeting.

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*.

Mandurah Community Financial Services Limited

Directors' Report

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 board 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 board 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.

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 15.

Signed in accordance with a resolution of the board of directors at Mandurah, Western Australia on 5 September 2019.



Ian James Anson Ilesley, 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 2019, 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: 5 September 2019



Joshua Griffin
Lead Auditor

Mandurah Community Financial Services Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Revenue from ordinary activities	4	1,121,516	1,126,622
Employee benefits expense		(571,498)	(574,095)
Charitable donations, sponsorship, advertising and promotion		(138,066)	(153,297)
Occupancy and associated costs		(122,680)	(124,054)
Systems costs		(63,169)	(64,217)
Depreciation and amortisation expense	5	(20,526)	(17,840)
General administration expenses		(161,518)	(199,403)
Profit/(loss) before income tax		44,059	(6,284)
Income tax expense/(credit)	6	(10,228)	1,326
Profit/(loss) after income tax		33,831	(4,958)
Total comprehensive income for the year attributable to the ordinary shareholders of the company:			
		33,831	(4,958)
Earnings per share		¢	¢
Basic earnings per share	24	5.69	(0.83)

The accompanying notes form part of these financial statements

Mandurah Community Financial Services Limited

Balance Sheet

as at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,102,370	1,087,004
Trade and other receivables	8	92,613	88,226
Current tax asset	12	-	2,522
Total current assets		1,194,983	1,177,752
Non-current assets			
Financial assets	9	63,323	53,658
Property, plant and equipment	10	58,620	64,806
Intangible assets	11	30,796	41,988
Deferred tax asset	12	8,097	11,054
Total non-current assets		160,836	171,506
Total assets		1,355,819	1,349,258
LIABILITIES			
Current liabilities			
Current tax liabilities	12	8,017	-
Trade and other payables	13	80,947	65,086
Provisions	14	43,761	30,302
Total current liabilities		132,725	95,388
Non-current liabilities			
Trade and other payables	13	12,716	25,430
Provisions	14	2,471	12,750
Total non-current liabilities		15,187	38,180
Total liabilities		147,912	133,568
Net assets		1,207,907	1,215,690
EQUITY			
Issued capital	15	594,490	594,490
Retained earnings	16	613,417	621,200
Total equity		1,207,907	1,215,690

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 2019

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
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
Balance at 1 July 2018		594,490	621,200	1,215,690
Total comprehensive income for the year		-	33,831	33,831
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 2019		594,490	613,417	1,207,907

The accompanying notes form part of these financial statements

Mandurah Community Financial Services Limited

Statement of Cash Flows

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		1,190,796	1,217,094
Payments to suppliers and employees		(1,138,283)	(1,200,948)
Interest received		18,230	19,315
Income taxes paid		3,268	4,945
Net cash provided by operating activities	17	74,011	40,406
Cash flows from investing activities			
Payments for property, plant and equipment		(3,147)	(61,891)
Proceeds from property, plant and equipment		-	14,544
Payments for intangible assets		(11,559)	(11,559)
Purchase for financial assets		(6,003)	-
Dividends received		3,678	3,416
Net cash used in investing activities		(17,031)	(55,490)
Cash flows from financing activities			
Dividends paid	22	(41,614)	(38,642)
Net cash used in financing activities		(41,614)	(38,642)
Net increase/(decrease) in cash held		15,366	(53,726)
Cash and cash equivalents at the beginning of the financial year		1,087,004	1,140,730
Cash and cash equivalents at the end of the financial year	7(a)	1,102,370	1,087,004

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 2019

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 two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)*Application of new and amended accounting standards (continued)**AASB 9 Financial Instruments*

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *AASB 139 Financial Instruments: Recognition and Measurement*.

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k).

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 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 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. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including *AASB 117 Leases* and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its branch. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of \$733,343.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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

a) Basis of preparation (*continued*)*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 arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

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 2019

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 2019

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 2019

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 2019

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 (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

*Classification and subsequent measurement**(i) Financial liabilities*

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

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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

k) Financial instruments (*continued*)*(ii) Financial assets*

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

*Derecognition**(i) Derecognition of financial liabilities*

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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

k) Financial instruments (*continued*)*Impairment*

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

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.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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

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 2019

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.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo & Adelaide Bank Limited receivable as at 30 June 2019.

Expected credit loss assessment for other customers

The company has performed a historical assessment of the revenue collected from other customers and found no instances of

(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.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2. Financial risk management (continued)

(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 2019 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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

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.

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.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Critical accounting estimates and judgements (continued)

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	2019 \$	2018 \$
Operating activities:		
- gross margin	924,348	933,628
- services commissions	56,703	40,583
- fee income	100,749	108,555
- market development fund	10,000	18,750
Total revenue from operating activities	<u>1,091,800</u>	<u>1,101,516</u>
Non-operating activities:		
- interest received	20,486	20,563
- dividend received	3,679	3,416
- increase in net market value of financial assets (FVTPL)	3,663	-
- other revenue	1,888	1,127
Total revenue from non-operating activities	<u>29,716</u>	<u>25,106</u>
Total revenues from ordinary activities	<u><u>1,121,516</u></u>	<u><u>1,126,622</u></u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5.	Expenses	2019 \$	2018 \$
	Depreciation of non-current assets:		
	- plant and equipment	1,812	1,128
	- motor vehicle	7,522	5,520
	Amortisation of non-current assets:		
	- franchise fee	2,238	2,238
	- renewal processing fee	8,954	8,954
		<u>20,526</u>	<u>17,840</u>
	Bad debts	<u>258</u>	<u>213</u>
	Loss on sale of asset	<u>-</u>	<u>12,842</u>
	Decrease in net market value of financial assets (FVTPL)	<u>-</u>	<u>1,188</u>

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:

- Current tax	9,594	746
- Franking credits	(1,577)	-
- Movement in deferred tax	2,957	(3,152)
- under/over provision in respect to prior years	(746)	-
- Recoupment of prior year tax losses	-	1,080
	<u>10,228</u>	<u>(1,326)</u>

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

Operating profit/(loss)	44,059	(6,284)
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	12,116	(1,728)
Add tax effect of:		
- non-deductible expenses	434	327
- timing difference expenses	(1,949)	2,824
- other deductible expenses	(1,007)	403
	<u>9,594</u>	<u>1,826</u>
Movement in deferred tax	2,957	(3,152)
Adjustment to deferred tax to reflect change of tax rate in future periods	(1,577)	-
Under/over provision in respect to prior years	(746)	-
	<u>10,228</u>	<u>(1,326)</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7.	Cash and cash equivalents	2019	2018
		\$	\$
	Cash at bank and on hand	193,470	172,003
	Term deposits	908,900	915,001
		<u>1,102,370</u>	<u>1,087,004</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	193,470	172,003
	Term deposits	908,900	915,001
		<u>1,102,370</u>	<u>1,087,004</u>

Note 8. Trade and other receivables

	Trade receivables	75,204	72,289
	Prepayments	11,872	12,659
	Other receivables and accruals	5,537	3,278
		<u>92,613</u>	<u>88,226</u>

Note 9. Financial assets

Available for sale financial assets	Note 18	<u>63,323</u>	<u>53,658</u>
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Note 10. Property, plant and equipment

	Plant and equipment		
	At cost	278,109	274,961
	Less accumulated depreciation	(271,949)	(270,137)
		<u>6,160</u>	<u>4,824</u>
	Motor vehicles		
	At cost	60,168	60,168
	Less accumulated depreciation	(7,708)	(186)
		<u>52,460</u>	<u>59,982</u>
	Total written down amount	<u>58,620</u>	<u>64,806</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Property, plant and equipment (<i>continued</i>)	2019	2018
	\$	\$
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	4,823	4,228
Additions	3,148	1,723
Disposals	-	-
Less: depreciation expense	(1,812)	(1,128)
Carrying amount at end	<u>6,159</u>	<u>4,823</u>
Motor vehicles		
Carrying amount at beginning	59,983	32,722
Additions	-	60,168
Disposals	-	(27,387)
Less: depreciation expense	(7,522)	(5,520)
Carrying amount at end	<u>52,461</u>	<u>59,983</u>
Total written down amount	<u>58,620</u>	<u>64,806</u>

Note 11. Intangible assets

Franchise fee		
At cost	111,192	111,192
Less: accumulated amortisation	(105,019)	(102,781)
	<u>6,173</u>	<u>8,411</u>
Renewal processing fee		
At cost	44,769	44,769
Less: accumulated amortisation	(20,146)	(11,192)
	<u>24,623</u>	<u>33,577</u>
Total written down amount	<u>30,796</u>	<u>41,988</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Tax	2019	2018
	\$	\$
Current:		
Income tax payable/(refundable)	<u>8,017</u>	<u>(2,522)</u>
Non-current:		
Deferred tax assets		
- accruals	2,401	1,865
- employee provisions	12,714	11,838
- listed shares	725	1,732
	<u>15,840</u>	<u>15,435</u>
Deferred tax liability		
- accruals	1,523	901
- deductible prepayments	3,265	3,480
- property, plant and equipment	2,955	-
	<u>7,743</u>	<u>4,381</u>
Net deferred tax asset	<u>8,097</u>	<u>11,054</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>2,957</u>	<u>(11,690)</u>

Note 13. Trade and other payables

Current:		
Trade creditors	21,610	18,544
Other creditors and accruals	59,337	46,542
	<u>80,947</u>	<u>65,086</u>
Non-current:		
Other creditors and accruals	<u>12,716</u>	<u>25,430</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Provisions	2019	2018
	\$	\$
Current:		
Provision for annual leave	16,194	15,983
Provision for long service leave	27,567	14,319
	<u>43,761</u>	<u>30,302</u>
Non-current:		
Provision for long service leave	<u>2,471</u>	<u>12,750</u>
Note 15. Issued capital		
594,490 ordinary shares fully paid (2018: 594,490)	<u>594,490</u>	<u>594,490</u>

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 2019

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 416 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	2019	2018
	\$	\$
Balance at the beginning of the financial year	621,200	664,800
Net profit/(loss) from ordinary activities after income tax	33,831	(4,958)
Dividends provided for or paid for	(41,614)	(38,642)
Balance at the end of the financial year	<u>613,417</u>	<u>621,200</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Statement of cash flows	2019	2018
	\$	\$
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities		
Profit/(loss) from ordinary activities after income tax	37,509	(4,958)
Adjustments for:		
- depreciation	9,334	6,648
- amortisation	11,192	11,192
- loss on disposal of asset	-	12,843
- (increase)/decrease in net market value of financial assets	(7,340)	1,188
- dividends received	(3,678)	(3,416)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(4,388)	847
- (increase)/decrease in other assets	17,038	15,178
- increase/(decrease) in payables	3,147	(7,134)
- increase/(decrease) in provisions	3,180	8,018
- increase/(decrease) in current tax liabilities	8,017	-
Net cash flows provided by operating activities	<u>74,011</u>	<u>40,406</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 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements:				
FVPTL financial assets				
Listed investments:				
- shares in listed corporations	63,323	-	-	63,323
	<u>63,323</u>	<u>-</u>	<u>-</u>	<u>63,323</u>
Total assets at fair value	<u>63,323</u>	<u>-</u>	<u>-</u>	<u>63,323</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair value measurement (continued)

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>

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 FVPTL 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	2019 \$	2018 \$
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	94,625	94,540
- between 12 months and 5 years	165,594	259,987
	<u>260,219</u>	<u>354,527</u>

The branch 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. There is one additional 5-year option available to be exercised on 31 March 2022.

Note 20. Auditor's remuneration

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

- audit and review services	4,600	4,400
- non audit services	1,615	1,400
- share registry services	4,986	4,909
	<u>11,201</u>	<u>10,709</u>

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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
 Adrian Paul Pitsikas
 Timothy David Willams (*Appointed 7 August 2018*)
 Sharon Leanne Beetham (*Appointed 1 July 2019*)
 Horace Brett Hill (*Appointed 27 August 2019*)
 Monique Claire Power (*Appointed 27 March 2019, Resigned 5 September 2019*)
 Megan Christie Turner (*Appointed 7 August 2018, Resigned 9 February 2019*)
 Terence Edmund Power (*Resigned 19 December 2018*)
 Alisha Anne Joynes (*Resigned 25 October 2018*)
 Kay Williams (*Appointed 7 August 2018, Resigned 15 October 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:	<u>2019</u>	<u>2018</u>
	\$	\$
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	30,460	30,270

Directors Shareholdings	<u>2019</u>	<u>2018</u>
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
Adrian Paul Pitsikas	-	-
Timothy David Willams (<i>Appointed 7 August 2018</i>)	-	-
Sharon Leanne Beetham (<i>Appointed 1 July 2019</i>)	-	-
Horace Brett Hill (<i>Appointed 27 August 2019</i>)	-	-
Monique Claire Power (<i>Appointed 27 March 2019, Resigned 5 September 2019</i>)	-	-
Megan Christie Turner (<i>Appointed 7 August 2018, Resigned 9 February 2019</i>)	500	500
Terence Edmund Power (<i>Resigned 19 December 2018</i>)	-	-
Alisha Anne Joynes (<i>Resigned 25 October 2018</i>)	1,000	1,000
Kay Williams (<i>Appointed 7 August 2018, Resigned 15 October 2018</i>)	-	-

There was no movement in directors shareholdings during the year.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Dividends provided for or paid		2019	2018
		\$	\$
a. Dividends paid during the year			
Current year dividend			
Fully franked dividend - 7 cents (2018: 6.5 cents) per share		<u>41,614</u>	<u>38,642</u>
The tax rate at which dividends have been franked is 27.5%.			
b. Franking account balance			
Franking credits available for subsequent reporting periods are:			
-	franking account balance as at the end of the financial year	318,268	333,953
-	franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	8,017	(3,522)
-	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:		326,285	330,431
-	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>326,285</u>	<u>330,431</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		2019	2018
		\$	\$
(a)	Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	33,831	(4,958)
		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.

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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.

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
C/- Ward & Ilsley Partners Pty Ltd.
55C Mandurah Terrace
Mandurah WA 6210

Principal Place of Business
Halls Head Shopping
Shop 7 Peelwood Parade
Halls Head WA 6210

Mandurah Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2019

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					
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	192,070	170,972	908,900	915,001	-	-	-	-	1,400	1,031	1.90	1.87
Receivables	-	-	-	-	-	-	-	-	75,204	72,289	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	21,610	18,544	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 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019 \$	2018 \$
Change in profit/(loss)		
Increase in interest rate by 1%	11,010	10,860
Decrease in interest rate by 1%	(11,010)	(10,860)
Change in equity		
Increase in interest rate by 1%	11,010	10,860
Decrease in interest rate by 1%	(11,010)	(10,860)

Mandurah Community Financial Services Limited

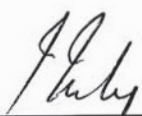
Directors' Declaration

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 2019 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 Ilesley, Chairman

Signed on the 5th of September 2019.

Independent auditor's report to the members of Mandurah Community Financial Services Limited

Report on the audit of the financial report

Our opinion

In our opinion, the accompanying financial report of Mandurah 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 2019 and of its financial performance for the year ended; and
- ii. complying with Australian Accounting Standards.

What we have audited

Mandurah Community Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the company.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that it 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 5 September 2019



Joshua Griffin
Lead Auditor

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
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Annual Report

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