



Annual Report 2015

Mundaring Community
Financial Services Ltd

ABN 63 097 289 677

Mundaring **Community Bank**[®] Branch



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Wundowie Golf Club Championships (Ranger Cup).



Darlington Arts Festival 'Bendigo Quick Flicks' Award (in conjunction with Seen and Heard).



Eastern Hills SHS World Challenge participants.



Midland PCYC Judo Club.

Chairman's report

For year ending 30 June 2015



Mundaring Community Financial Services Ltd is pleased to present our 2015 Annual Report.

Firstly, we would like to commend the achievements of our staff at the bank branch and community office, who continue to give outstanding service to our customers, the community and your company, while coping with increasingly challenging business conditions.

Over the year, despite historically low margins, we have continued to provide substantial support to the community. Your company made an overall profit of \$99,738 however, after community contributions of \$116,720 this resulted in a minor loss of \$16,982 for the year.

Our community achievements include ongoing support to those affected by the 2014 bushfire disaster. Our sponsored bushfire dinners and morning tea sessions have brought people together to share experiences and provide mutual support. In addition, the Community Connect shop was able to help many families re-acquire basic necessities following the loss of their homes.

An innovation this year has been the establishment of a Community Engagement Committee (CEC), with members recruited through public consultation in 2014. CEC members have been enthusiastically helping to spread our company's message at events throughout the community and their hard work is greatly appreciated by the Board.

Looking ahead, the Bendigo Bank will be introducing a substantially revised margin share model commencing on 1 July 2016. The actual impact of the new model on the company's future financial position is subject to numerous variables and cannot be accurately quantified at present. However, based on current conditions and information supplied by Bendigo Bank, the Board has reasonable grounds to expect that the company's income and profits will increase significantly from mid 2016. In the meantime, conditions will remain challenging and all members of the company are aware of the need to carefully control costs and constantly seek new business.

We are continuing to review the opportunities in Midland and engage with the community. It is encouraging to note some significant Midland-based organisations have recently expressed a keen desire to assist with the establishment of a Midland-based **Community Bank**[®] branch. Your Board will continue to evaluate the opportunities with a view to taking approximately a third of the ownership of a future **Community Bank**[®] branch.

The Board itself has welcomed four new members, who were recruited through a process of public consultation in 2014. Susie Fox-Mooney, Tara Herbert, Ben Fillery and David Earnshaw have brought a range of new skills to the Board, together with an injection of enthusiasm and energy.

The year has also seen the retirement of our long serving Director and Company Secretary, Gerard Tonks. We thank Gerard for his years of service to the company and wish him a long and happy retirement.

On a sadder note, we regret to report the death of our former Director, Bob Emery. Bob was a diligent and enthusiastic member of the Board who is missed by his former colleagues.

Above all, the Board wishes to thank all our shareholders for their continuing support of the company and our community. We look forward to seeing you at the Annual General Meeting (AGM).

A handwritten signature in black ink that reads "R.J. Stuart".

Richard Stuart
Chairman

Bendigo and Adelaide Bank report

For year ending 30 June 2015

In the 2015 financial year, the **Community Bank**[®] network opened its 310th branch and community contributions since the model's inception exceed \$130 million. Both of these achievements could not have been achieved without your ongoing support as a shareholder, customer and advocate of what is a truly unique way of banking for the benefit of your local community.

Local communities continue to embrace the **Community Bank**[®] model, a banking movement founded on the simple belief that successful customers and successful communities create a successful bank.

Seventeen years later communities are still approaching us and the model is as robust and relevant as ever, however a review of what we were doing, why and how we could do it better was timely.

During an 18 month period the Bank, in partnership with the **Community Bank**[®] network, undertook a comprehensive review of the **Community Bank**[®] model. Project Horizon was the largest single engagement process ever undertaken by our organisation.

As a result, a focus for the next 18 months will be the implementation of 64 recommendations. What was overwhelmingly obvious is that our **Community Bank**[®] network, and our Bank, care deeply about what has been developed and in what the future holds for the network.

In the early days of **Community Bank**[®] development, the **Community Bank**[®] model was seen as a way to restore branch banking services to rural towns, regional cities and metropolitan suburbs after the last of the banks closed their doors.

Today, although the focus is still about providing banking services, there is perhaps an even greater interest in the way in which the model creates a successful community enterprise used to effectively, and sustainably, build community capacity.

In October 2014, we welcomed **Community Bank**[®] branches in Bacchus Marsh, Kilmore, Maffra, Kwinana and Nubeena. All of these branches join a strong and mature banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives to ultimately strengthen their community.

Following consultation with local residents and business owners responding to other banks reducing their branch presence, Aldinga Beach **Community Bank**[®] Branch opened the Willunga Customer Service Centre in April 2015, providing a full banking service to local people five days a week.

The **Community Bank**[®] model is a great example of shared value and was centre stage at an international Shared Value conference in the United States earlier this year.

Funding generated by **Community Bank**[®] branches support projects that make a difference to a community. But no matter how big or small the place people call home, the **Community Bank**[®] network recognises that when they act as one, powered by the good that money can bring, bigger things can happen for local towns, regions and states.

In WA, a \$125,000 commitment to Ronald McDonald House by Collie & Districts **Community Bank**[®] Branch resulted in a further \$125,000 from 21 branches (both community and company owned) in the state.

In QLD, Longreach farming families are now feeding their stock thanks to a dedicated Rotary Club and financial contributions from 16 **Community Bank**[®] (and company) branches.

Across regional and rural NSW, young people are today better drivers thanks to a driver education program supported by **Community Bank**[®] branches and across Australia, 58 young people headed off to their first year of university with the help of a **Community Bank**[®] scholarship.

Bendigo and Adelaide Bank report (continued)

Interest in the **Community Bank**[®] model remains strong, with 20 **Community Bank**[®] sites currently in development and a further six **Community Bank**[®] branches expected to open nationally during 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 support the community with the good that money can bring.

By the end of the financial year 2014/15 the **Community Bank**[®] network achieved the following:

- Returns to community – over \$130 million since the model's inception
- **Community Bank**[®] branches – 310
- **Community Bank**[®] branch staff – more than 1,500
- **Community Bank**[®] company Directors – 1,946
- Banking business – \$28.79 billion
- Customers – 699,000
- Shareholders – 74,393
- Dividends paid to shareholders since inception – \$38.6 million

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

In Bendigo and Adelaide Bank, your **Community Bank**[®] company has a committed and strong partner and over the last financial year our company has continued its solid performance. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Our **Community Bank**[®] partners played an integral role in the Bank's involvement in the Financial Systems Inquiry, lobbying their local Federal Government representatives and calling for a level playing field.

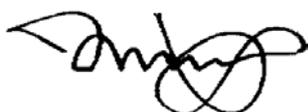
Recent APRA announcements regarding changes to risk weights on mortgages will positively impact our Bank – providing customers with a level playing field by giving them more choice from a wider variety of financial providers.

Thanks to the efforts of our people, our peers and **Community Bank**[®] partners, we're starting to see the benefits. In continuing to take a collaborative approach, we act as one network driving positive outcomes for all Australians.

As **Community Bank**[®] company shareholders you are part of a unique banking movement.

The model offers an alternative way to think about banking and the role banks play in modern society, and because of your support there really is no limit to what can be achieved for local people and the communities in which you live.

Thank you for your ongoing support of your local **Community Bank**[®] branch.



Robert Musgrove
Executive Community Engagement

Manager's report

For year ending 30 June 2015



It certainly has been a difficult 12 months given the state of the economy, and the general uncertainty surrounding it.

However I am proud of what we have been able to achieve over the past 12 months.

Accounts

Account numbers have grown to 11,212 from 10,929.

Portfolio

Portfolio which is a total of deposits and loans has grown \$16.4 million from 1 July 2014 to \$210 million as at 30 June 2015. The main growth has been in deposits \$13.2 million with loans growing \$3.2 million. During the past 12 months many of our customers have taken the opportunity to reduce debt in this low interest rate environment.

Staff

During the past 12 months we said goodbye to Andrew who sought to further his lending career elsewhere and Helena who moved up to the North West. Amy has also left our team.

We have welcomed Rebecca Smith to our team as a Customer Service Officer, so if you have not met Rebecca drop in and say hello.

Aims for 2015/16

Our aims over the next 12 months are not only to increase account numbers and the portfolio but to also increase products per customer through our wealth and insurance products. If we can help our customers grow their wealth and protect them through various insurance options like superannuation, income protection, death cover, home, vehicle and travel insurance I will be a happy man. Having said that why not drop in and ask the girls for a comparison against your current policy.

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 staff work very hard and consistently perform above expectations, so I would like to acknowledge and thank Ann, Leanne, Denise, Heidi, Mariana, Rebecca, Taryn (currently on maternity leave), Sandra, and Penny.

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.

The work that Karen and Andrea do from our corporate office together with their community involvement is again a credit to them both.

I would finally like to extend the appreciation on behalf of myself and 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
Manager

2015 Community Office report

For year ending 30 June 2015

Welcome to the 2014/15 Community Office report. This past year has seen our Community Office, formally known as our Corporate Office, undertake a number of changes. Firstly we have gone from three staff to two with Neridah deciding to take a break from the work force in September 2014 after enthusiastically serving the company for several years. Secondly we had a name change, community support and engagement is what we are all about so changing the name simply made sense and thirdly we have created an opportunity for the community to use our facilities including the Boardroom.

The current economic climate has made things very challenging in our office; we are approached by more and more community groups for financial support every year and this year we needed to work with a reduced budget. To compensate for reduced cash, we have increased our community engagement to include more 'in-kind' support. This includes Printing; graphic design; ticket sales and the increasingly popular Mobile EFTPOS facility. The Mundaring Chamber of Commerce use our spare office for their Administration Officer and they are one of the groups that use our Board room for committee meetings. The use of our Board room is open to any local not-for-profit group, businesses are welcome to use it for a small donation to our community grant fund.

We have made a very conscious decision to spend more time in the community, waving the **Community Bank**[®] branch flag and supporting local events. To assist with this commitment we have formed a Community Engagement Committee, a team of local volunteers who act as ambassadors for our company. Our first big event was the Gidgegannup Small Farm Field Day and it was a great success. Other events planned include Trek the Trail, the Whim Festival and the Darlington Arts Festival. These volunteers: Jill Francis, Bob Henfrey, Julia Hewson, Rachael Sarich, Nicola Smith and Justin Vander Westhuisen together with branch staff member Sandra Myles and Director Matt Yacopetti give up their precious time to attend our events, give us community feedback and contribute to our Community Investment policy. They are worth their weight in gold and it has been a pleasure to work with them.

Our Community Investment policy has replaced our sponsorship program. Starting from July 2015 we now do bi-annual community grant rounds, this will enable us to consider funding applications in a more equitable manner and will reduce the administration workload. The rounds will run in August and February each year with the funds being distributed the following month.



Mt Helena Primary School Endeavour Award Winner - Mitchell Massam with Sandra Myles.



Matt and Andrea at the opening of Midland Young Parents' Study Program's 'Hobo Chic Garden.'

2015 Community Office report (continued)

In November 2014 our Sponsorship Committee saw the need to invest more in our local youth and we created our Bendigo Youth Ambassador Scholarships. We gave away four \$500 scholarships to local people at Eastern Hills and Swan View Senior High Schools who were entering Year 11 in 2015. The scholarships were awarded to students who were committed and involved with their local community. Another initiative to encourage our community leaders of the future was our Bendigo Endeavour Awards, a \$50 bank account, given to 24 local primary school children from 12 different schools.

Our Bushfire Recovery support, known as our Community Connect program is now winding up. The Mundaring **Community Bank**[®] Branch spent over \$40,000 on Bushfire Recovery and the staff donated countless hours of their time to fellow Hills residents who suffered loss during the January 2014 Bush fire. We provided over 900 meals at our monthly revitalise dinners, our Community Connect Shop distributed mountains of donated clothing, homewares and furniture and we are still continuing with our monthly Chat room morning teas. Some of the feedback we have received is included in the testimonials in this Annual report. The Community Connect program was a mammoth project but the benefits were huge, our community will forever be stronger and it was a privilege to be a part of it.

Andrea and I feel very grateful to work in our positions and look forward to spending more time with our community in the future.



Karen Beale
Community Engagement Manager



Seen & Heard's Laser Tag event as part of their July school holiday program.

2015 Community Office report (continued)

The Mundaring **Community Bank**[®] Branch is proud of the support we have given to the following groups during the 2014/15 financial year:

Blue Gum Wildlife Rescue	Midland PCYC Judo Club
Chidlow Netball Club	Midland Puffin Billies Rugby Club
Chidlow Primary School	Midland Young Parents Study Program
Darlington Arts Festival 2014	Mitchell Charman - Spectrum
Darlington Basketball Club	Mt Helena Junior Football Club
Darlington Concerts	Mt Helena Tennis Club
Darlington Junior Football Club	Mt Helena Whim Festival
Eastern Hills Cricket Club	Mundaring Arts Centre
El Caballo Golf Club	Mundaring Chamber of Commerce
Emily Henderson - Individual	Mundaring Community Mens Shed
Gidgegannup Agricultural Society	Mundaring Disc Golf
Gidgegannup Horse & Pony	Mundaring in Transition
Gidgegannup Junior Football Club	Mundaring Junior Football Club
Gidgegannup Small Farm Field Day	Mundaring Senior Football Club
Glen Forrest Bowling Club	Mundaring Sporting Club - Bowls
Glen Forrest Xmas Gathering	Mundaring Toy Library
Greenmount Primary School	Mundaring Woodturners Group
Hills Choir	Parkerville Junior Cricket Club
Hills Education Network - Science Quest	Parkerville Junior Football Club
Hills Football Association	Perth Hills & Wheatbelt Band - Quiz Night
Hills Lions Netball Club	Perth Hills & Wheatbelt Band ANZAC Tour
Hills Outside School Care Assoc Inc	Perth Hills United FC
Hills Rangers Football Club	Sacred Heart P&F
Hills Symphony Orchestra	Scotobar Challenge
Honey Bee Festival	Seen and Heard - July School Holiday Programme
Inkpen Volunteer Bush Fire Brigade	Seen and Heard - Quick Flicks Festival
Irish Setter Club of WA (Inc)	Starlight Foundation
Jade Harrison-Coombs - Individual	Swan Community Choir
Jane Brook Catchment Group	Swan View Cricket Club
John Forrest Darts Team	Swan View Football Club
Kara & Michael Cornelius - Individual	Swan Woodturners Group
Katherine Susannah Pritchard Foundation	The Sierra Grandies
Lake Leschenaultia Carols & Xmas Songfest	Trek The Trail
Mad Tatters Morris	Wundowie Golf Club



Karen with Piggy at Gidgegannup Small Farm Field Day.



Chidlow Netball Club with their new uniforms.

Testimonials



Geoff Francis

President, Mundaring Chamber of Commerce Inc

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

Since its inception, the Mundaring **Community Bank**[®] Branch has supported many local clubs, businesses and other groups, such as the Mundaring Chamber of Commerce, to grow and reach their goals.

The branch's support for the Chamber of Commerce has not only taken the form of considerable financial assistance, allowing us to run highly successful Business Excellence Awards, but also the use of their boardroom in which we conduct our monthly committee meetings. In addition they are providing office space in their local administration centre for our part time administration assistant as well as secretarial support when requested. All of this has helped us to grow and establish a presence within the business and wider community.

The staff of our **Community Bank**[®] branch are knowledgeable, friendly, enthusiastic and, above all, helpful. Without this positive input from the Mundaring **Community Bank**[®] Branch into the hills community, our organisation, and many others, would be a lot less viable. Our sincere thanks go to the Mundaring **Community Bank**[®] Branch.

I have no hesitation in commending the Mundaring **Community Bank**[®] Branch for the excellent service it is providing to the hills community.



Winners from 2014 Business Excellence Awards.

Testimonials (continued)

Community Connect Project testimonials

“Red Cross have received overwhelming feedback that the Bendigo Bank community connect program has been invaluable. Many people affected by the fires have said, “If it wasn’t for the dinners and morning teas we don’t know how we would have coped.” In the October 2014 Outreach (Red Cross door knocked nearly 450 houses in the area affected) many people said they saw the Bendigo Bank support as essential to bring the community together.



Christmas Community Connect Dinner Sandy, Kaye and Garry.

Feedback included “it wasn’t just the money side but Bendigo Bank’s work allowed the people affected to come together and talk about what they were going through as only they really understand.”

Claire Silveira **Red Cross Project Recovery Officer**

“I believe that the Community Connect Project, comprising the shop, the Chat Room morning tea’s and Revitalise dinners, has been integral to the recovery of those affected by the Parkerville, Stoneville and Mt Helena bushfire of January 2014.

Those initiatives have provided a forum for people to meet, discuss how they feel in a safe environment, source clothing and goods to normalise their disrupted lives and to hear from others who understand the experience they are living through.

For me it has provided an anchor within my community, a place to meet people who understand the ups and downs of the recovery process, a place to meet neighbours and make new friends.

Bendigo Bank is to be commended for this initiative and in particular Karen and Andrea who have been the human faces of Community Connect. It has been more than a job to them, they have dedicated much of their own time to ensuring those affected by the bushfire have the support and assistance they need.

Many thanks to Karen, Andrea and Mundaring **Community Bank**[®] Branch of Bendigo Bank.”

Helen Deakin

“My thoughts on the Community Connect Project are that I am obsessed with it. I love what it means and what it does for ME. And also the fire affected community. If it was not for the people at Mundaring **Community Bank**[®] Branch, I for one would have not survived the last 14 months of my life. The worst time of my life. You were my counselling sessions.

The Shop... I went to every time it was open. It was my salvation. Very sad when we had to shut it down. But it was time to move on. I get that.

I can’t get enough of our coffee mornings. I enjoy them and it’s the only place we all can go and talk about what we have in common and we don’t have to explain how we feel or what we have been through, as we already know and I don’t have to explain all over again and have people feel sorry for me all over again.

Now that most of us are in the rebuilding stage its great to chat about exciting times. Not doom and gloom.

Thank you all at Mundaring **Community Bank**[®] Branch. You have a friend for life.”

Love to you all

Sandy Elwood xxx

Testimonials (continued)

“Mundaring **Community Bank**[®] Branch’s Community Connect Program has played a vital role in long-term community recovery. Run by local people with local knowledge, the program has been very successful in providing safe spaces for fire affected people to support each other, build new friendships, discuss issues, share stories and relax. It has also provided opportunities for guest speakers to share timely and important information and for informal and formal community consultation. Community Connect Project is an excellent initiative that has been well received and supported by the fire affected community and reflects the commitment of the Mundaring **Community Bank**[®] Branch team to the local community.”



Community Connect Christmas Dinner. Lynette and Geoff.

Erin Money **Shire of Mundaring**

“Sandra and I lost everything in the devastating bushfires in January 2014. This included house and entire contents. This is a letter of thanks to the Mundaring **Community Bank**[®] Branch and staff of the Corporate Office for all the help and compassion they gave us after the fire (too many to name).

There was someone there to listen to our problems either for five minutes or five hours. Time was secondary, sometimes it may have been a simple hug we needed and they gave us confidence to recover.

The Swap Shop Store they opened up for us was a touch of genius and whoever came up with the idea needs a mention. One year has gone by and we are still wearing clothes we selected from the shop. They are too precious to discard and we will wear them for as long as they last.

The other fantastic idea was to have a monthly “recovery” dinner. It enabled us to mix with people in the same situation as us and helped us feel we were not alone. Guest Speakers were very helpful and informative at these dinners. This initiative is another accolade to Mundaring **Community Bank**[®] Branch for doing this.

In short, we don’t know how we could have survived the year without them and I am sure everyone who has been touched by these compassionate, wonderful people who go above and beyond would agree 100% that Mundaring **Community Bank**[®] Branch has earned the right to be called the best **Community Bank**[®] branch.”

Sincerely yours in appreciation

Ken Pearce and Sandra Emery



2015 Irish Setter Championship Show.



Mundaring Chamber of Commerce 2014 Business Excellence Awards.

Directors' report

For the financial year ended 30 June 2015

Your directors submit the financial statements of the company for the financial year ended 30 June 2015.

Directors

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



Richard James Stuart

Chairman

Occupation: Offshore Oil and Gas Pipeline Engineer

Qualifications, experience and expertise: 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)

Special responsibilities: Audit and Governance Committee.

Interest in shares: 500



Charles Matthew Yacopetti

Vice-Chairman

Occupation: Geoscientist & Executive Director

Qualifications, experience and expertise: 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 and 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 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.

Special responsibilities: Sponsorship Committee and Community Engagement Committee.

Interest in shares: Nil



James Edward Saunders

Secretary

Occupation: Chartered Accountant

Qualifications, experience and expertise: With extensive experience in corporate accounting and tax services, James has worked for Price Waterhouse Coopers and RSM Bird Cameron. He specialised in company advisory services, tax and auditing. He has also been a past 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.

Special responsibilities: Audit and Governance Committee.

Interest in shares: 3,000

Directors' report (continued)

Directors (continued)



Arthur Robert Maddison

Director

Occupation: Retired

Qualifications, experience and expertise: 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 shares: 10,700



Peter Francis Hackett

Director

Occupation: Semi-retired

Qualifications, experience and expertise: 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.

Special responsibilities: Sponsorship Committee

Interest in shares: 500



Benjamin Peter Fillery

Director (Appointed 5 January 2015)

Occupation: Business Development Manager

Qualifications, experience and expertise: Ben has over 12 years' experience in the mining industry. He is a long term Hills resident who currently lives with his family in Parkerville. Ben enjoys swimming, horse riding and restoring vintage cars, he is also a committee member and Coach of his sons football team.

Interest in shares: 100



Tara Lee Herbert

Director (Appointed 5 January 2015)

Occupation: Self employed

Qualifications, experience and expertise: Tara owns and operates her own health and vitality business and is a busy mother to three and was instrumental in the revitalisation of the primary which was marked for closure. Tara is a current player and member of the Mundaring Hockey Club and she also coaches their junior teams. As a past President of Wooroloo Swimming Club, Tara is a very active community member who also has skills in event coordination, community liaison and mediation.

Special responsibilities: Sponsorship Committee

Interest in shares: Nil

Directors' report (continued)

Directors (continued)



Susan Elisabeth Fox-Mooney

Director (Appointed 5 January 2015)

Occupation: Tax Consultant

Qualifications, experience and expertise: Susie has lived in Glen Forrest since she emigrated from the UK in 2005. She is a member of the Glen Forrest and Mahogany Creek Residents & Ratepayers Association and was involved in the successful campaign to redevelop John Morgan Reserve. Susie is a mother of two children and a regular volunteer at Helena College. Professionally, Susie started her career working for Sir Lawrence Airey, Chairman of the UK Inland Revenue Department. She has also worked for Price Waterhouse Coopers and was the Financial Controller for the London Branch of Petroleos De Venezuela (UK)SA, a national Venezuelan oil company. Currently employed by HR Block, Susie prepares small business and personal tax returns.

Special responsibilities: Audit and Governance Committee.

Interest in shares: 100



David Alan Earnshaw

Director (Appointed 23 February 2015)

Occupation: Lawyer

Qualifications, experience and expertise: David has been an Australian Lawyer since 1997 and has been admitted to both the Supreme Court of WA and the High Court of Australia. He owns his own legal practice in Midland and together with his wife also owns and operates a settlement and conveyancing business. David is Junior Vice President of the Swan Chamber of Commerce (Inc). He and his family are lifelong Darlington residents and David is locally connected as the Chair of the Darlington Recreation Management Committee and also as a member of the Council of Helena College (Inc).

Interest in shares: Nil



Gerard Alexander Tonks

Director (Resigned 5 November 2014)

Occupation: Retired Chartered Accountant

Qualifications, experience and expertise: Mr Gerard Tonks was 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.

Special responsibilities: Audit and Governance Committee.

Interest in shares: 1,000

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

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

Directors' report (continued)

Company Secretary

The company secretary is James Saunders. James was appointed to the position of secretary on 6 November 2014.

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 and Company Secretary of the Australian Prospectors and Miners Hall of Fame.

Principal Activities

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

Mundaring continues to evaluate the possibility of partnering the Midland Community in a venture to establish a local **Community Bank**[®] branch.

Principal Activities (continued)

In March 2015 we received notice about Bayswater **Community Bank**[®] Branch's withdrawal from the project. However we are pleased to report following submissions, Bendigo and Adelaide Bank Limited has allowed Mundaring to maintain its originally proposed third interest in the Midland **Community Bank**[®] Project should the Project proceed.

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

Operating results

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

Year ended 30 June 2015 \$	Year ended 30 June 2014 \$
(16,982)	150,306

Remuneration report

Directors' remuneration

For the year ended 30 June 2015 the directors received total remuneration including superannuation, as follows:

	\$
Arthur Robert Maddison	3,000
Peter Francis Hackett	2,000
James Edward Saunders	2,000
Richard James Stuart	3,000
Matthew Charles Yacopetti	2,000
Benjamin Peter Fillery (Appointed 5 January 2015)	1,000
Tara Lee Herbert (Appointed 5 January 2015)	1,000
Susan Elisabeth Fox-Mooney (Appointed 5 January 2015)	1,000

Directors' report (continued)

Remuneration report (continued)

Directors' remuneration (continued)

	\$
David Alan Earnshaw (Appointed 23 February 2015)	1,000
Gerard Alexander Tonks (Resigned 6 November 2014)	834
	16,834

Transactions with directors

	\$
James Edward Saunders provided accounting services	429
Gerard Alexander Tonks provided accounting services and his wife provided administration services.	960

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Richard James Stuart	500	-	500
Matthew Charles Yacopetti	-	-	-
James Edward Saunders	3,000	-	3,000
Arthur Robert Maddison	10,700	-	10,700
Peter Francis Hackett	500	-	500
Benjamin Peter Fillery (Appointed 5 January 2015)	-	100	100
Tara Lee Herbert (Appointed 5 January 2015)	-	-	-
Susan Elisabeth Fox-Mooney (Appointed 5 January 2015)	-	100	100
David Alan Earnshaw (Appointed 23 February 2015)	-	-	-
Gerard Alexander Tonks (Resigned 6 November 2014)	1,000	-	1,000

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Mundaring, Western Australia. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$nil for the year ended 30 June 2015 (2014: \$nil).

Directors' report (continued)

Dividends

	Year ended 30 June 2015	
	Cents	\$
Final dividends recommended:	6	33,942
Dividends paid in the year:		
- As recommended in the prior year report	12	67,884

Significant changes in the state of affairs

During the year, interest rates have continued to fall, leading to a general reduction of margin income. Furthermore, a major client of the company elected to put its business out to tender, with the outcome that this business was split equally with a competitor. A reduction in margin on this business was also necessary in order to remain competitive in the tender process. As a result, the company's revenue has reduced by 23% when compared to the same period last year.

On the positive side, your board welcomes the initiatives adopted by Bendigo and Adelaide Bank as part of the "New Horizons review" of the **Community Bank**[®] franchise model. The forecast change in distribution of income under the new model which commences from 1 July 2016, based on the company's present mix of business, is likely to result in a significant improvement in the company's income and profits. In the meantime the tightening of margins will continue to impact income and profits of the company for the coming year.

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

Events since the end of the financial year

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

Likely developments

The company will continue its policy of facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' report (continued)

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended			
			Sponsorship		Audit & Governance	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Richard James Stuart	11	9	-	-	4	3
Matthew Charles Yacopetti	11	11	10	9	-	-
James Edward Saunders	11	8	-	-	4	4
Arthur Robert Maddison	11	11	-	-	4	3
Peter Francis Hackett	11	11	10	9	-	-
Benjamin Peter Fillery (Appointed 5 January 2015)	5	5	-	-	-	-
Tara Lee Herbert (Appointed 5 January 2015)	5	5	1	1	-	-
Susan Elisabeth Fox-Mooney (Appointed 5 January 2015)	5	5	-	-	2	1
David Alan Earnshaw (Appointed 23 February 2015)	4	3	-	-	-	-
Gerard Alexander Tonks (Resigned 6 November 2014)	5	4	-	-	-	-

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

Non audit services

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

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

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

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

Directors' report (continued)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

Signed in accordance with a resolution of the board of directors at Mundaring, Western Australian on 2 September 2015.



James Edward Saunders,
Director/Secretary

Auditor's independence declaration



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

As lead auditor for the audit of Mundaring Community Financial Services Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is written over a light blue horizontal line.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

A handwritten signature in black ink, appearing to read 'David Hutchings', is written over a light blue horizontal line.

David Hutchings
Lead Auditor

Dated: 2 September 2015

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Revenue from ordinary activities	4	1,449,963	1,788,741
Employee benefits expense		(942,787)	(902,135)
Charitable donations, sponsorship, advertising and promotion		(116,720)	(236,184)
Occupancy and associated costs		(134,703)	(135,378)
Systems costs		(26,532)	(28,758)
Depreciation and amortisation expense	5	(48,353)	(40,701)
General administration expenses		(201,954)	(230,006)
Profit/(loss) before income tax		(21,086)	215,579
Income tax (expense)/credit	6	4,104	(65,273)
Profit/(loss) after income tax		(16,982)	150,306
Total comprehensive income for the year		(16,982)	150,306
Earnings per share on profit/(loss) attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share	22	(3)	26.57

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2015

	Notes	2015 \$	2014 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,121,319	1,229,294
Trade and other receivables	8	139,632	150,058
Other assets	9	20,000	20,000
Current tax asset	12	15,000	16,177
Total Current Assets		1,295,951	1,415,529
Non-Current Assets			
Other assets	9	45,000	65,000
Property, plant and equipment	10	128,127	166,478
Intangible assets	11	15,838	25,838
Deferred tax asset	12	42,245	38,141
Total Non-Current Assets		231,210	295,457
Total Assets		1,527,161	1,710,986
LIABILITIES			
Current Liabilities			
Trade and other payables	13	113,424	259,833
Provisions	14	122,617	111,584
Total Current Liabilities		236,041	371,417
Non-Current Liabilities			
Provisions	14	17,494	15,019
Total Non-Current Liabilities		17,494	15,019
Total Liabilities		253,535	386,436
Net Assets		1,273,626	1,324,550
Equity			
Issued capital	15	559,585	559,585
Retained earnings	16	714,041	764,965
Total Equity		1,273,626	1,324,550

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2015

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2013	559,585	682,543	1,242,128
Total comprehensive income for the year	-	150,306	150,306
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(67,884)	(67,884)
Balance at 30 June 2014	559,585	764,965	1,324,550
Balance at 1 July 2014	559,585	764,965	1,324,550
Total comprehensive income for the year	-	(16,982)	(16,982)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(33,942)	(33,942)
Balance at 30 June 2015	559,585	714,041	1,273,626

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2015

	Notes	2015 \$	2014 \$
Cash flows from operating activities			
Receipts from customers		1,572,034	1,971,830
Payments to suppliers and employees		(1,601,531)	(1,582,367)
Interest received		24,049	29,986
Income taxes paid		69,061	(126,470)
Net cash provided by operating activities	17	63,613	292,979
Cash flows from investing activities			
Payments for property, plant and equipment		(123,704)	(115,690)
Repayment of loan		20,000	15,000
Payments for investments		-	(950,000)
Net cash provided by/(used in) investing activities		(103,704)	(1,050,690)
Cash flows from financing activities			
Dividends paid		(67,884)	(85,260)
Net cash provided by/(used in) financing activities		(67,884)	(85,260)
Net decrease in cash held		(107,975)	(842,971)
Cash and cash equivalents at the beginning of the financial year		1,229,294	2,072,265
Cash and cash equivalents at the end of the financial year	7(a)	1,121,319	1,229,294

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Application of new and amended accounting standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**[®] branch at Mundaring, Western Australia.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**[®] branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**[®] branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**[®] branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank**[®] model, known as 'Project Horizon'. This was conducted in consultation with the **Community Bank**[®] network. The objective of the review was to develop a shared vision of the **Community Bank**[®] model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank**[®] companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

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

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

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

Ability to change financial return

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

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

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

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

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

Monitoring and changing financial return

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Monitoring and changing financial return (continued)

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank**[®] companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

d) Employee entitlements

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

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

e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

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

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

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

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

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

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

Notes to the financial statements (continued)

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

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

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2015 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

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

Estimation of useful lives of assets

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

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2015	2014
	\$	\$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	1,414,877	1,753,293
- other revenue	2,265	-
Total revenue from operating activities	1,417,142	1,753,293
Non-operating activities:		
- interest received	31,118	35,448
- other revenue	1,703	-
Total revenue from non-operating activities	32,821	35,448
Total revenues from ordinary activities	1,449,963	1,788,741

Notes to the financial statements (continued)

	Note	2015 \$	2014 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- plant and equipment		12,321	11,415
- leasehold improvements		19,720	12,974
- motor vehicles		6,312	6,312
Amortisation of non-current assets:			
- franchise fee		10,000	10,000
		48,353	40,701
Bad debts		1,519	2,089

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:

- Current tax		-	76,217
- Future income tax benefit attributable to losses		(5,459)	-
- Deferred tax		-	(10,944)
- Movement in deferred tax		(868)	-
- Adjustment to deferred tax to reflect change to tax rate in future periods		2,223	-
		(4,104)	65,273

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

Operating profit/(loss)		(21,086)	215,579
Prima facie tax on profit/(loss) from ordinary activities at 30%		(6,326)	64,673
Add tax effect of:			
- non-deductible expenses		-	600
- timing difference expenses		867	-
		(5,459)	65,273
Movement in deferred tax		(868)	-
Adjustment to deferred tax to reflect change of tax rate in future periods		2,223	-
	12	(4,104)	65,273

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 7. Cash and cash equivalents		
Cash at bank and on hand	221,319	279,294
Term deposits	900,000	950,000
	1,121,319	1,229,294

Note 7.(a) Reconciliation to cash flow statement

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

Cash at bank and on hand	221,319	279,294
Term deposits	900,000	950,000
	1,121,319	1,229,294

Note 8. Trade and other receivables

Trade receivables	107,826	114,593
Prepayments	2,700	9,436
Other receivables and accruals	29,106	26,029
	139,632	150,058

Note 9. Other assets

Current:

Unsecured loan to community organisation	20,000	20,000
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Non current:

Unsecured loan to community organisation	45,000	65,000
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Loan provided to Mundaring Sporting Club at zero 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.

Note 10. Property, plant and equipment

Leasehold improvements		
At cost	195,525	195,525
Less accumulated depreciation	(102,789)	(83,069)
	92,736	112,456

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 10. Property, plant and equipment (continued)		
Plant and equipment		
At cost	236,862	236,861
Less accumulated depreciation	(216,856)	(204,603)
	20,006	32,258
Motor vehicles		
At cost	31,470	31,470
Less accumulated depreciation	(16,085)	(9,706)
	15,385	21,764
Total written down amount	128,127	166,478
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	112,456	24,531
Additions	-	100,899
Disposals	-	-
Less: depreciation expense	(19,719)	(12,974)
Carrying amount at end	92,737	112,456
Plant and equipment		
Carrying amount at beginning	32,259	28,703
Additions	-	14,971
Disposals	-	-
Less: depreciation expense	(12,253)	(11,415)
Carrying amount at end	20,006	32,259
Motor vehicles		
Carrying amount at beginning	21,763	28,076
Additions	-	-
Disposals	-	-
Less: depreciation expense	(6,379)	(6,313)
Carrying amount at end	15,384	21,763
Total written down amount	128,127	166,478

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 11. Intangible assets		
Franchise fee		
At cost	150,000	150,000
Less: accumulated amortisation	(134,162)	(124,162)
	15,838	25,838
Total written down amount	15,838	25,838

Note 12. Tax

Current:

Income tax refundable	(15,000)	(16,177)
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Non-Current:

Deferred tax assets		
- accruals	698	1,800
- employee provisions	39,932	37,980
- tax losses carried forward	5,186	-
	45,816	39,780
Deferred tax liability		
- accruals	3,571	1,639
	3,571	1,639
Net deferred tax asset	42,245	38,141
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income		
	(4,104)	7,576

Note 13. Trade and other payables

Current:

Trade creditors	7,639	4,647
Other creditors and accruals	105,785	255,186
	113,424	259,833

Note 14. Provisions

Current:

Provision for annual leave	44,354	56,442
Provision for long service leave	78,263	55,142
	122,617	111,584

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 14. Provisions (continued)		
Non-Current:		
Provision for long service leave	17,494	15,019

Note 15. Contributed equity

565,700 ordinary shares fully paid (2014: 565,700)	565,700	565,700
Less: equity raising expenses	(6,115)	(6,115)
	559,585	559,585

Rights attached to shares

(a) Voting rights

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

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**[®] branch have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the “10% limit”).
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the “base number test”). The base number is 600. As at the date of this report, the company had 673 shareholders.

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

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

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member’s associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

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

	2015	2014
	\$	\$
Note 16. Retained earnings		
Balance at the beginning of the financial year	764,965	682,543
Net profit/(loss) from ordinary activities after income tax	(16,982)	150,306
Dividends paid or provided for	(33,942)	(67,884)
Balance at the end of the financial year	714,041	764,965

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 17. Statement of cash flows		
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities		
Profit/(loss) from ordinary activities after income tax	(16,982)	150,306
Non cash items:		
- depreciation	38,353	30,701
- amortisation	10,000	10,000
- payments for plant and equipment	123,704	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	10,426	37,711
- (increase)/decrease in other assets	(1,288)	(7,126)
- increase/(decrease) in payables	(112,469)	85,122
- increase/(decrease) in provisions	13,508	36,518
- increase/(decrease) in current tax liabilities	(1,639)	(50,253)
Net cash flows provided by operating activities	63,613	292,979

Note 18. Leases

Operating lease commitments

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

Payable - minimum lease payments:

- not later than 12 months	81,680	44,414
- between 12 months and 5 years	89,757	66,616
- greater than 5 years	-	-
	171,437	111,030

The operating lease for the branch premises is a non-cancellable lease with a five-year term expiring on 31 December 2016, with rent payable monthly in advance. The lease is currently into its second term of two.

The operating lease for the Corporate Office is a non-cancellable lease with a three-year term expiring on the 16 January 2018, with rent payable monthly in advance. The lease is currently into its second term of three.

The operating lease for the cannon photocopier is a non-cancellable lease with a four-year term expiring 10 July 2019, with rent payable monthly in advance.

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 19. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services (PKF)	-	15,000
- audit and review services (AFS)	4,300	-
- non audit services (PKF)	-	2,200
- non audit services(AFS)	550	-
	4,850	17,200

Note 20. Director and related party disclosures

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

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

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

	2015 \$	2014 \$
Note 21. Dividends paid or provided		
a. Dividends paid during the year		
Prior year proposed final		
100% (2014: 100%) franked dividend - Nil cents (2014: 12 cents) per share	-	67,884
b. Dividends proposed and recognised as a liability		
Current year final dividend		
100% (2014: 100%) franked dividend - 6 cents (2014: Nil cents) per share	33,942	-
The tax rate at which dividends have been franked is 30% (2014: 30%).		
Dividends proposed will be franked at a rate of 30% (2014: 30%).		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	484,176	422,050
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(15,000)	107,943
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	469,176	529,993

Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 21. Dividends paid or provided (continued)		
c. Franking account balance (continued)		
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	469,176	529,993

Note 22. Earnings per share

		2015 \$	2014 \$
(a)	Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(16,982)	150,306
		Number	Number
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	565,700	565,700

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Commitments

The company has commitments to provide funds to community groups which are contingent upon those groups meeting certain conditions associated with those grants. If those conditions were met at 30 June 2015 total commitments would be \$110,000, (2014 \$100,000).

Note 26. Segment reporting

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

Notes to the financial statements (continued)

Note 27. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
6945 Great Eastern Highway Mundaring WA 6073	6945 Great Eastern Highway Mundaring WA 6073

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 \$	2014 \$	2015 %	2014 %
Financial assets												
Cash and cash equivalents	220,819	279,027	900,000	950,000	-	-	-	-	500	700	2.83	3.03
Receivables	-	-	20,000	20,000	45,000	65,000	-	-	107,826	114,593	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	113,424	259,833	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Notes to the financial statements (continued)

Note 28. Financial instruments (continued)

Sensitivity Analysis

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

As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015 \$	2014 \$
Change in profit/(loss)		
Increase in interest rate by 1%	11,208	12,290
Decrease in interest rate by 1%	11,208	12,290
Change in equity		
Increase in interest rate by 1%	11,208	12,290
Decrease in interest rate by 1%	11,208	12,290

Directors' declaration

In accordance with a resolution of the directors of Mundaring Community Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



James Edward Saunders
Director/Secretary

Signed on the 2nd of September 2015.

Independent audit report



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 balance sheet as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

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

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Independent audit report (continued)

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Mundaring Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2015 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Mundaring Community Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550



David Hutchings
Lead Auditor

Dated: 2 September 2015



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