



Annual Report 2014

Mundaring Community
Financial Services Ltd

ABN 63 097 289 677

Mundaring **Community Bank®** Branch



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Chairman's report

For year ending 30 June 2014



It is with pleasure the Board of Directors present to the shareholders of Mundaring Community Financial Services Ltd the 2013/14 Annual Report. We are pleased to be able to report a profit of \$150,306, with a cash contribution to our community of \$218,220. This is supported by a further \$13,935 provided as in-kind support to community groups and includes advertising, promotional assistance, trophies and prizes.

In January our community was rocked by a devastating bushfire which left over fifty families homeless. The Board is very proud of the response of our corporate and branch staff who have worked tirelessly to support community members impacted by the fire. In addition to fund raising and administration of special bushfire grants, our staff have enthusiastically promoted and supported community initiative projects including the Community Connect Store and monthly Revitalise dinners. The outstanding response to the tragedy in our community has highlighted the strength and resourcefulness of the national **Community Bank**[®] network.

The Board continues to work with our partners, the Bayswater and Noranda **Community Bank**[®] branches, to establish a **Community Bank**[®] branch in Midland. Pledges to the value of \$451,200 have been received from potential community shareholders and work is currently focussing on building up the business portfolio for the proposed Midland **Community Bank**[®] Branch.

On a personal note, a big thank you from the Board to Mr Bob Emery for his input and time as a Director. Bob has resigned for family reasons.

Always our thanks go to you, our shareholders past and current, for your support. Without your commitment your staff could not support and contribute to your community as it has over the past 12 years.

We continue with reporting to you in an electronic format and hope this makes your report more accessible. Hard copies are available for collection on request from the branch.

A handwritten signature in black ink, appearing to read 'Arthur Maddison'. The signature is stylized with a large, sweeping initial 'A' and a long, horizontal stroke extending to the right.

Arthur Maddison
Chairman

Bendigo and Adelaide Bank report

For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank**[®] network, celebrating the opening of its 300th branch while also reaching \$120 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**[®] network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its doors.

Sixteen years later, the model has grown into something even bigger than that. It has rapidly developed into a partnership that generates a valued, alternative source of income for a community, funding activities or initiatives that make a local town or suburb a better place to live.

In June 2014, the network welcomed its 305th branch in Penola, South Australia, and in the same week, the Victorian coastal town of Port Fairy introduced its community to our unique style of banking. These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

The **Community Bank**[®] network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund projects that make a difference to a community; improved health services, sports programs, aged care facilities, education initiatives and community events that connect communities and encourage prosperity.

Demand from communities remains strong, with about 30 **Community Bank**[®] branch sites currently in development, and 10 branches expected to open nationally in the next 12 months. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to realise shared aspirations by harnessing the power of community.

At the end of the financial year 2013/14 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$122.2 million
- **Community Bank**[®] branches – 305
- **Community Bank**[®] branch staff – more than 1,500
- **Community Bank**[®] company Directors – 1,900
- Banking business – \$24.46 billion
- Customers – 550,000
- Shareholders – 72,000
- Dividends paid to shareholders since inception – \$36.7 million.

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

Bendigo and Adelaide Bank report (continued)

In September last year the Bank announced it would commence a comprehensive review of the **Community Bank®** model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. An update of this review will be provided at the **Community Bank®** National Conference in Darwin in September.

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

To this aim, the Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks in an effort to increase customer choice. It takes a principled approach to governing, encouraging banks to consider all members of a community when they do business.

Bendigo and Adelaide Bank is a signatory to the Regional Banking submission in collaboration with Bank of Queensland, Suncorp and ME Bank, while our independent submission focuses on the important role banks play in communities.

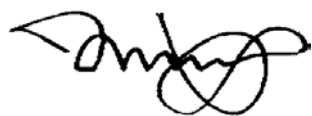
Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new www.bendigobank.com.au website. Packed with useful information and easy to access online services, our 1.4 million customers can easily connect with us at home, at work or on their mobile or tablet as well as learn more about our commitment to strengthening and supporting local communities.

In line with increasing demand for "anywhere, anytime" banking, we're excited about the impending introduction of our improved online banking platform to our customers later this year.

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

The **Community Bank®** model is the ultimate example of a win/win partnership and I thank you for your important support of your local **Community Bank®** branch.



Robert Musgrove
Executive Community Engagement

Branch Manager's report

For year ending 30 June 2014



Now in our 12th year of operations, we are still growing the business and building good partnerships across the community.

Given that, I thought that I would take a look back in time.

The year being 2006...

At that point we had 7,500 accounts with a portfolio of \$95 million and seven staff. Today we have 10,985 account holders with a portfolio of \$198 million and 12 staff. A continued success story I believe on the backdrop of \$1 million distributed back into the community.

As shareholders you should all be proud of the performance of our staff. I am still amazed at how committed they are to customer service and their 'can do' attitude.

The team at the branch work very hard and consistently perform above expectations, so I would like to thank Ann, Leanne, Denise, Heidi, Mariana, Taryn, Sandra, Amy, Helena and Penny. I would also like to welcome Andrew, our new Lending Officer to the team. There have been a lot of staff changes since 2006 with many moving onto other careers outside banking and within the Bendigo and Adelaide Bank system.

Finally I would like to acknowledge the hardworking Board members. They support and promote the business at every opportunity, and provide us with an excellent environment in which to work. I would like to extend appreciation on behalf of the staff to you the shareholders, your investment and commitment has made it all possible.

Thank you,

A handwritten signature in black ink, appearing to read 'Gerry Toovey'.

Gerry Toovey
Branch Manager



Testimonial



Darren McKercher.

President, Hills Rangers Football Club.

Testimonial to Mundaring **Community Bank**[®] Branch.

On behalf of the Hills Ranger Football Club Committee & Players, we extend our sincere appreciation to Mundaring **Community Bank**[®] Branch, their generous support to our Club was one of the reasons we were able to succeed in our inaugural year to transform from two Suburban Based Clubs into one Community Based Club and broaden the participation of existing and new youth Players into sport and fitness.

Our Club now has over 150 Players registered and entered 7 Teams in the Swan Districts Football Association and of these, 2 Teams made it into the finals.

The Mundaring **Community Bank**[®] Branch support extended beyond financial sponsorship into positive community participation. Their staff are committed outside of business hours actively participating with our fundraising and ceremonial events further raising our profile. It's this profile we strive to demonstrate on and off the playing field to inturn represent them also our general presence in the community as best practice worthy of sponsors support.

We are proud to recommend Mundaring **Community Bank**[®] Branch to any organisation wanting to build relationships in the community that reflect a positive presence.

An excellence achieved from always striving to do better, together.

Thank you Mundaring **Community Bank**[®] Branch



Community report

For year ending 30 June 2014

The 2013/14 financial year was a very busy and prosperous one for building on, and developing new partnerships within our community. We have returned over \$140,000 to more than 60 local groups by way of sponsorships, marketing and advertising support and the provision of our EFTPOS machine and stall at the Mundaring Rotary Sunday Markets.

We have continued to distribute funds to the sectors in the community that need it most, as well as to new initiatives that required extra support. On average, we have supported 80 community groups/events each year since we opened our doors in 2002, and in 2014 we celebrated the very important milestone of \$1 million returned to the community.

The January bushfires presented a number of challenges for our community and the need for support in the recovery process. We are extremely proud to have been working on providing long term support for those affected within our community. Our Community Connect program is ongoing and comprises of fortnightly morning teas, monthly dinners and a volunteer run shop which hosts as a hub for the collection and distribution of clothing, home wares and furniture. The Community Connect meetings have given people the opportunity to share their stories, learn from and support each other, rebuild neighbourhood networks and identify common issues.

We have partnered with the Seen and Heard youth programme which is funded by the Shire of Mundaring to enhance the wellbeing of all young people aged 12-20 in our shire. Some of the initiatives we have supported include July School Holiday activities, presentation of the documentary film known as 'The Ride' and the 'Bendigo Bank Quick Flicks' which forms part of the Darlington Arts Festival, who we also partner with.

Sport continues to be a focal point of our community and as such, we have been delighted to partner with many of our local sporting groups. This year we became a Principal Partner of the newly formed Hills Rangers Football Club. Due to decreasing numbers of particular age groups within the football community, two of our local clubs were required to amalgamate to ensure our up and coming footballers had the opportunity to play.

There have been many positive outcomes from our community partnerships this year and we look forward to nurturing these further. We are extremely proud to have been able to support the following community groups in 2013/14:

Darlington Concerts Inc	Swan Woodturners Group
Gidgegannup Small Farm Field Day	The Hills Choir
Hills Rangers Football Club	Seen and Heard – July Holiday activities
Wundowie Golf Club	Mundaring Arts Centre
Glen Forrest Primary School Fete	Gidgegannup Horse and Pony Club
Mundaring Netball Club	In Step Dance Studio
Hills Football Association	Eastern Hills SHS – World Challenge
Eastern Hills Cricket Club	Hills Symphony Orchestra
Hills Raiders Basketball Club	Parkerville Senior Football Club
Seen and Heard – The Ride presentations	Hills Junior Hockey Club
Mundaring Chamber of Commerce	Mt Helena Tennis Club
Mundaring in Transition	Mundaring Junior Football Club
Mt Helena Junior Football Club	Chidlow Marsupial Hospital

Community report (continued)

Sawyers Valley Volunteer Bush Fire Brigade
Hills Education Community Spelling Bee
Hills Interschool Science Carnival
Glen Forrest Junior Cricket Club
Safety in Schools Program at Mundaring PS
Darlington Arts Festival
Glen Forrest Community Fair
Perth Hills & Wheatbelt Band
Celebrating Seniors Concert
Chidlow Primary School Kids Triathlon
La Salle College Quiz Night
Mundaring Community Men's Shed
Jane Brook Catchment Group
Swan View Cricket Club
Swan View Football Club
Midland Puffin Billies Rugby Club
Mundaring Sports Club – Bowls
Katherine Susannah Pritchard Writers Centre
Glen Forrest Christmas Gathering

Mt Helena Whim Festival
Susan Jane Dance Academy
Swan Harmony Community Choir
Bayla Cancer Self Help & Wellness Inc
CWA of WA Crafters Exhibition
Honey Week
Vitler Fundraising Quiz Night
El Caballo Golf Club
Glen Forrest Bowling Club
Hills RDA
Wooroloo Swimming Club
Midland Lawn Tennis Club
Ripplebrook Vaulting Group
Glen Forrest Early Childhood Education Centre
Eastern Hills SHS Chaplaincy
Swan View SHS – Drama USA tour
Mundaring & Districts Senior Citizens Assoc
Hills Sustainability Group – Green Doors
Bakers Hill Out of School Care



Community report (continued)

Our marketing and advertising support has included design and production of brochures, flyers, posters and tickets as well as advertising in our local papers and providing a ticket booking office. We have utilised these methods to support Darlington Concerts Inc, Hills Choir, Hills Symphony Orchestra, El Caballo Golf Club, Mundaring in Transition, Mt Helena Whim Festival, ESHS World Challenge, Perth Hills and Wheatbelt Band, Hills Big Band, Hills Sustainability Group, Celebrating Seniors Concert and Seen & Heard.

Other mechanisms we use to support our community include the provision of a marquee at the Mundaring Rotary Sunday Markets and our very popular mobile community EFTPOS facility. Both of these support mechanisms reinforce our focus of 'working with groups to boost their fundraising efforts enabling them to achieve their goals'. The EFTPOS facility also benefits us, as both Staff and Directors have the pleasure of meeting and interacting with the wonderful people in our community.

Speaking of staff, there have been a couple of significant changes this year. Neridah Zlatnik resigned so she could create a more balanced lifestyle for her family and three children. Karen Beale has continued in her role as Finance Officer, looking after our shareholders and financial accounting. Karen has also taken on the added responsibility of Board liaison and working with the Company Secretary and Board to ensure that we meet all of our corporate governance and reporting requirements. I started my employment with the corporate office in late March and have taken on the new role of Community Administration Officer, coordinating all marketing and community activities as well as being the first point of contact for all requests for support from community groups. I was delighted to join the team and I am really enjoying meeting new people and being part of the Mundaring community.



Andrea Southam

Community Administration Officer

Community report (continued)



Bank gives back \$1 million to the community

A local bank has been officially recognised by Shire of Mundaring for its enormous effort in funding community events, groups and activities.

Mundaring Community Financial Services (MCFS), otherwise known as the Mundaring **Community Bank**[®] Branch, recently recorded \$1 million in sponsorships, grants and in-kind assistance to the community.

Shire President Helen Dullard said this figure had been tallied since the branch opened for business in February 2002. She thanked the Mundaring **Community Bank**[®] Branch at a recent Council dinner.

“The Mundaring **Community Bank**[®] Branch has made a huge impact on the community since it opened more than a decade ago,” Cr Dullard said.

“More than 33 community groups have been assisted – from local sporting clubs to fetes, the arts and festivals.”

Cr Dullard also commended the branch’s staff for the role they played in community recovery work following the Parkerville-Stoneville-Mt Helena Bushfire in January.

“The Mundaring **Community Bank**[®] Branch is working in collaboration with Shire Officers in ongoing recovery efforts and we are aware that many bank employees are also working in a volunteer capacity in addition to their regular work, all to assist our community,” she said.

“This is a true reflection of the community and the willingness to help those in need.”

Media Release printed in the Echo Newspaper 23 August 2014

Directors' report

For the financial year ended 30 June 2014

Your Directors present their report on the company for the year ended 30 June 2014.

Directors

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



Arthur Robert Maddison

Position: Non-Executive Director; Chairman since 1 October 2009

Occupation: Semi-retired

Background Information:

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

Interest in MCFS shares and options: 10,700 shares



Gerard Alexander Tonks

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

Occupation: Retired Chartered Accountant

Background Information:

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

Interest in MCFS shares and options: 1,000 shares



Peter Hackett

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

Occupation: Semi-retired

Background Information:

Mr Peter Hackett is a semi-retired electronics technician and worked for Marconi Space and Defence Systems in the UK before emigrating to Kalgoorlie in 1981, where he worked at Western Mining Corporation. He has lived on the El Caballo Estate in Wooroloo with his wife since 1988. Being self-employed since 1991, his business employs two staff working in the communications and electronics field. His interests are varied and include the Variety Club Charity Bash, Chidlow Progress Association, Chidlow Hall and Heritage Group and the Volunteer Bush Fire Brigades in Wooroloo and Inkpen. He also plays bass guitar in a number of local bands. Peter joined the Board in 2010.

Interest in MCFS shares and options: 500 shares

Directors' report (continued)

Directors (continued)



James Saunders

Position: Non-executive Director

Occupation: Chartered Accountant

Background Information:

With extensive experience in corporate accounting and tax services, James has worked for PriceWaterhouseCoopers and RSM Bird Cameron. He specialised in company advisory services, tax and auditing. He has also been a past Director of an exploration company and a geological consulting company and is Director and Company Secretary of the Australian Prospectors and Miners Hall of Fame. James lives in Darlington with his family and is active in the community at the Darlington Junior Football Club and is on the Council for the Bellevue and Darlington parish. James is also a representative of MCFS on the Midland Community Branch Project committee.

Interest in MCFS shares and options: 3000 shares



Richard Stuart (Dr)

Position: Non-executive Director

Occupation: Offshore Oil and Gas Pipeline Engineer

Background Information:

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

Interest in MCFS shares and options: 500 shares



Matt Yacopetti

Position: Non-executive Director from 5 October 2011

Occupation: Geoscientist & Executive Director

Background Information:

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

Interest in MCFS shares and options: Nil

Directors' report (continued)

Directors (continued)



Les Guest

Position: Non-executive Director – Resigned 11th September 2013

Occupation: Retired

Background Information:

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

Interest in MCFS shares and options: Nil



Robert Emery

Position: Non-executive Director - Resigned 7th March 2014

Occupation: Retired

Background Information:

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

Interest in MCFS shares and options: Nil

Company Secretary

Gerard Alexander Tonks, FCA, FCSA

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Director's meetings attended

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

Director's name	Directors' meetings	
	Number eligible to attend	Number attended
Peter Hackett	11	9
Arthur Maddison	11	11
James Saunders	11	9

Directors' report (continued)

Director's meetings attended (continued)

Director's name	Directors' meetings	
	Number eligible to attend	Number attended
Richard Stuart	11	10
Gerard Tonks	11	10
Matt Yacopetti	11	9
Robert Emery	9	5
Les Guest	3	3

Principal activity and review of operations

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

Operating results

The profit of the company after providing for income tax amounted to \$150,306 (2013: \$272,202).

Dividends paid or recommended

At the Board meeting on 4 June 2014 the Directors resolved to pay a dividend of 12.0 cents per share (total dividend of \$67,884) (2013: \$84,855) to holders of securities in the company appearing in the share registry at close of business on 30 November 2014. This dividend will be fully franked (at 30 cents per share) and paid on or about 15 December 2014

Financial position

The net assets of the company at year end were \$1,324,550 (2013: \$1,242,128), which is an improvement on prior year due to the improved operating performance of the company. The Directors believe the company is in a stable financial position.

Significant changes in state of affairs

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

After balance date events

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

Future developments

Likely developments in the operations of the company with the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the company. However the Board has agreed in principle to invest in a **Community Bank** Branch in Midland equally with Bayswater Community Financial Services Ltd and the Midland Community at one third each. The capital commitment could be up to \$400,000 over four years.

Directors' report (continued)

Remuneration report - audited

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

Remuneration of Directors

Directors received fees for their services as Directors of the company during the year 1 July 2013 to 30 June 2014 as follows:

Names of Directors	Role	2014	2013
Arthur Maddison	Chairman	4,000	4,000
Gerard Tonks	Non-Executive Director/Company Secretary Chairman Audit & Governance Committee	2,000	2,000
Peter Hackett	Non-Executive Director Chairman Community Investment Committee	2,000	2,000
James Saunders	Non-Executive Director	2,000	2,000
Richard Stuart	Non-Executive Director	2,000	2,000
Matt Yacopetti	Non-Executive Director	2,000	2,000
Robert Emery	Non-Executive Director	1,333	2,000
Les Guest	Non-Executive Director	500	2,000
Total Remuneration		\$15,833	\$18,000

Remuneration policy

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

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

- The remuneration policy, setting the terms and conditions for the management personnel, was developed by the Board;
- All key management personnel receive fixed salary (which is based on factors such as market rates appropriate to the position, taking account of qualifications and experience), and superannuation;
- The Board reviews management personnel packages annually by reference to Executive performance and comparable information from industry sectors; and

Directors' report (continued)

Remuneration policy (continued)

- At the Board's absolute discretion, a modest annual bonus is paid to all staff in December, in recognition of their collective achievement of targets and maintenance of high standards of service to customers.

The performance of management personnel is measured against criteria agreed annually with each individual and is based predominantly on the achievement of personal and corporate targets, the maintenance of shareholder value, and the consistent delivery of tangible benefit to the community in which the company operates. The policy is designed to attract and retain a team of high calibre executives with personal commitment to the company's objectives, and to properly reward them for performance that results in the maintenance of true standards of excellence in customer services and community engagements, together with long-term growth in shareholder value.

The management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.25% increasing to 9.5% on 1st July 2014 and do not receive any other retirement benefits. Individuals are free to elect to sacrifice part of their salary to increase payments towards superannuation.

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

Performance-based remuneration

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

Company performance, shareholder wealth and Executive remuneration

The remuneration policy has been tailored to achieve goal congruence between shareholders and Executives. The method applied in achieving this aim is to remunerate non-executive Directors at relatively nominal (honorarium) levels, and to pay fixed competitive market rate salaries to key executives and staff. The company believes this policy to have been effective in building a competent and committed Board/executive team, which has steadily built both shareholder wealth and community benefit levels over the past 12 years.

Management personnel remuneration policy

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

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

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

Directors' report (continued)

Associated management personnel remuneration

	Salary \$	Fees \$	Super- annuation Contribution \$	Non-cash Benefits \$	Total \$	Performance related %
2014						
Gerard Tonks	1,120	-	-	-	1,120	-
Jeasdel Pty Ltd (James Saunders)	-	242	-	-	242	-
	1,120	242	-	-	1,362	-
2013						
Gerard Tonks	1,284	-	-	-	1,284	-
	1,284	-	-	-	1,284	-

Note: The share based payments during the year were nil (2013: nil).

Shareholdings

Number of ordinary shares held by key management personnel

	Balance at beginning of period	Purchased during the period	Other changes	Balance at end of period
2014 Directors				
Arthur Maddison	10,200	500	-	10,700
Gerard Tonks	1,000	-	-	1,000
James Saunders	3000	-	-	3,000
Peter Hackett	500	-	-	500
Richard Stuart	500	-	-	500
Matt Yacopetti	-	-	-	-
Total	15,200	500	-	15,700

Options

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

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

Indemnifying Officers or Auditor

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

Share options

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

Directors' report (continued)

Environmental issues

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

Proceedings on behalf of company

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

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

Corporate governance

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

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

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

Non-audit services

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

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

The following fees for non-audit services were paid/payable to the external Auditors during the year ended 30 June 2014:

	2014	2013
Taxation and accounting services:	\$2,200	\$2,200

Auditors independence declaration

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

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



Gerard Tonks
Director

Dated 30 September 2014.

Auditor's independence declaration



Chartered Accountants & Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF MUNDARING COMMUNITY FINANCIAL SERVICES LIMITED

In relation to our audit of the financial report of Mundaring Community Financial Services Limited for the year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Mack & Co

PKF MACK & CO

S Fermanis

SIMON FERMANIS
PARTNER

30 SEPTEMBER 2014
WEST PERTH
WESTERN AUSTRALIA

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue	2	1,788,741	1,885,790
Employee benefits expense		(902,135)	(889,678)
Depreciation and amortisation expense		(40,701)	(47,097)
Community development sponsorship		(236,184)	(91,818)
Other expenses	3	(394,142)	(467,480)
Total expenses		(1,573,162)	(1,496,073)
Profit before income tax		215,579	389,717
Income tax expense	4	(65,273)	(117,515)
Profit for the year		150,306	272,202
Other comprehensive income for the year net of tax		-	-
Total comprehensive income for the year		150,306	272,202

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2014

	Note	2014 \$	2013 \$
Current assets			
Cash and cash equivalents	5	279,027	1,121,998
Trade and other receivables	6	139,659	177,370
Other current assets	8	979,436	21,386
Total current assets		1,398,122	1,329,254
Non-current assets			
Property, plant and equipment	9	166,478	81,489
Intangible assets	10	25,838	35,838
Other non current assets	8	65,000	88,500
Deferred tax asset	7	39,780	32,204
Total non-current assets		297,096	238,031
Total assets		1,695,218	1,558,785
Current liabilities			
Trade and other payables	11	258,603	187,490
Current tax liability	7	(16,177)	34,076
Short-term provisions	12	111,584	37,946
Total current liabilities		354,010	259,512
Non-current liabilities			
Deferred tax liability	7	1,639	5,006
Long-term provisions	12	15,019	52,139
Total non-current liabilities		16,658	57,145
Total liabilities		370,668	316,657
Net assets		1,324,550	1,242,128
Equity			
Issued capital	13	559,585	559,585
Retained profits		764,965	682,543
Total equity		1,324,550	1,242,128

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2014

	Issued capital \$	Retained profits \$	Total \$
Balance at 1 July 2013	559,585	682,543	1,242,128
Total comprehensive income	-	150,306	150,306
Dividends paid or provided	-	(67,884)	(67,884)
Balance at 30 June 2014	559,585	764,965	1,324,550
Balance at 1 July 2012	559,585	580,051	1,139,636
Total comprehensive income	-	272,202	272,202
Dividends paid or provided	-	(169,710)	(169,710)
Balance at 30 June 2013	559,585	682,543	1,242,128

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Net cash provided by operating activities			
Receipts from customers		1,971,829	1,840,263
Payments to suppliers and employees		(1,582,367)	(1,452,797)
Finance costs paid		-	(1,330)
Interest received		29,986	44,297
Income tax paid or refund received		(126,470)	(173,738)
Net cash provided by operating activities	14(a)	292,979	256,695
Net cash used in investing activities			
Payments for plant and equipment		(115,690)	(36,947)
Repayment of Loan		15,000	-
Loan advanced		-	(100,000)
Payments for investments		(950,000)	
Proceeds from sale of plant and equipment		-	8,500
Net cash used in investing activities		(1,050,690)	(128,447)
Net cash used in financing activities			
Repayment of borrowings		-	(11,720)
Dividends paid		(85,260)	(84,855)
Net cash used in financing activities		(85,260)	(96,575)
Net increase (decrease) in cash held		(842,971)	31,673
Cash held at the beginning of the financial year		1,121,998	1,090,325
Cash held at the end of the financial year	5	279,27	1,121,998

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001, as appropriate for For-Profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

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

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated. The company has adopted the new accounting standards that have become effective this reporting season. The adoption of these has not had a material impact on the financial report.

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

(a) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date.

Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(a) Income tax (continued)

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

(b) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

(c) Property, plant and equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

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

Depreciation

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

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

Class of fixed asset	Depreciation rate
Plant and equipment	20%
Computer Equipment	33%

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

Depreciation (continued)

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

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

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

(d) Leases

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

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(e) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(e) Financial instruments (continued)

Classification and subsequent measurement

i. Financial assets at fair value through profit or loss

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

ii. Loans and receivables

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

iii. Held-to-maturity investments

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

iv. Available-for-sale financial assets

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

v. Financial Liabilities

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

Derivative instruments

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

The company does not hold any derivative instruments.

Fair value

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

Impairment

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

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(e) Financial instruments (continued)

Financial guarantees

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

The company has not issued any financial guarantees.

(f) Impairment of assets

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

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

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

(g) Intangibles

Franchise fee

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

(h) Employee benefits

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

(i) Provisions

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

(j) Cash and cash equivalents

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

(k) Revenue and other income

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

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

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

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(l) Borrowing costs

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

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

(m) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

(n) Goods and services tax (GST)

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

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

(o) Comparative figures

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

(p) Trade and other payables

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

(q) Inventories

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

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(r) Critical accounting estimates and judgments

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

Key estimates – Impairment

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

No impairment has been recognised in respect of intangibles for the year ended 30 June 2014 as the intangibles are amortised over their useful life.

(s) Authorisation for financial report

The financial report was authorised for issue on 30 September 2014 by the Board of Directors.

(t) Adoption of new and revised accounting standards

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

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

- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The company has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The company has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the Directors' report.

(u) New accounting standards for application in future periods

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

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(u) New accounting standards for application in future periods (continued)

AASB No.	Title	Application date of standard*	Issue date
AASB 9	Financial Instruments	1 January 2018	December 2010
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	June 2012
AASB 2013-3	Amendments to AASB 136 – Recoverable amount disclosures for non-financial assets	1 January 2014	June 2013
AASB 2013-4	Amendments to Australian Accounting Standards – notation of derivatives and continuation of hedge accounting	1 January 2014	July 2013
AASB 2013-5	Amendments to Australian Accounting Standards – Investment entities	1 January 2014	August 2013
AASB 2013-9	Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments Part A - Conceptual Framework Part B - Materiality Part C - Financial Instruments	Part A - 20 December 2013 Part B - 1 January 2014 Part C - 1 January 2015	December 2013
AASB 2014-1	Amendments to Australian Accounting Standards Part A - Annual Improvements 2010 - 2012 and 2011 - 2013 Cycles Part B - Defined Benefit Plans: Employee Contributions (Amendments to AASB 119) Part C - Materiality Part D - Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts Part E - Financial Instruments	Part A - 1 July 2014 Part B - 1 July 2014 Part C - 1 July 2014 Part D - 1 January 2016 Part E - 1 January 2015	June 2014
AASB 1031	Materiality (Revised)	1 January 2014	December 2013
AASB 14	Regulatory Deferral Account	1 January 2016	June 2014
Interpretation 21	Levies	1 January 2014	May 2013
Amendments to IAS 16 PP&E and IAS 38 Intangible Assets ^	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	May 2014
IFRS 15^	Revenues from Contracts with Customers	1 January 2017	May 2014

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 2. Revenue		
Franchise margin income	1,753,293	1,841,285
Interest revenue	35,448	44,505
	1,788,741	1,885,790

Note 3. Expenses (other)

Advertising and marketing	42,159	65,372
ATM leasing and running costs	29,522	55,248
Bad debts	2,089	2,121
Freight and postage	4,366	21,098
Insurance	19,266	18,673
IT leasing and running costs	29,319	29,292
Occupancy costs	139,043	160,910
Printing and stationery	23,209	29,270
Finance costs	-	1,330
Sale of assets	-	3,630
Other operating expenses	105,169	80,536
	394,142	467,480
Remuneration of the Auditors of the company		
Audit services	15,000	15,000
Other services	2,200	2,200
	17,200	17,200

Note 4. Income tax expense

a. The components of tax expense comprise:

Current tax	76,217	119,609
Deferred tax	(10,944)	(2,094)
	65,273	117,515

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 4. Income tax expense (continued)

- b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit before income tax at 30% (2013: 30%)	64,673	116,915
Add:		
Tax effect of:		
non-deductible depreciation and amortisation	600	600
Less:		
Tax effect of:		
Income tax attributable to the company	65,273	117,515

Note 5. Cash and cash equivalents

Cash at bank and in hand	279,027	1,121,998
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents*	279,327	1,122,298
Community EFTPOS Trust Account	(300)	(300)
	279,027	1,121,998

* Includes \$20,567 held in Midland Branch Project Steering Committee Account.

Note 6. Trade and other receivables

Accrued income (trade)	139,659	177,370
Other debtors	-	-
	139,659	177,370

Trade debtors are normally settled within 30 days.

Due to short term nature the carrying value is assumed to be the fair value.

Note 7. Tax

a. Liability

Income tax payable	-	34,076
Deferred tax liabilities comprise:		
Interest income accrued	1,639	5,006

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 7. Tax (continued)		
b. Assets		
Income tax credit	16,177	-
Deferred tax assets comprise:		
Accrued expenses	1,800	5,178
Provisions	37,980	27,026
	39,780	32,204
c. Reconciliations		
i. Gross movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	27,197	25,103
Charged (credit) to income statement	10,944	2,094
Closing balance	38,141	27,197
ii. Deferred tax assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions and accruals		
Opening balance	32,204	30,047
Charged/(credit) to the income statement	7,576	2,157
Closing balance	39,780	32,204
iii. Deferred tax liabilities		
The movement in deferred tax liabilities for each temporary difference during the year is as follows		
Accrued income		
Opening balance	(5,006)	(4,944)
Charge/(credit) to the income statement	3,367	(62)
	(1,639)	(5,006)

Note 8. Other assets

Current

Term deposit	950,000	-
Prepayment	9,436	6,386
Unsecured loan to community organisation	20,000	15,000
	979,436	21,386

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 8. Other assets (continued)

Non current

Unsecured loan to community organisation*	65,000	85,000
Security deposit	-	3500
	65,000	88,500

* Loan provided to Mundaring Sporting Club at nil interest. Equal payments of \$5,000 are due on specified repayment dates which are quarterly from 1 October 2013. The loan is expected to be paid in full by 1 July 2018.

	2014 \$	2013 \$
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Note 9. Plant and equipment

Cost	463,856	398,464
Accumulated depreciation	(297,378)	(316,975)
	166,478	81,489

Movement in carrying amount

Balance at the beginning of the year	81,489	93,773
Additions	115,690	36,947
Disposals	-	(31,960)
Depreciation expense	(30,701)	(37,101)
Depreciation on disposals	-	19,830
Carrying amount at the end of the year	166,478	81,489

Note 10. Intangible assets

Franchise fee

Cost	150,000	150,000
Accumulated amortisation	(124,162)	(114,162)
	25,838	35,838

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

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 11. Trade and other payables		
Trade creditors and accruals	162,068	66,438
GST payable	26,796	34,161
Dividend payable	69,439	86,891
	258,303	187,490

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

Note 12. Provisions

Current

Provision for employee entitlements	111,584	37,946
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Non current

Provision for employee entitlements	15,019	52,139
Number of employees at year end	21	27

Note 13. Equity

565,700 (2013: 565,700) fully paid ordinary shares (nil par value)	565,700	565,700
Cost of raising equity	(6,115)	(6,115)
	559,585	559,585

The company is not subject to any externally imposed capital requirements.

Note 14. Cash flow information

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

Profit after tax	150,306	272,202
Depreciation and amortisation	40,701	47,097
Loss on sale of assets	-	3,630

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 14. Cash flow information (continued)

Movement in assets and liabilities

Trade and other receivables	37,711	(1,231)
Other current assets	(3,050)	(1,501)
Other non current assets	3,500	421
Deferred tax asset	(7,576)	(2,157)
Deferred tax liability	(3,367)	62
Trade and other payables	88,489	(9,734)
Current tax liability	(50,253)	(54,127)
Provisions for employees	36,518	2,033
Net cash provided by/(used in) operating activities	292,979	256,695

b. Credit standby arrangement and loan facilities

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

c. Non cash investing activities

There were no non-cash investing activities during the year.

	2014 \$	2013 \$
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Note 15. Commitments

(i) Leasing commitments for premises

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

Bank branch Mundaring

Payable		
Not longer than 1 year	44,414	44,414
Longer than 1 year but not longer than 5 years	66,616	111,030,
	111,030	155,444

Corporate office Mundaring

Payable		
Not longer than 1 year	16,900	31,200
Longer than 1 year but not longer than 5 years	-	16,900
	16,900	48,100

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 15. Commitments (continued)		
(ii) Commitment to fund Mundaring sports		
Project contribution subject to certain conditions including approvals and total funding being obtained.	100,000	-
	100,000	-
(iii) Other commitments to community organisations for sponsorships		
Not longer than 1 year	37,176	64,651
Longer than 1 year but not longer than 5 years	32,500	14,300
	69,676	78,951

Note 16. Dividends

(i) Distributions paid (565,700 x 15 cents)	85,260	84,855
(ii) Dividends declared (2014: June 2014 at 12 cents per share payable in December 2014) (565,700 @ 12 cents)	67,884	84,855
(iii) Balance of dividend franking account	529,993	422,050

Note 17. Financial instruments

a. Financial risk management

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

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

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

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

The company does not have any derivative instruments at 30 June 2014.

b. Financial risk exposures and management

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

i. Interest rate risk

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

ii. Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

Notes to the financial statements (continued)

Note 17. Financial instruments (continued)

b. Financial risk exposures and management (continued)

iii. Liquidity risk

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

In regards to liquidity risk the company currently maintains a substantial balance of cash funds in comparison to its commitments under two operating leases for premises in Mundaring (\$61,314p.a.). The two Mundaring leases for the branch and corporate office run from January 2012 to January 2017 (5 year lease) and from January 2012 to January 2015 (3 year lease) respectively. The Directors therefore consider the liquidity risk in this context to be negligible.

iv. Credit risk

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

There are no material amounts of collateral held as security at 30 June 2014.

In regards to credit risk the company has a receivable at the end of each month, including at the end of each accounting period, being fees and commissions due to it under its franchise agreement, from Bendigo and Adelaide Bank Limited. This amount \$134,197, is due and receivable, and is regularly received, in the third week following month end. The risk of this not being paid is considered by the Directors of the company to be low. The franchise arrangement has been in place for eleven and a half years and to date there has not been any undue delay in receiving monthly payments from the Franchisor.

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

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

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

The trade receivables balances at 30 June 2014 and 30 June 2013 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

v. Market risk

The market risks that are relevant to the business of the company are two in number. The company earned \$35,448 interest on its cash funds during the last year. The Directors believe that there is reasonable likelihood of interest rate variation of minus or plus 1% over the next year which would affect income by about \$2,790 which, however, would not be material to the company.

The primary income source is fee and commission income from the conduct of banking business. This has been growing strongly each year since the franchise commenced operating in February, 2002. The franchise total portfolio of bank business, deposits and loans, has reached \$194 million but this has flattened at this level, in a period of more general credit and bank business uncertainty, the future of the franchise bank business growth is less predictable.

Notes to the financial statements (continued)

Note 17. Financial instruments (continued)

b. Financial risk exposures and management (continued)

vi. Capital management

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

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

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

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

The company has established an approved market for securities in the company. This market operates under an exemption granted by the Australian Securities and Investments Commission under the Corporations (Low Volume Markets) Exemption Notice 2003. A number of trades in shares were effected during the financial year with prices of \$1.60 and \$1.65.

vii. Price risk

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

c. Financial instrument composition and maturity analysis

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

2014	Weighted average effective interest rate	Variable	Fixed			Total
		Floating interest rate	Within 1 year	Within 1 to 5 years	Non interest bearing	
Financial assets						
Cash and cash equivalents	2.7%	279,027	-	-	-	279,027
Term deposits	3.35%	-	950,000			950,000
Loans and receivables	N/A	-	20,000	65,000	139,659	224,659
Total financial assets		279,027	970,000	65,000	139,659	1,453,686
Financial liability						
Trade and other payables	N/A	-	-	-	258,603	258,603
Total financial liabilities		-	-	-	258,603	258,603

Notes to the financial statements (continued)

Note 17. Financial instruments (continued)

c. Financial instrument composition and maturity analysis (continued)

2013	Weighted average effective interest rate	Variable	Fixed			Total
		Floating interest rate	Within 1 year	Within 1 to 5 years	Non interest bearing	
Financial assets						
Cash and cash equivalents	3.9%	1,221,998	-	-	-	1,221,998
Loans and receivables	N/a	-	15,000	85,000	177,370	277,370
Total financial assets		1,221,998	15,000	85,000	177,370	1,399,346
Financial liability						
Trade and other payables		-	-	-	187,490	187,490
Total financial liabilities		-	-	-	187,490	187,490

	2014 \$	2013 \$
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Trade and sundry payables are expected to be paid as followed:

Less than 6 months	258,603	187,490
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d. Net fair values

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

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

Fair values are materially in line with carrying values.

e. Sensitivity analysis

i. Interest rate risk

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

Notes to the financial statements (continued)

Note 17. Financial instruments (continued)

e. Sensitivity analysis (continued)

ii. Interest rate sensitivity analysis

At 30 June 2014 the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

2014	Carrying amount \$	- 1 %		+ 1%	
		Profit \$	Equity \$	Profit \$	Equity \$
Financial assets					
Cash and cash equivalents	279,027	(2,790)	(2,790)	2,790	2790
2013	Carrying amount \$	- 2 %		+ 2%	
		Profit \$	Equity \$	Profit \$	Equity \$
Financial assets					
Cash and cash equivalents	1,221,998	(24,440)	(24,440)	24,440	24,440

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

Note 18. Segment reporting

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

Note 19. Events after the balance sheet date

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

Note 20. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date other than the possibility of a bad debt arising from the amounts lent by the Branch Manager under his discretionary lending authority. The total amount lent under this authority at 30 June 2014 is \$16,832.

Notes to the financial statements (continued)

Note 21. Key management personnel compensation

a. Names and positions

Name	Position
Arthur Maddison	Non-Executive Director (Chairman)
Gerard Tonks	Non-Executive Director (company Secretary)
James Saunders	Non-Executive Director
Richard Stuart	Non-Executive Director
Peter Hackett	Non-Executive Director
Matt Yacopetti	Non-Executive Director

b. Associated management personnel remuneration

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

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

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

d. Option holdings

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

Associated management personnel

	Directors fees \$	Salary \$	Fees \$	Super-annuation contribution \$	Total \$	Performance related %
2014						
Arthur Maddison	4,000	-	-	-	4,000	-
Gerard Tonks	2,000	1,120	-	-	3,120	-
James Saunders (Jeasdel Pty Ltd)	2,000	-	242	-	2,242	-
Richard Stuart	2,000	-	-	-	2,000	-
Peter Hackett	2,000	-	-	-	2,000	-
Matt Yacopetti	2,000	-	-	-	2,000	-
Robert Emery	1,333	-	-	-	1,333	-
Les Guest	500	-	-	-	500	-
	15,833	1,120	242	-	17,195	-

Notes to the financial statements (continued)

Note 21. Key management personnel compensation (continued)

d. Option holdings (continued)

Associated management personnel (continued)

2013	Directors fees \$	Salary \$	Fees \$	Super- annuation contribution \$	Total \$	Performance related %
Arthur Maddison	4,000	-	-	-	4,000	-
Gerard Tonks	2,000	1,284	-	-	3,284	-
James Saunders (Jeasdel Pty Ltd)	2,000	-	-	-	2,000	-
Richard Stuart	2,000	-	-	-	2,000	-
Peter Hackett	2,000	-	-	-	2,000	-
Matt Yacopetti	2,000	-	-	-	2,000	-
Robert Emery	2,000	-	-	-	2,000	-
Les Guest	2,000	-	-	-	2,000	-
	18,000	1,284	-	-	19,284	-

Note 22. Company details

The administrative office of the company is:

6895 Great Eastern Highway
Mundaring WA 6073

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

6945 Great Eastern Highway
Mundaring WA 6073

Directors' declaration

The Directors of the Company declare that:

1. the financial statements and notes and the remuneration report in the Directors Report designated as audited, are in accordance with the Corporations Act 2001 and:
 - a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - b) give a true and fair view of the Company's financial position as at 30 June 2014 and its performance for the year ended on that date; and
 - c) are in accordance with International Financial Reporting Standards, as stated in note 1 to the financial statements; and
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Gerard Tonks
Director

Dated 30 September 2014

Independent audit report



Chartered Accountants & Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

MUNDARING COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Mundaring Community Financial Services Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of Mundaring Community Financial Services Limited (the company).

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independence

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

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Independent audit report (continued)

PKF MACK & CO

Chartered Accountants & Business Advisers

Opinion

In our opinion the financial report of Mundaring Community Financial Services Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (iii) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 8 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Mundaring Community Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

PKF Mack & Co

PKF MACK & CO

S. Fermanis

SIMON FERMANIS
PARTNER

30 SEPTEMBER 2014
WEST PERTH
WESTERN AUSTRALIA



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