



Annual Report 2016

Mundaring Community
Financial Services Ltd

ABN 63 097 289 677



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Essentials for Women founder, Lenny Jacoby and Karen.



Wundowie Golf Club Championships (Constantine Cup).



Hills Football Association umpires.



Event attendance – Karen and Matt with members from our Community Engagement Committee, Nicola, Rob and Justin.

Chairman's report

For year ending 30 June 2016



Mundaring Community Financial Services Ltd are pleased to present the 2016 Annual Report.

Once again, we start by thanking all our branch and community office staff for their hard work, which has delivered a good overall result despite persistent challenging trading conditions. Interest rates and margin income have continued to fall over the year, resulting in a 6% reduction in revenue compared to 2015. However, careful control of expenditure has achieved a similar reduction in costs, so our net financial position has remained stable. In particular, the branch has reduced employment costs through prudent management of staff movements, while administration expenses have fallen due to careful conservation of resources. Over the year, we have continued to provide support to the community with a total contribution of \$65,116. The overall financial result for the year is a minor loss of \$14,733, representing a small improvement over 2015.

A revised margin share model took effect on 1 July 2016 and current financial analysis provided by Bendigo Bank predicts that the impact on our company's future financial position will be positive. Provided that actual revenues rise in line with predictions, there is reason to expect an improvement in the company's financial position for 2017.

Our staff are also leading a number of initiatives to create additional sources of revenue to supplement our margin income:

- Branch staff are targeting increased sales of Bendigo Bank products, including insurance
- The administrative expertise of our community office is being offered to other **Community Bank**[®] branches both to assist our partner companies and generate extra revenue to offset our own costs. Currently, one **Community Bank**[®] branch has employed our office services to assist with bookkeeping and accountancy tasks. There are prospects to increase the service to additional **Community Bank**[®] companies
- Our community office has expanded its community support activities to include the new 'Treehouse' business centre facility, which provides office services to local businesses at competitive commercial rates. This is of particular benefit to small local enterprises who may not otherwise have ready access to office services, while the revenue helps to offset the cost of our community office.

The Community Engagement Committee (CEC) has again had a full year assisting the board and we appreciate the skills that the enthusiastic CEC volunteers bring to our company.

It has been necessary to re-evaluate our approach to the **Community Bank**[®] branch opportunities in Midland. During the year, Bendigo Bank concluded that conditions are not currently suitable for establishment of a new Midland **Community Bank**[®] Company and decided to withdraw their support from the existing project. This was naturally disappointing, but was a consequence of the general downturn in the Western Australian economy and resulting slow pace in attracting financial support and a business book for a new **Community Bank**[®] branch. Currently, the Board is undertaking a general review of new business opportunities, including the potential market in Midland. Alternative methods of offering our services to customers in Midland and other surrounding areas are currently under development.

Chairman's report (continued)

The Board has welcomed a new member, who was recruited following public advertisement in the local press. Fran Berry was selected from an exceptionally strong field of candidates and brings extensive marketing skills to the Board. As Chairman, I would like to thank all fellow Board members for their energy, enthusiasm and support throughout the year.

Finally, on behalf of the Board, I would like to thank all our shareholders for their continuing support of the company and our community. We look forward to seeing you at the AGM.



Richard Stuart
Chairman

Bendigo and Adelaide Bank report

For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank**[®] branches.

The initial aim was to return traditional bank branches to regional community.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank**[®] communities in every state and territory of Australia.

The statistics are impressive:

- More than \$148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than \$38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank**[®] companies.

- Aged care
- Youth disengagement
- Homelessness
- Domestic and family violence
- Mental health
- Unemployment
- Environment

I have no doubt that your **Community Bank**[®] company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank**[®] branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers... and the list goes on.

As **Community Bank**[®] company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**[®] branch the success it is today.

To every single one of our 1,900-plus **Community Bank**[®] company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank**[®] community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank**[®] community can achieve.



Robert Musgrove
Executive Community Engagement

Manager's report

For year ending 30 June 2016



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

I believe the staff consistently perform above expectations, so I would like to acknowledge and thank Ann, Leanne, Denise, Heidi, Mariana, Rebecca, Taryn, Penny and Kiera who joined us earlier this year following Sandra leaving to spend more time with her young family.

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 a credit to them both.

Yes, it certainly has been a difficult 12 months given the state of the economy, and the general uncertainty surrounding it, however with that there are many opportunities for customers to look at investment opportunities.

Our goals over the next 12 months are not only to increase account numbers and the savings and lending portfolio, but to also increase products per customer through our wealth and insurance products.

On behalf of the staff, and myself I would like to extend our appreciation to you, the shareholders. Your investment and commitment has made it all possible.

And finally, if you have family or friends who are yet to experience the service we offer please tell them and encourage them to come in and say "hello".

Thank you,

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

Gerry Toovey
Manager



Community Office report

For year ending 30 June 2016



Karen and Andrea in the 'Treehouse' Board Room.

The 2015/16 financial year has been a very challenging one for the Community Office. We had a major change in our Community Investment Strategy and we opened "The Treehouse." These changes, together with our increased community presence at local events have kept Andrea, the Community Engagement Committee and myself very busy.

The major change to the Community Investment Strategy was the implementation of bi-annual grant rounds. Previously our funds were distributed in an ad-hoc manner throughout the year, now we have two grant rounds; one in Spring and one in Autumn. This allows for a more equitable assessment of applications and

it reduces administration time. We also get better exposure as all our grant recipients attend a 'Grant Presentation Evening' which is covered by local media. These evenings have been a wonderful success, receiving great feedback from all those involved. Not only do each group have their photo taken with the Board members, they are given the opportunity to promote their event or organisation and network with other community groups. Catering was provided by the hospitality students from Eastern Hills Senior High School and the evening held at the Mundaring Sporting Club, a long term partner of the Mundaring **Community Bank**[®] Branch.

We have continued our Youth Focus with Community Endeavour Awards given to 12 local primary schools and The Bendigo Youth Ambassador Scholarships of \$500 given to four local high school students. One of the inaugural winners of the Scholarships spoke at our 2015 Annual General Meeting to express her gratitude and describe the positive impact the scholarship made on her education.

With the success of the Mundaring Chamber of Commerce working from our office it was decided to expand this opportunity to the whole community and so "The Treehouse Business Centre" was created. Our boardroom and spare desks are available for hire plus we can provide printing and other business support services. Revenue from 'The Treehouse' helps offset the cost of the Community Office and therefore flows back into the community. Please feel free to check out our website www.treehousemundaring.com.au or drop in and say hello.

Karen Beale
Community Engagement Manager



Groups supported

Spring 2015 Grant Round

Recipients

Glen Forrest Christmas Gathering
Darlington Tennis Club
Darlington Arts Festival
Shire of Mundaring – Cinema under Starlight
The Bridge Between
Helena Valley Primary School P&C
Glen Forrest Community Garden
Gidgegannup Horse & Pony Club
Swan Harmony Singers
Mundaring Community Men's Shed
Sawyers Valley Playgroup
Hills Lions Basketball Club
Chidlow Progress Association
Gidgegannup Primary School P&C
Eastern Hills Hornets T-Ball & Baseball

Contribution towards

Community Carol's event
Purchase of a Defibrillator
Support of Youth activities at DAF
Provision of free popcorn to attendees
Advertising and Photo printing costs
Entertainment at the school fete
Plumbing to install an on-site tap
Prizes for events at Gidgegannup Ag Show
Hire of halls for their 3 events
Purchase of a Defibrillator
Fundraising event
Purchase of new uniforms
Community Carols event
Development of a music garden
Purchase of new equipment and training

Autumn 2016 Grant Round

Recipients

Experience Gidgegannup
Hills Choir
Hannah Goodley – Individual
Gooseberry Hill Arts & Crafts
Honey Festival
Glen Forrest Primary School P&C
Mount Helena Tennis Club
Mundaring Senior Football Club
Hills Football Association
Mundaring Tennis Club
Gidgegannup Horse & Pony Club
Glen Forrest Residents & Ratepayers
Eastern Hills Senior High School
Wundowie Golf Club
Mundaring Senior Citizens
Mundaring Hills Historical Society
Mt Helena Volunteer Bush Fire Brigade
Gidgegannup Recreation Centre

Contribution towards

Gidgegannup Small Farm Field Day expenses
Ongoing running costs including Insurance
World Challenge
New signage
Expenses to do with the Honey Festival
School Fete
Ongoing costs including Insurance
Annual Quiz Night
Umpires uniforms
Purchase of a new fridge
Prizes for events at Gidgegannup CNC
Towards new bench seating at the Reserve
Towards computer programme
Expenses relating to Mens' & Ladies' Golf days
Purchase of new uniforms
Purchase of computer software
Purchase of a Thermal Imaging Camera
Underground pump project

Groups supported (continued)



Spring 2015 Grant Round Recipients.

Other

Recipients

Hills Football Association
Hills Junior Football
12 Local Primary Schools
2 Local High Schools
Katherine Susannah Pritchard
Seen & Heard
Hills Rangers Football Club

Contribution towards

Game balls for each game held in 2016
Game balls for each team in each club for 2016
Endeavour Award for graduating student
Youth Ambassador Scholarships - Year 10 students
Writing Awards
Quick Flicks Festival
Start-up sponsorship



Hills Rangers Football Team.

Science Quest winners
– Sammy Scott, Jemma Hiscox, Veronica Stevens and Cody O'Brien from Darlington Primary School.



Groups supported (continued)

In-kind Support

Recipients

Mundaring Chamber of Commerce
 Darlington Concerts
 Hills Symphony Orchestra
 Wundowie Golf Club
 Mundaring in Transition/Hills Sustainability Group
 Eastern Hills Horse & Pony Club
 Darlington Pony Club
 Mundaring Primary School
 Hills Rangers Football Club
 Glen Forrest Primary School

Provision of:

Office space, printing, ticket sales, business cards
 Desktop publishing, printing, tickets and sales
 Printing, tickets and sales
 Desktop publishing, printing
 Printing, EFTPOS facilities
 EFTPOS facilities
 EFTPOS facilities
 EFTPOS facilities
 Printing, EFTPOS facilities
 EFTPOS facilities, printing, advertising



Piggy with Mundaring Community Men's Shed members at Whim Festival.

Helena Valley Primary School	EFTPOS facilities
Glen Forrest Netball Club	EFTPOS facilities
Chidlow Netball Club	EFTPOS facilities, printing
Mundaring Netball Club	EFTPOS facilities, printing
Mundaring Junior Football Club	EFTPOS facilities, printing
Darlington Junior Football Club	EFTPOS facilities, printing
Mount Helena Junior Football Club	EFTPOS facilities
Toastmasters	Market stall
Hills Education Network	Bank vouchers and merchandise
Hills Lions Netball Club	EFTPOS facilities
Gooseberry Hill Arts & Crafts	EFTPOS facilities, printing
Honey Festival Inc	EFTPOS facilities, printing, advertising
EH Branch of Wildflower Society of WA	EFTPOS facilities, printing
Gidgegannup Small Farm Field Day	Market stall, printing
Sarah Jane Dance Academy	EFTPOS facilities, printing
Wundowie St John Ambulance & Fire Rescue	EFTPOS facilities
Mundaring Senior Football Club	EFTPOS, desktop publishing, printing, merchandise
Mt Helena Playgroup & Community Kindergarten	Market stall
Hills Lions Basketball Club	EFTPOS facilities
Panthers Basketball Club	EFTPOS facilities, printing
Chidlow Basketball Club	EFTPOS facilities

Groups supported (continued)

EH Hornets Teeball & Baseball Club	EFTPOS facilities
Glen Forrest Junior Cricket Club	EFTPOS facilities
Parkerville Junior Cricket Club	EFTPOS facilities, merchandise
Mount Helena Little Athletics Club	EFTPOS facilities
Hills Football Association	EFTPOS facilities
Mundaring Sharing Inc	EFTPOS facilities
Mount Helena Residents & Ratepayers	Market stall, desktop publishing, printing
Swan Community Choir	Printing, tickets and sales
WA Practice Nurses Association	Desktop publishing, printing, phone bookings & payments
Rotary Club of Mundaring	Printing



Arthur Maddison with Amy Lyon, President Mount Helena Junior Football Club.



Piggy visiting the Bush Fire preparedness stall.

Hills Choir	Desktop publishing, printing, tickets and sales
Glen Forrest Community Garden	Printing
El Caballo Golf Club	Desktop publishing, printing
The Bridge Between	Market Stall, printing, EFTPOS facilities
Wheels	Printing
Chidlow Progress Association	Desktop publishing, printing
Stoneville Volunteer Bushfire Brigade	Printing
Mt Helena Tennis Club	Desktop publishing, printing
Eastern Hills Masters Football Club	Printing, merchandise
Gidgegannup Volunteer Bushfire Brigade	Desktop publishing, printing
Mundaring Community Men's Shed	Desktop publishing, printing, business cards, buns
Swan Emergency Accommodation	Sausage sizzle
Hills Junior Hockey Club	Printing
Darlington Arts Festival	Printing
Mundaring Senior Citizens Associations	Desktop publishing, printing
Darlington Theatre Players Inc	Auslan Interpreter

Directors' report

For the financial year ended 30 June 2016

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

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

Interest in shares: 500



Charles Matthew Yacopetti

Vice-Chairman

Occupation: Geoscientist & Executive Director

Qualifications, experience and expertise: 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

Director and Company 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 is Director and Company Secretary of the Hall of Fame Ltd as trustee for the Australian Prospectors and Miners Hall of Fame Foundation. 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 was co chair of the Midland Community Branch Project committee.

Special responsibilities: Audit and Governance Committee, Co-Chair Midland **Community Bank**® Project.

Interest in shares: 3,000

Directors' report (continued)

Directors (continued)



Arthur Robert Maddison

Director

Occupation: Retired

Qualifications, experience and expertise: 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.

Special responsibilities: Audit and Governance Committee.

Interest in shares: 10,700



Peter Francis Hackett

Director

Occupation: Semi-retired

Qualifications, experience and expertise: Peter Hackett is a 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 and ham radio operator. He also plays bass guitar in a number of local bands, and was a committee member on the Midland **Community Bank**® Project committee.

Special responsibilities: Sponsorship Committee, MCFS representative on Midland **Community Bank** Project.

Interest in shares: 500



Benjamin Peter Fillery

Director

Occupation: Business Development Manager

Qualifications, experience and expertise: Ben has over 12 years experience in the sales and marketing and is currently employed as a Business Development Manager 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 son's football team.

Interest in shares: 100



Tara Lee Herbert

Director

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 local primary school 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: 100

Directors' report (continued)

Directors (continued)



Susan Elisabeth Fox-Mooney

Director

Occupation: Tax Consultant

Qualifications, experience and expertise: Susie has lived in Glen Forrest since she emigrated from the UK in 2005. She is Vice-President 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 Mundaring Christian 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

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. 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: 300



Frances Jessica Berry

Director (Appointed 6 July 2016)

Occupation: Owner/Operator

Qualifications, experience and expertise: Fran has been involved in running her own businesses for 31 years. Her education includes a Masters in Organisational Development with Applied Coaching and NLP, Bachelor Degrees in Organisational Development and Organisational Psychology, Ass Arts Degree in Performance Arts. Fran is the director and program developer for Alive and Kicking Solutions an international training and development company specialising in human interaction and development. Fran and her husband also own and operate the Chidlow Tavern. The couple are dedicated to the success and development of the Perth Hills and are strong advocates for supporting local business and community engagement projects.

Interest in shares: Nil

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

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

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 is also a Director and Company Secretary of the Hall of Fame Ltd the Trustee of the Australian Prospectors and Miners Hall of Fame Foundation.

Principal Activities

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

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

Operating results

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

Year ended 30 June 2016 \$	Year ended 30 June 2015 \$
(14,733)	(16,982)

Dividends

	Year ended 30 June 2016	
	Cents	\$
Final dividends recommended:	6	33,942
Dividends paid in the year:		
- As recommended in the prior year report	6	33,942

Significant changes in the state of affairs

During the year, interest rates have continued to fall, leading to a general reduction of margin income. As a result of these factors the company's revenue has reduced by 6% 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 an 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.

Directors' report (continued)

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 22 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

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	-	-	-	-
Matthew Charles Yacopetti	11	9	3	3	1	1
James Edward Saunders	11	10	-	-	2	2
Arthur Robert Maddison	11	10	-	-	2	2
Peter Francis Hackett	11	10	3	3	-	-
Benjamin Peter Fillery	11	8	3	2	-	-
Tara Lee Herbert	11	10	3	2	-	-
Susan Elisabeth Fox-Mooney	11	11	-	-	2	2
David Alan Earnshaw	11	6	-	-	-	-
Frances Jessica Berry (Appointed 6 July 2016)	-	-	-	-	-	-

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.

Directors' report (continued)

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 and governance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

- all non-audit services have been reviewed by the audit and governance 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.

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 20.

Signed in accordance with a resolution of the board of directors at Mundaring, Western Australian on 3 August 2016.



Richard James Stuart,
Chairman

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 2016, 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'.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 3 August 2016

A handwritten signature in black ink, appearing to read 'David Hutchings'.

David Hutchings
Lead Auditor

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

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	4	1,360,230	1,449,963
Employee benefits expense	5	(919,779)	(942,787)
Charitable donations, sponsorship, advertising and promotion		(77,496)	(118,036)
Occupancy and associated costs		(137,159)	(134,703)
Systems costs		(27,037)	(26,532)
Depreciation and amortisation expense	5	(44,315)	(48,353)
General administration expenses		(172,746)	(200,638)
Loss before income tax		(18,302)	(21,086)
Income tax credit	6	3,569	4,104
Loss after income tax		(14,733)	(16,982)
Total comprehensive income for the year		(14,733)	(16,982)
Earnings per share on loss attributable to the ordinary shareholders of the company:			
		¢	¢
Basic earnings per share from loss for the period:	23	(2.6)	(3)

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,123,349	1,121,319
Trade and other receivables	8	145,332	139,632
Other assets	9	20,000	20,000
Current tax asset	12	4,000	15,000
Total Current Assets		1,292,681	1,295,951
Non-Current Assets			
Other assets	9	25,000	45,000
Property, plant and equipment	10	127,765	128,127
Intangible assets	11	5,832	15,838
Deferred tax asset	12	45,814	42,245
Total Non-Current Assets		204,411	231,210
Total Assets		1,497,092	1,527,161
LIABILITIES			
Current Liabilities			
Trade and other payables	13	112,325	113,424
Provisions	14	140,053	122,617
Total Current Liabilities		252,378	236,041
Non-Current Liabilities			
Provisions	14	19,763	17,494
Total Non-Current Liabilities		19,763	17,494
Total Liabilities		272,141	253,535
Net Assets		1,224,951	1,273,626
Equity			
Issued capital	15	559,585	559,585
Retained earnings	16	665,366	714,041
Total Equity		1,224,951	1,273,626

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2016

	Issued capital \$	Retained earnings \$	Total equity \$
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
Balance at 1 July 2015	559,585	714,041	1,273,626
Total comprehensive income for the year	-	(14,733)	(14,733)
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 2016	559,585	665,366	1,224,951

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		1,484,658	1,572,034
Payments to suppliers and employees		(1,493,504)	(1,601,531)
Interest received		29,014	24,049
Income taxes paid		30,705	69,061
Net cash provided by operating activities	17	50,873	63,613
Cash flows from investing activities			
Payments for property, plant and equipment		(45,337)	(123,704)
Proceeds for property, plant and equipment		10,436	-
Repayment of loan		20,000	20,000
Net cash used in investing activities		(14,901)	(103,704)
Cash flows from financing activities			
Dividends paid		(33,942)	(67,884)
Net cash used in financing activities		(33,942)	(67,884)
Net increase/(decrease) in cash held		2,030	(107,975)
Cash and cash equivalents at the beginning of the financial year		1,121,319	1,229,294
Cash and cash equivalents at the end of the financial year	7(a)	1,123,349	1,121,319

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

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 issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, 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.

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)

	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 2018
AASB 16 Leases	1 January 2019
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 2018
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 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

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 2015. 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

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

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

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

b) Revenue

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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.

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.

The Board is yet to appreciate the full impact of the above changes on our revenue moving forward. We would anticipate that by the time of this year's AGM we will be able to inform our shareholders of the likely outcomes of the new model.

The Board is continuing to work with Bendigo and Adelaide Bank Ltd to understand any potential changes to revenue and will provide further details as appropriate in due course.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

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.

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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.

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.

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2016 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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	1,331,819	1,414,877
- other revenue	486	2,265
Total revenue from operating activities	1,332,305	1,417,142
Non-operating activities:		
- interest received	26,077	31,118
- other revenue	1,848	1,703
Total revenue from non-operating activities	27,925	32,821
Total revenues from ordinary activities	1,360,230	1,449,963

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	9,549	12,321
- leasehold improvements	17,767	19,720
- motor vehicles	6,993	6,312

Amortisation of non-current assets:

- franchise fee	10,006	10,000
	44,315	48,353

Bad debts	1,190	1,519
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Loss on disposal of non-current assets	954	-
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Employee benefits expense:

- Core operating activities	877,024	942,787
- Providing and facilitating community benefits	42,755	-
	919,779	942,787

Employee benefits expense is made up of employee costs incurred in branch banking operations and also in providing and facilitating community benefits. A comparative breakdown was not available for the previous year, as it was not separately tracked. The directors believe that wages relating to community activity is likely to be equal to or greater than this years amount due to the level of engagement the staff had supporting the community as a result of the Parkerville bushfire.

Notes to the financial statements (continued)

	Note	2016 \$	2015 \$
Note 6. Income tax credit			
The components of tax credit comprise:			
- Future income tax benefit attributable to losses		(1,982)	(5,459)
- Movement in deferred tax		878	(868)
- Adjustment to deferred tax to reflect change to tax rate in future periods		1,666	2,223
- Over provision in respect to prior years		(4,131)	-
		(3,569)	(4,104)
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows			
Operating loss		(18,302)	(21,086)
Prima facie tax on loss from ordinary activities at 28.5% (2015: 30%)		(5,216)	(6,326)
Add tax effect of:			
- non-deductible expenses		272	-
- timing difference expenses		2,962	867
		(1,982)	(5,459)
Movement in deferred tax		878	(868)
Adjustment to deferred tax to reflect change of tax rate in future periods		1,666	2,223
Over provision in respect to prior years		(4,131)	-
	12	(3,569)	(4,104)

Note 7. Cash and cash equivalents

Cash at bank and on hand	172,571	221,319
Term deposits	950,778	900,000
	1,123,349	1,121,319

Note 7.(a) Reconciliation to cash flow statement

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

Cash at bank and on hand	172,571	221,319
Term deposits	950,778	900,000
	1,123,349	1,121,319

Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 8. Trade and other receivables		
Trade receivables	108,161	107,826
Prepayments	27,577	2,700
Other receivables and accruals	9,594	29,106
	145,332	139,632

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	25,000	45,000
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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	200,043	195,525
Less accumulated depreciation	(120,556)	(102,789)
	79,487	92,736

Plant and equipment

At cost	237,252	236,862
Less accumulated depreciation	(226,406)	(216,856)
	10,846	20,006

Motor vehicles

At cost	40,430	31,470
Less accumulated depreciation	(2,998)	(16,085)
	37,432	15,385

Total written down amount	127,765	128,127
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Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 10. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	92,737	112,456
Additions	4,518	-
Disposals	-	-
Less: depreciation expense	(17,767)	(19,719)
Carrying amount at end	79,488	92,737
Plant and equipment		
Carrying amount at beginning	20,006	32,259
Additions	390	-
Disposals	-	-
Less: depreciation expense	(9,550)	(12,253)
Carrying amount at end	10,846	20,006
Motor vehicles		
Carrying amount at beginning	15,384	21,763
Additions	40,430	-
Disposals	(11,390)	-
Less: depreciation expense	(6,993)	(6,379)
Carrying amount at end	37,431	15,384
Total written down amount	127,765	128,127

Note 11. Intangible assets

Franchise fee		
At cost	150,000	150,000
Less: accumulated amortisation	(144,168)	(134,162)
	5,832	15,838
Total written down amount	5,832	15,838

Note 12. Tax

Current:

Income tax refundable	4,000	15,000
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Notes to the financial statements (continued)

	2016 \$	2015 \$
Note 12. Tax (continued)		
Non-Current:		
Deferred tax assets		
- accruals	946	698
- employee provisions	43,949	39,932
- tax losses carried forward	10,904	5,186
	55,799	45,816
Deferred tax liability		
- accruals	2,638	3,571
- other	7,347	-
	9,985	3,571
Net deferred tax asset	45,814	42,245
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(3,569)	(4,104)

Note 13. Trade and other payables

Current:		
Trade creditors	2,480	7,639
Other creditors and accruals	109,845	105,785
	112,325	113,424

Note 14. Provisions

Current:		
Provision for annual leave	54,130	44,354
Provision for long service leave	85,923	78,263
	140,053	122,617
Non-Current:		
Provision for long service leave	19,763	17,494

Note 15. Contributed equity

565,700 ordinary shares fully paid (2015: 565,700)	565,700	565,700
Less: equity raising expenses	(6,115)	(6,115)
	559,585	559,585

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

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.

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 659 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.

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

Prohibited shareholding interest (continued)

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.

	2016 \$	2015 \$
Note 16. Retained earnings		
Balance at the beginning of the financial year	714,041	764,965
Net loss from ordinary activities after income tax	(14,733)	(16,982)
Dividends paid or provided for	(33,942)	(33,942)
Balance at the end of the financial year	665,366	714,041

Note 17. Statement of cash flows

Reconciliation of loss from ordinary activities after tax to net cash provided by operating activities

Loss from ordinary activities after income tax	(14,733)	(16,982)
Non cash items:		
- depreciation	34,309	38,353
- amortisation	10,006	10,000
- payments for plant and equipment	-	123,704
- loss on disposal of non current assets	954	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(5,700)	10,426
- (increase)/decrease in other assets	7,431	(1,288)
- increase/(decrease) in payables	(1,099)	(112,469)
- increase/(decrease) in provisions	19,705	13,508
- increase/(decrease) in current tax liabilities	-	(1,639)
Net cash flows provided by operating activities	50,873	63,613

Notes to the financial statements (continued)

	2016 \$	2015 \$
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	63,174	81,680
- between 12 months and 5 years	26,583	89,757
- greater than 5 years	-	-
	89,757	171,437

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 Canon photocopier is a non-cancellable lease with a four-year term expiring 10 July 2019, with rent payable monthly in advance.

	2016 \$	2015 \$
Note 19. Auditor's remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,100	1,500
- other non audit services	2,115	750
	6,215	2,250

Note 20. Director and related party disclosures

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

Richard James Stuart
Matthew Charles Yacopetti
James Edward Saunders
Arthur Robert Maddison
Peter Francis Hackett
Benjamin Peter Fillery
Tara Lee Herbert
Susan Elisabeth Fox-Mooney
David Alan Earnshaw
Frances Jessica Berry (Appointed 6 July 2016)

Notes to the financial statements (continued)

Note 20. Director and related party disclosures (continued)

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

	2016 \$	2015 \$
Transactions with related parties:		
Jeasdel Pty Ltd a company controlled by James Edward Saunders provided accounting services	455	429
Gerard Alexander Tonks provided accounting services and his wife provided administration services.	-	960

	2016	2015
Directors' shareholdings		
Richard James Stuart	500	500
Matthew Charles Yacopetti	-	-
James Edward Saunders (a)	3,000	3,000
Arthur Robert Maddison	10,700	10,700
Peter Francis Hackett	500	500
Benjamin Peter Fillery	100	100
Tara Lee Herbert	100	-
Susan Elisabeth Fox-Mooney	100	100
David Alan Earnshaw	300	-
Frances Jessica Berry (Appointed 6 July 2016)	-	-

Note a) the holding is via Yeovil Holdings Pty Ltd as trustee of a Family Trust in which Mr Saunders has an interest.

There was no movement in directors shareholdings during the year.

	2016 \$	2015 \$
Note 21. Dividends paid or provided		
a. Dividends paid during the year		
Prior year proposed final		
2016 100% (2015: 100%) franked dividend - 6 cents (2015: 12 cents) per share	33,942	67,884

Notes to the financial statements (continued)

	2016 \$	2015 \$
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Note 21. Dividends paid or provided (continued)

b. Dividends proposed and recognised as a liability

Current year final dividend		
2016 100% (2015: 100%) franked dividend - 6 cents (2015: 6 cents) per share	33,942	33,942

The tax rate at which dividends have been franked is 30% (2015: 30%).

Dividends proposed will be franked at a rate of 30% (2015: 30%).

c. Franking account balance

Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	458,629	484,176
- franking debits that will arise from refund of income tax as at the end of the financial year	(4,000)	(15,000)
- 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:	454,629	469,176
- 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	454,629	469,176

Note 22. Key Management Personnel Disclosures

The directors received remuneration including superannuation, as follows:

Richard James Stuart	4,000	3,000
Matthew Charles Yacopetti	2,000	2,000
James Edward Saunders	2,000	2,000
Arthur Robert Maddison	2,000	3,000
Peter Francis Hackett	2,000	2,000
Benjamin Peter Fillery	2,000	1,000
Tara Lee Herbert	2,000	1,000
Susan Elisabeth Fox-Mooney	2,000	1,000
David Alan Earnshaw	2,000	1,000
Frances Jessica Berry (Appointed 6 July 2016)	-	-
	20,000	16,000

Notes to the financial statements (continued)

Note 22. Key Management Personnel Disclosures (continued)

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 \$680 for the year ended 30 June 2016 (2015: \$nil).

	2016	2015
	\$	\$

Note 23. Earnings per share

(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(14,733)	(16,982)
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	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	565,700	565,700

Note 24. 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 25. 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 26. 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 2016 total commitments would be \$101,000, (2015 \$110,000).

Note 27. 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 28. Registered office/Principal place of business

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

Registered Office

6945 Great Eastern Highway
Mundaring WA 6073

Principal Place of Business

6945 Great Eastern Highway
Mundaring WA 6073

Note 29. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 %	2015 %
Financial assets												
Cash and cash equivalents	172,571	220,819	950,778	900,000	-	-	-	-	-	500	2.36	2.83
Receivables	-	-	20,000	20,000	25,000	45,000	-	-	108,161	107,826	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	112,325	113,424	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 29. 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 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2016	2015
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	11,233	11,208
Decrease in interest rate by 1%	11,233	11,208
Change in equity		
Increase in interest rate by 1%	11,233	11,208
Decrease in interest rate by 1%	11,233	11,208

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 2016 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.

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



Richard James Stuart,
Chairman

Signed on the 3rd of August 2016.

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 2016, 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.

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

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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 2016 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.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 3 August 2016



David Hutchings
Lead Auditor

Mundaring **Community Bank**[®] Branch
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