



# Annual Report 2017

Mundaring Community  
Financial Services Ltd

ABN 63 097 289 677

Mundaring **Community Bank**® Branch

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Shire President, David Lavell receiving the \$100,000 cheque from Richard Stuart and Gerry Toovey.



Karen Beale and Andrea Southam with one of the Hills Rangers Girls' Teams



Wheels group proudly displaying their new banner.

# Chairman's report

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For year ending 30 June 2017



Mundaring Community Financial Services Ltd is pleased to present the 2017 Annual Report. During the year the company achieved its 15th anniversary, which was celebrated in February at a very successful Mundaring Twilight Market event.

Our branch and community office staff continue to be a credit to the company, serving our customers and community partners throughout the year. They have continued to work hard to increase revenue, both through sales of Bendigo banking products and provision of support services to other community banks and local businesses.

This has been the first year of the revised margin share model, introduced by Bendigo on 1st July 2016. The impact on our company's income has been positive, despite the challenging nature of trading conditions. We have been able to provide financial and in kind support to the community to a total value of \$245,462 (2016 \$120,251). This included a contribution of \$100,000 to the new Mundaring Arena, currently under construction. This latter contribution was pledged some years ago from previous profits, and was paid and expensed in this year's accounts. Despite this significant additional

expense and the cost of the additional Business Development Managers in the later part of the year, the company made a small profit of \$2,525.

The Community Engagement Committee (CEC) continues its work of assisting the Board and spreading our message through the community. We are pleased to see new volunteers stepping forward to boost the CEC and add to its effectiveness.

During the year the Board agreed a new business expansion strategy, based on the philosophy of taking our services to new customers. We are seeking to expand our customer base both in our existing area of operations and in new regions including the Greater Midland area. In April, two mobile Business Development Managers were employed to support the strategy and they have been busy developing referral sources and enrolling potential new customers. Although one of them subsequently left us to take up a management role elsewhere in the Bendigo network, the momentum continues and a pipeline of potential new sales opportunities is building up.

Earlier this year, David Earnshaw resigned from the Board due to pressure of work from his many other business and community activities. We would like to thank David for his service and professional input to the Board.

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 you joining us at the AGM

**Dr Richard Stuart**  
**Chairman**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2017

As we approach 20 years since the first **Community Bank**<sup>®</sup> branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank**<sup>®</sup> funded centres.
- Continue their education thanks to a **Community Bank**<sup>®</sup> scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank**<sup>®</sup> grant.
- Reap the environmental benefits of **Community Bank**<sup>®</sup> funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank**<sup>®</sup> branch.

In fact, since the model's inception your investment in local communities exceeds \$165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank**<sup>®</sup> model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank**<sup>®</sup> model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

## Bendigo and Adelaide Bank report (continued)

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So thank you for your investment in your local **Community Bank**<sup>®</sup> company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank**<sup>®</sup> branches would be just another bank.



**Robert Musgrove**  
**Executive Engagement Innovation**

# Manager's report

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For year ending 30 June 2017



Wow where did that twelve months go?

Let's look at some numbers.

## Accounts

Account numbers have grown by 422 to 12,037 for the year which is a solid result given we are 15 years young. I am also pleased with customer numbers which have grown to 8,469 which means a further 272 customers have transferred their banking to us this year.

## Portfolio

Portfolio which is a total of deposits and loans has grown \$6m for the year to \$216m. This is again a solid result given current low interest rate environment in which many of our customers have taken the opportunity to reduce debt. There is also strong competition for Deposit funds.

## Staff

During the past twelve months we recruited Zac Arslanovski as a Business Development Manager. Zac's mandate is to gain more business for us in the Home Loan market and to this end we have put in place a number of strategies.

## Aims for 2017/18

Our aim over the next twelve months will again be not only to increase account numbers and the portfolio but to also increase products per customer through our wealth and insurance products. If we can help our customers grow their wealth and protect them through various insurance options like superannuation, income protection, death cover, home, vehicle and travel insurance I will be a happy man.

A very important component of that is getting the opportunity to look at increasing our Home Loan Portfolio.

So if you would like to:

- Check your insurance policy to see how it compares. Drop in to the branch or call us on 9295 0744.
- Encourage family and friends to give us a go for Investment property loans and do a health check on their current home loan.
- Know someone looking to move to the Hills, introduce us.

Heidi, Denise, Gerry raising funds for  
Purple Bra Day



## Manager's report (continued)

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

The staff work very hard and consistently perform above expectations, so I would like to acknowledge and thank Ann, Leanne, Denise, Heidi, Mariana, Rebecca, Taryn, Kiera and Penny.

I would like to acknowledge the hardworking Board members. They support and promote the business at every opportunity and provide us with an excellent environment in which to work.

The work that Karen and Andrea do from our corporate office together with their community involvement has again been a great support to us all.

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

Richard, our Chairman, will talk about how you as shareholders have made a difference to the Hills Community.

Thank You



**Gerry Toovey**  
Manager



Gerry, Rebecca, Heidi, Taryn, Penny, Keira, Denise and Ann

# Community Office report

For year ending 30 June 2017



Andrea and Karen at the Treehouse

What an exciting year we have had! In February, we celebrated our 15<sup>th</sup> Birthday with a huge Twilight Market held around Sculpture Park and Nichol Street. This was a collaborative effort with the Rotary Club of Mundaring and the Shire of Mundaring. There were over 140 stalls and we estimated around 4,000 people turned out to celebrate with us, despite the unseasonal weather. We provided free entertainment from the Hills Big Band and The Chidlow All Stars and the kids were kept busy with the Bubble Show and face painting. We invited 10 community groups to hold a stall to promote their club and highlight their ongoing partnerships with Mundaring **Community Bank**<sup>®</sup>. Even the food vendors, all running out of stock, provided a bonus to local restaurants and takeaways who stayed open to cater for the enormous crowds. Discussions are now under way to make this an annual event.

At the Markets, Richard and Gerry were delighted to present a cheque for \$100,000 to Shire President David Lavell for our contribution towards the Mundaring Arena. Hills residents have campaigned over many years to get an indoor sports stadium and it is thanks to our customers who provided the seed funding along with the local sporting clubs which enabled the Shire to secure State and Federal Government funds to build this state of the art arena. We look forward to the

official opening later this year and the first sporting fixtures in January 2018.

Community events don't happen without the time and effort provided by dedicated volunteers. Whether it is Twilight Markets or the Honey Festival, our office could not manage without the support of our Community Engagement Committee. Numbers have fluctuated since we started the committee in 2014 however we have three members who have been with us since the beginning and who continue to give their heart and soul into every event, they are Julia Hewson, Bob Henfrey and Nicola Smith. Julia managed our Community Connect Shop in Sawyers Valley during our Bushfire recovery. We met Bob through our partnership with El Caballo Golf Club and Nicola is one of the driving forces behind the Gidgegannup Small Farm Field Day. We value their passion and their knowledge of the Hills Community, Bob and Nicola even sit on our Sponsorship Sub Committee.

In closing we would like to thank all of our customers and shareholders who have made it possible for Mundaring **Community Bank**<sup>®</sup> to contribute over \$1.7 million in community support since we opened in 2002. A pretty amazing achievement.

**Karen Beale**  
Executive Officer



**THE TREEHOUSE**  
Business Centre  
— A Mundaring Community Bank Branch Service Bank Initiative —

# Groups supported

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## Spring 2016 Grant Round

### Recipients

Glen Forrest Christmas Gathering  
Glen Forrest Junior Cricket Club  
Gidgegannup Horse & Pony Club  
Darlington Concerts  
Swan View Ag & Arts Show  
Mundaring Golf Club  
Glen Forrest Bowling Club  
Sacred Heart Primary School P&F  
Chidlow Progress Association  
Clayton View Primary School  
Mundaring Folk & Blues Club  
Parkerville Junior Cricket Club  
Glen Forrest Community Garden  
Mundaring & Hills Historical Society  
Mundaring Woodturners  
Chei-Lani Bialobrodzki – Individual  
The Essentials Collective  
Mt Helena Primary School  
Eastern Hills Senior High School  
Perfectly Perth Hills Stories

### Contribution towards

Community Carol's event  
Gazebos and equipment  
Prizes for events at Gidgegannup Ag Show  
Soprano fees for Spring Concert  
Advertising costs  
Purchase of lawn mower  
Contribution towards globe replacement  
Entertainment for school market day  
Community Carols event  
Development of a nature play space  
Replacement of stage  
50% of costs of training sessions  
Funds to design and construct arbour  
New computer and server  
Replacement of tools  
Passport for Exchange Student  
Uniforms for volunteers  
School Fete  
Concrete near garden for accessibility  
Start-up funds for website and social media

## Autumn 2017 Grant Round

### Recipients

Experience Gidgegannup  
Hills Choir  
El Caballo Golf Club  
Perth Hills United  
Honey Festival  
Wundowie Golf Club  
West Gidge Volunteer Bush Fire Brigade  
Hills Football Association  
Darlington Scout Group  
Hills Big Band  
Mt Helena Tennis Club  
Swan View Primary School  
Tail End Charlie the Tractor Heritage  
Eastern Hills Hornets Teeball & Baseball  
Parkerville Senior Football Club  
Eastern Hills SHS Concert Band

### Contribution towards

Gidgegannup Small Farm Field Day expenses  
Insurance costs and Sheet Music  
Defibrillator  
New demountable change room facility  
Expenses related to the Honey Festival  
Annual open days for men and women's golf  
Electric Hose Rewind Reels for two vehicles  
Top-up of Umpires uniforms  
Provision of 2 marquees and cash for uniforms  
Purchase of instrument  
Upgrade of kitchen facilities  
Creation of Aboriginal Yarning Circle  
Public Liability Insurance for event  
Uniform shirts for events  
Goal post pads  
Towards uniforms

## Groups supported (continued)



Game balls provided for Hills Football Teams



Goal Post pads for Parkerville Senior Football Club

## Other

### Recipients

Hills Football Association  
Hills Junior Football  
12 Local Primary Schools  
2 Local High Schools  
Katherine Susannah Pritchard  
Darlington Arts Festival  
Seen & Heard  
Mundaring Firefighters  
Ripplebrook Equestrian  
Mundaring Sporting Club  
Yallabee Playgroup  
Mt Helena Primary School  
By the Book  
Darlington Volunteer Bush Fire Brigade  
Helena Valley Netball Club  
Perth Horse Trials  
Hills Rangers Football Club  
Madeleine Spanjers – Individual  
Mundaring Hotel Trail Blazzers  
Kai Cahill – Individual  
Joseph Chapman – Individual  
Glen Forrest Primary School  
Mundaring Senior Football Club  
Bailey Griffiths – Individual  
Gidgegannup Horse & Pony Club

### Contribution towards

Game balls for each game held in 2017  
Game balls for each team in each club for 2017  
Endeavour Award for graduating student  
Youth Ambassador Scholarships - Year 10 students  
Writing Awards  
Support of Youth activities at DAF  
Quick Flicks Festival  
Celebration event  
Costs of hosting a clinic in WA  
New uniforms for members  
Educational toys  
Provision of food for Sausage Sizzle fundraiser  
Xmas Lights winner  
Thermal Imaging Camera  
Uniforms  
Signage  
Terry Dillon Programme  
Youth Rodeo Assoc Finals in Texas  
Sponsorship of 100km walk for Oxfam  
Little League Championships  
Little League Championships  
Leader in Me Notice Board  
Annual Quiz Night  
Judo national championships  
Prizes for CNC events



Jay Crisp-Crow and Kendall Earnshaw receiving our big cheque to cover the start-up costs of Perth Hills Stories Website and Facebook page

# 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  
 Mount Helena Playgroup & Community Kindy  
 Mundaring Senior Football Club  
 Nepal Backpacker Medic Volunteer  
 Mundaring Primary School

### Provision of:

Office space, printing, ticket sales, business cards  
 Desktop publishing, printing, tickets and sales  
 Printing, tickets and sales  
 Desktop publishing, printing  
 Office usage, printing, EFTPOS facilities  
 Market stall, printing  
 EFTPOS facilities, printing, merchandise  
 Market Stall  
 EFTPOS facilities



1st Mundaring Scouts stall at the Twilight Markets



Hills Big Band Members, Peter Tate and Karina Lamont

Parkerville Junior Cricket Club  
 Panthers Basketball Club  
 Chidlow Basketball Club  
 EH Hornets Teeball & Baseball Club  
 Glen Forrest Junior Cricket Club  
 Panthers Basketball Club  
 Chidlow Basketball Club  
 EH Hornets Teeball & Baseball Club  
 Glen Forrest Junior Cricket Club  
 Darlington Sports & Recreation Assoc  
 Hills Lions Basketball Club  
 Mount Helena Little Athletics Club  
 Hills Football Association  
 Mount Helena Residents & Ratepayers  
 Youthcare  
 Silver Tree Steiner School  
 Glen Forrest Residents & Ratepayers Assoc  
 Gidgegannup Small Farm Field Day  
 Gidgegannup Agricultural Society  
 WA Practice Nurses Association  
 Rotary Club of Mundaring  
 Hills Choir

EFTPOS facilities, merchandise, printing  
 EFTPOS facilities, printing  
 EFTPOS facilities  
 EFTPOS facilities  
 EFTPOS facilities  
 EFTPOS facilities, printing  
 EFTPOS facilities  
 EFTPOS facilities  
 EFTPOS facilities  
 EFTPOS facilities, printing  
 EFTPOS facilities  
 EFTPOS facilities  
 EFTPOS facilities  
 Desktop publishing, printing  
 Market Stall  
 EFTPOS facilities  
 Office usage  
 Market stall, printing  
 EFTPOS facility  
 Desktop publishing, printing, bookings & payments  
 Printing, desktop publishing, business cards  
 Desktop publishing, market stall, printing, tickets

## Groups supported (continued)

Glen Forrest Community Garden  
 El Caballo Golf Club  
 Octagon Art Group  
 Gooseberry Hill Arts & Crafts  
 Honey Festival Inc  
 Mount Helena Primary School  
 Sawyers Valley Primary School

Printing  
 Desktop publishing, printing  
 EFTPOS facilities  
 EFTPOS facilities, printing  
 EFTPOS facilities, printing, advertising  
 EFTPOS facilities, printing  
 EFTPOS facilities



A Darlington Volunteer Bush Fire Brigade member utilising the Digital Imaging Camera we contributed to.  
 Photo courtesy of Ricky Harvey.

Hills Rangers Football Club  
 Glen Forrest Primary School  
 Helena Valley Primary School  
 Chidlow Netball Club  
 Mundaring Netball Club  
 Mundaring Junior Football Club  
 Darlington Junior Football Club  
 Gidgegannup Junior Football Club

Printing, EFTPOS facilities  
 EFTPOS facilities, printing, advertising  
 EFTPOS facilities  
 EFTPOS facilities, printing  
 EFTPOS facilities, printing  
 EFTPOS facilities, printing  
 EFTPOS facilities, printing  
 EFTPOS facilities

The Hills Choir members taking advantage of the free Market Stall we provide at the Rotary Mundaring Sunday Markets.



## Groups supported (continued)

Parkerville Junior Football Club	EFTPOS facilities, printing
Mount Helena Junior Football Club	EFTPOS facilities
Hills Education Network	Bank vouchers and merchandise
Hills Lions Netball Club	EFTPOS facilities
EH Branch of Wildflower Society of WA	EFTPOS facilities, printing
Eastern Hills SHS Concert Band	Market Stall
Chidlow & Districts RSL Sub Branch	Printing
Wheels	Printing
Swan Harmony Singers	Printing
Eastern Hills Hockey	Printing
Chidlow Progress Association	Desktop publishing, printing
Mount Helena Tennis Club	Desktop publishing, printing
Eastern Hills Masters Football Club	Printing, merchandise
Mundaring Community Men's Shed	Desktop publishing, printing, business cards, banner
Darlington Arts Festival	Printing
Mundaring Senior Citizens Associations	Desktop publishing, printing, Market Stall
Susan Jane Dance Academy	Printing
Share the Dignity	Printing
St John's Ambulance	Printing
Yallambee Playgroup	Printing, laminating, provision of signage
Tail End Charlie the Tractor Heritage	Desktop publishing, printing



Mal Hedges proudly acknowledging our support of the Mundaring Seniors

Madeleine Spanjers all dressed and ready to represent Australia at the Youth Rodeo Association Finals in Texas USA. Madeleine requested our support in her venture in our Autumn Grant Round.



# Directors' report

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For the financial year ended 30 June 2017

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

## Directors

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



### **Richard James Stuart**

Chairman

Occupation: Offshore Oil and Gas Pipeline Engineer

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

Special responsibilities: Audit and Governance Committee, Greater Midland Business Development Sub-Committee.

Interest in shares: 500



### **Charles Matthew Yacopetti**

Vice-Chairman

Occupation: Geoscientist & Executive Director

Qualifications, experience and expertise: Mr Matt Yacopetti was educated at the Australian National University and has spent 28 years working as a professional geoscientist and in business. Matt has lived and worked throughout Australia and overseas and presently works with a Perth based technology firm that provides software solutions for Business Leaders and Entrepreneurs across a wide range of industries. While Matt and his family have called Perth Hills home since 1998, his extended family has had a long association with the Perth Hills and the Mundaring community. His interests include the role of technology in business and the role that business plays in supporting the communities in which they operate.

Special responsibilities: Sponsorship Sub 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 has also been a past Director of exploration and geological consulting companies, Director and Company Secretary of 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 Anglican parish. James is also Chair of the Greater Midland Business Development Sub-Committee.

Special responsibilities: Chair of Audit and Governance Committee, Chair of Greater Midland Business Development Sub-Committee.

Interest in shares: 3,000

# Directors' report (continued)

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## Directors (continued)



### **Arthur Robert Maddison**

Director

Occupation: Retired

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

Special responsibilities: Audit and Governance Committee.

Interest in shares: 10,700



### **Peter Francis Hackett**

Director

Occupation: Retired

Qualifications, experience and expertise: Mr 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. His interests are varied and include the Variety Club Charity Bash, Chidlow Progress Association, Chidlow Hall and Heritage Group and the Volunteer Bush Fire Brigades in Wooroloo and Inkpen. He also plays bass guitar in a number of local bands.

Special responsibilities: Sponsorship Sub Committee and Greater Midland Business Development Sub-Committee.

Interest in shares: 500



### **Benjamin Peter Fillery**

Director

Occupation: Business Development Manager

Qualifications, experience and expertise: Ben has over 15 years experience in 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 of his son's football club.

Special responsibilities: Sponsorship Sub Committee and Greater Midland Business Development Sub-Committee.

Interest in shares: 100



### **Tara Lee Herbert**

Director

Occupation: Carer

Qualifications, experience and expertise: Tara owns and operates her own health and vitality business and is working as a Carer at a secure Mental Health Nursing Home. As a past President of Wooroloo Primary School P&C, Tara was instrumental to their revitalisation initiatives with skills in event coordination, community liaison and mediation. Tara is a current player and member of the Mundaring Hockey Club. Tara is a busy mother to 3 children and lives in Mount Helena.

Special responsibilities: Sponsorship Sub Committee

Interest in shares: 100

## Directors' report (continued)

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### 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 and recently moved to Stoneville to be closer to her children's school. Due to her move she has stood down as Vice-president of the Glen Forrest and Mahogany Creek Residents & Ratepayers Association where she was involved in the successful campaign to redevelop Morgan John Morgan Reserve. Susie is a mother of two children and a regular volunteer at Mundaring Christian College and Darlington Scouts. 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, the National Venezuelan oil company. Currently employed by H&R Block, Susie has recently project managed two new office builds for H&R Block. Susie is currently the Manager at H&R Block Bassendean and prepares small business and personal tax returns.

Special responsibilities: Audit and Governance Committee.

Interest in shares: 100



**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 32 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.

Special responsibilities: Greater Midland Business Development Sub-Committee.

Interest in shares: Nil



**David Alan Earnshaw**

Director (Resigned 1 February 2017)

Occupation: Lawyer

Qualifications, experience and expertise: Mr David Earnshaw 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.

Special responsibilities: Nil

Interest in shares: 300

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 Price Waterhouse Coopers 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**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

## Operating results

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

Year ended 30 June 2017 \$	Year ended 30 June 2016 \$
2,525	(14,733)

## Dividends

	Year ended 30 June 2017	
	Cents	\$
Final dividends recommended	6	33,942
Dividends paid in the year	6	33,942

## Significant changes in the state of affairs

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

## Events since the end of the financial year

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

## Likely developments

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

## Environmental regulation

The company is not subject to any significant environmental regulation.

## Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in notes 20 and 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.

## Directors' report (continued)

### 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			
	Eligible	Attended	Sponsorship		Audit & Governance	
			Eligible	Attended	Eligible	Attended
Richard James Stuart	11	10	-	-	4	4
Matthew Charles Yacopetti	11	8	2	2	-	-
James Edward Saunders	11	10	-	-	4	4
Arthur Robert Maddison	11	8	-	-	4	3
Peter Francis Hackett	11	10	2	2	-	-
Benjamin Peter Fillery	11	10	2	1	-	-
Tara Lee Herbert	11	9	2	2	-	-
Susan Elisabeth Fox-Mooney	11	11	-	-	4	3
Frances Jessica Berry *	10	8	-	-	-	-
David Alan Earnshaw **	7	5	-	-	-	-

\* Appointed 6 July 2016

\*\* Resigned 1 February 2017

### Proceedings on behalf of the company

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

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

### Non audit services

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

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

## Directors' report (continued)

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### **Auditor's independence declaration**

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

Signed in accordance with a resolution of the board of directors at Mundaring, Western Australia on 7 August 2017.



**James Edward Saunders**

**Director**

# Auditor's independence declaration



Chartered Accountants

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
afs Bendigo.com.au

## 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 2017, 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: 7 August 2017

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

**David Hutchings**  
Lead Auditor

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	1,571,059	1,360,230
Employee benefits expense		(935,268)	(877,024)
Charitable donations, sponsorship, advertising and promotion		(245,462)	(120,251)
Occupancy and associated costs		(141,174)	(137,159)
Systems costs		(26,845)	(27,037)
Depreciation and amortisation expense	5	(39,245)	(44,315)
Bank administration expenses		(79,607)	(78,664)
General administration expenses		(99,994)	(94,082)
Profit/(loss) before income tax		3,464	(18,302)
Income tax (expense)/credit	6	(939)	3,569
<b>Profit/(loss) after income tax</b>		<b>2,525</b>	<b>(14,733)</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>2,525</b>	<b>(14,733)</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	23	0.45	(2.60)

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	1,112,879	1,123,349
Trade and other receivables	8	168,529	145,332
Other assets	9	20,000	20,000
Current tax asset	12	-	4,000
<b>Total Current Assets</b>		<b>1,301,408</b>	<b>1,292,681</b>
<b>Non-Current Assets</b>			
Other assets	9	5,000	25,000
Property, plant and equipment	10	108,501	127,765
Intangible assets	11	51,297	5,832
Deferred tax asset	12	44,875	45,814
<b>Total Non-Current Assets</b>		<b>209,673</b>	<b>204,411</b>
<b>Total Assets</b>		<b>1,511,081</b>	<b>1,497,092</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	126,671	112,325
Provisions	14	131,689	140,053
<b>Total Current Liabilities</b>		<b>258,360</b>	<b>252,378</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	13	39,354	-
Provisions	14	19,833	19,763
<b>Total Non-Current Liabilities</b>		<b>59,187</b>	<b>19,763</b>
<b>Total Liabilities</b>		<b>317,547</b>	<b>272,141</b>
<b>Net Assets</b>		<b>1,193,534</b>	<b>1,224,951</b>
<b>EQUITY</b>			
Issued capital	15	559,585	559,585
Retained earnings	16	633,949	665,366
<b>Total Equity</b>		<b>1,193,534</b>	<b>1,224,951</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Changes in Equity for the year ended 30 June 2017

	<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2015</b>	559,585	714,041	1,273,626
Total comprehensive income for the year	-	(14,733)	(14,733)
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(33,942)	(33,942)
<b>Balance at 30 June 2016</b>	<b>559,585</b>	<b>665,366</b>	<b>1,224,951</b>
<b>Balance at 1 July 2016</b>	559,585	665,366	1,224,951
Total comprehensive income for the year	-	2,525	2,525
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(33,942)	(33,942)
<b>Balance at 30 June 2017</b>	<b>559,585</b>	<b>633,949</b>	<b>1,193,534</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,665,673	1,484,658
Payments to suppliers and employees		(1,673,122)	(1,493,504)
Interest received		25,492	29,014
Income taxes paid		4,000	30,705
<b>Net cash provided by operating activities</b>	17	<b>22,043</b>	<b>50,873</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(9,487)	(45,337)
Proceeds from property, plant and equipment		-	10,436
Payment of intangible assets		(9,085)	-
Repayment of loan		20,000	20,000
<b>Net cash provided by/(used in) investing activities</b>		<b>1,428</b>	<b>(14,901)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(33,942)	(33,942)
<b>Net cash used in financing activities</b>		<b>(33,942)</b>	<b>(33,942)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(10,471)</b>	<b>2,030</b>
Cash and cash equivalents at the beginning of the financial year		1,123,350	1,121,319
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<b>1,112,879</b>	<b>1,123,349</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For the year ended 30 June 2017

## 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

There are a number of 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 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch lease to be capitalised.

#### 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**<sup>®</sup> 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**<sup>®</sup> branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**<sup>®</sup> branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

# Notes to the financial statements (continued)

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## 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<sup>®</sup>** 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<sup>®</sup>** 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

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.

# Notes to the financial statements (continued)

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

### b) Revenue (continued)

#### Margin

Margin is arrived at through the following calculation:

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

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

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

#### Commission

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

#### Fee income

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

#### Discretionary financial contributions

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

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

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

#### Ability to change financial return

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

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

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

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

# Notes to the financial statements (continued)

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

### **b) Revenue (continued)**

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank**<sup>®</sup> 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**<sup>®</sup> model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

### **c) Income tax**

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

### **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.

# Notes to the financial statements (continued)

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

### e) Cash and cash equivalents

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

### f) Trade receivables and payables

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

### g) Property, plant and equipment

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

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

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

• leasehold improvements	5 years
• plant and equipment	2.5 - 40 years
• motor vehicle	3 - 5 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.

# Notes to the financial statements (continued)

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

### **k) Financial instruments (continued)**

#### Derecognition

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

#### Classification and subsequent measurement

##### (i) Loans and receivables

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

##### (ii) Held-to-maturity investments

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

##### (iii) 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.

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.

# Notes to the financial statements (continued)

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

### **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.

### (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.

## Notes to the financial statements (continued)

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### Note 2. Financial risk management (continued)

#### (vi) Capital management

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

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

The distribution limit is the greater of:

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

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

### Note 3. Critical accounting estimates and judgements

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

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

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

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

#### Taxation

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

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

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

## Notes to the financial statements (continued)

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

#### 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)

	2017	2016
	\$	\$
<b>Note 4. Revenue from ordinary activities</b>		
Operating activities:		
- gross margin	1,249,486	837,259
- services commissions	111,195	270,171
- fee income	163,861	174,389
- market development fund	10,000	50,000
- other revenue	-	486
<b>Total revenue from operating activities</b>	<b>1,534,542</b>	<b>1,332,305</b>
Non-operating activities:		
- interest received	24,679	26,077
- other revenue	11,838	1,848
<b>Total revenue from non-operating activities</b>	<b>36,517</b>	<b>27,925</b>
<b>Total revenues from ordinary activities</b>	<b>1,571,059</b>	<b>1,360,230</b>

## Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	5,925	9,549
- leasehold improvements	14,736	17,767
- motor vehicle	8,088	6,993
Amortisation of non-current assets:		
- franchise agreement	6,765	10,006
- renewal processing fee	3,731	-
	<b>39,245</b>	<b>44,315</b>
Bad debts	1,736	1,190
Loss on disposal of asset	-	954
Employee benefits expense:		
- Core operating activities	935,268	877,024
	<b>935,268</b>	<b>942,787</b>

Employee benefits expense is made up of employee costs incurred in branch banking operations.

## Notes to the financial statements (continued)

	2017	2016
	\$	\$

### Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:

- Future income tax benefit attributable to losses	(4,351)	(1,982)
- Movement in deferred tax	5,290	878
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	1,666
- Under/(Over) provision of tax in the prior period	-	(4,131)
	<b>939</b>	<b>(3,569)</b>

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

Operating profit/(loss)	3,464	(18,302)
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2016: 28.5%)	953	(5,216)
Add tax effect of:		
- non-deductible expenses	-	272
- timing difference expenses	(5,304)	2,962
	<b>(4,351)</b>	<b>(1,982)</b>
Movement in deferred tax	5,290	878
Adjustment to deferred tax to reflect change of tax rate in future periods	-	1,666
Under/(Over) provision of income tax in the prior year	-	(4,131)
	<b>939</b>	<b>(3,569)</b>

### Note 7. Cash and cash equivalents

Cash at bank and on hand	187,879	172,571
Term deposits	925,000	950,778
	<b>1,112,879</b>	<b>1,123,349</b>

#### 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	187,879	172,571
Term deposits	925,000	950,778
	<b>1,112,879</b>	<b>1,123,349</b>

## Notes to the financial statements (continued)

	2017	2016
	\$	\$
Trade receivables	115,720	108,161
Prepayments	24,090	27,577
Other receivables and accruals	28,719	9,594
	<b>168,529</b>	<b>145,332</b>

### 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	5,000	25,000
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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	202,967	200,043
Less accumulated depreciation	(135,292)	(120,556)
	<b>67,675</b>	<b>79,487</b>
Plant and equipment		
At cost	242,154	237,252
Less accumulated depreciation	(230,672)	(226,406)
	<b>11,482</b>	<b>10,846</b>
Motor vehicles		
At cost	40,430	40,430
Less accumulated depreciation	(11,086)	(2,998)
	<b>29,344</b>	<b>37,432</b>
<b>Total written down amount</b>	<b>108,501</b>	<b>127,765</b>

## Notes to the financial statements (continued)

	2017	2016
	\$	\$
Note 10. Property, plant and equipment (continued)		
<b>Movements in carrying amounts:</b>		
Leasehold improvements		
Carrying amount at beginning	79,487	92,736
Additions	2,924	4,518
Disposals	-	-
Less: depreciation expense	(14,736)	(17,767)
<b>Carrying amount at end</b>	<b>67,675</b>	<b>79,487</b>
Plant and equipment		
Carrying amount at beginning	10,846	20,006
Additions	6,561	390
Disposals	-	-
Less: depreciation expense	(5,925)	(9,550)
<b>Carrying amount at end</b>	<b>11,482</b>	<b>10,846</b>
Motor vehicles		
Carrying amount at beginning	37,432	15,385
Additions	-	40,430
Disposals	-	(11,390)
Less: depreciation expense	(8,088)	(6,993)
<b>Carrying amount at end</b>	<b>29,344</b>	<b>37,432</b>
<b>Total written down amount</b>	<b>108,501</b>	<b>127,765</b>

## Note 11. Intangible assets

Franchise fee		
At cost	161,192	150,000
Less: accumulated amortisation	(150,933)	(144,168)
	10,259	5,832
Renewal processing fee		
At cost	44,769	-
Less: accumulated amortisation	(3,731)	-
	41,038	-
<b>Total written down amount</b>	<b>51,297</b>	<b>5,832</b>

## Notes to the financial statements (continued)

	2017	2016
	\$	\$
<b>Note 12. Tax</b>		
<b>Current:</b>		
Income tax payable/(refundable)	-	(4,000)
<b>Non-Current:</b>		
Deferred tax assets		
- accruals	743	946
- employee provisions	41,669	43,949
- tax losses carried forward	15,255	10,904
	<b>57,667</b>	<b>55,799</b>
Deferred tax liability		
- accruals	2,417	2,638
- deductible prepayments	-	7,347
- property, plant and equipment	10,375	-
	<b>12,792</b>	<b>9,985</b>
<b>Net deferred tax asset</b>	<b>44,875</b>	<b>45,814</b>
<b>Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income</b>	<b>939</b>	<b>(3,569)</b>

## Note 13. Trade and other payables

<b>Current:</b>		
Trade creditors	6,014	2,480
Other creditors and accruals	120,657	109,845
	<b>126,671</b>	<b>112,325</b>
<b>Non-Current</b>		
Other creditors and accruals	39,354	-

## Note 14. Provisions

<b>Current:</b>		
Provision for annual leave	51,553	54,130
Provision for long service leave	80,136	85,923
	<b>131,689</b>	<b>140,053</b>
<b>Non-Current:</b>		
Provision for long service leave	19,833	19,763

## Notes to the financial statements (continued)

	2017	2016
	\$	\$
<b>Note 15. Contributed equity</b>		
565,700 ordinary shares fully paid (2016: 565,700)	565,700	565,700
Less: equity raising expenses	(6,115)	(6,115)
	<b>559,585</b>	<b>559,585</b>

### 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**<sup>®</sup> 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 658 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.

	2017	2016
	\$	\$

### Note 16. Retained earnings

Balance at the beginning of the financial year	665,366	714,041
Net profit/(loss) from ordinary activities after income tax	2,525	(14,733)
Dividends paid or provided for	(33,942)	(33,942)
<b>Balance at the end of the financial year</b>	<b>633,949</b>	<b>665,366</b>

### Note 17. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities

Profit/(loss) from ordinary activities after income tax	2,525	(14,733)
Non-cash items:		
- depreciation	28,749	34,309
- amortisation	10,496	10,006
- loss on disposal of asset	-	954
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(23,197)	(5,700)
- (increase)/decrease in other assets	4,939	7,431
- increase/(decrease) in payables	6,825	(1,099)
- increase/(decrease) in provisions	(8,294)	19,705
<b>Net cash flows provided by operating activities</b>	<b>22,043</b>	<b>50,873</b>

## Notes to the financial statements (continued)

	2017	2016
	\$	\$

### 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	73,823	63,174
- between 12 months and 5 years	180,282	26,583
	<b>254,105</b>	<b>89,757</b>

The operating lease for the branch premises is a non-cancellable lease with a five-year term expiring on 31 December 2021, 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.

### Note 19. Auditor's remuneration

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

- audit and review services	4,200	4,100
- non audit services	2,340	2,115
	<b>6,540</b>	<b>6,215</b>

### 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

Frances Jessica Berry (Appointed 6 July 2016)

David Alan Earnshaw (Resigned 1 February 2017)

## 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.

	2017	2016
	\$	\$

Transactions with related parties:

Jeasdel Pty Ltd a company controlled by James Edward Saunders provided accounting services.	650	455
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	2017	2016
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#### 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	100
Susan Elisabeth Fox-Mooney	100	100
Frances Jessica Berry (Appointed 6 July 2016)	-	-
David Alan Earnshaw (Resigned 1 February 2017)	300	300

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.

	2017	2016
	\$	\$

### Note 21. Dividends paid or provided

#### a. Dividends paid during the year

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

#### b. Dividends proposed and recognised as a liability

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

The tax rate at which dividends have been franked is 27.5% (2016: 30%).  
Dividends proposed will be franked at a rate of 27.5% (2016: 30%).

## Notes to the financial statements (continued)

	2017	2016
	\$	\$

### Note 21. Dividends paid or provided (continued)

#### c. Franking account balance

Franking credits available for subsequent reporting periods are:		
• franking account balance as at the end of the financial year	441,971	458,629
• franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	-	(4,000)
• franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
<b>Franking credits available for future financial reporting periods:</b>	<b>441,971</b>	<b>454,629</b>
• 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	-	-
<b>Net franking credits available</b>	<b>441,971</b>	<b>454,629</b>

### Note 22. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Richard James Stuart	4,000	4,000
Matthew Charles Yacopetti	2,000	2,000
James Edward Saunders	2,000	2,000
Arthur Robert Maddison	2,000	2,000
Peter Francis Hackett	2,000	2,000
Benjamin Peter Fillery	2,000	2,000
Tara Lee Herbert	2,000	2,000
Susan Elisabeth Fox-Mooney	2,000	2,000
Frances Jessica Berry (Appointed 6 July 2016)	2,000	-
David Alan Earnshaw (Resigned 1 February 2017)	1,000	2,000
	<b>21,000</b>	<b>18,000</b>

#### 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 \$1,717 for the year ended 30 June 2017 (2016: \$680).

## Notes to the financial statements (continued)

	2017	2016
	\$	\$
<b>Note 23. Earnings per share</b>		
(a) (Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	2,525	(14,733)

	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 2017 total commitments would be \$20,400 (2016 \$101,000).

### Note 27. Segment reporting

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

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

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

<b>Registered Office</b>	<b>Principal Place of Business</b>
6945 Great Eastern Highway	6945 Great Eastern Highway
Mundaring WA 6073	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.

## Notes to the financial statements (continued)

### Note 29. Financial instruments (continued)

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					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Financial assets</b>												
Cash and cash equivalents	187,879	172,571	925,000	950,778	-	-	-	-	-	-	2.19	2.36
Receivables	-	-	20,000	20,000	5,000	25,000	-	-	115,720	108,161	N/A	N/A
<b>Financial liabilities</b>												
Payables	-	-	-	-	-	-	-	-	6,014	2,480	N/A	N/A

#### Net Fair Values

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

#### Credit Risk

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

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

#### Interest Rate Risk

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

#### Sensitivity Analysis

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

As at 30 June 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	11,129	11,233
Decrease in interest rate by 1%	(11,129)	(11,233)
Change in equity		
Increase in interest rate by 1%	11,129	11,233
Decrease in interest rate by 1%	(11,129)	(11,233)

# Directors' declaration

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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 2017 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



**James Edward Saunders**  
**Director**

Signed on the 7th of August 2017.

# Independent audit report



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

### Report on the audit of the financial statements

#### Our opinion

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

- i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

#### What we have audited

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

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

#### Basis for opinion

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

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

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

#### Other information

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

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

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

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

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

### **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibility for the audit of the financial report**

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

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



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 7 August 2017



**David Hutchings**  
Lead Auditor

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