



Annual Report 2018

Mundaring Community
Financial Services Ltd

ABN 63 097 289 677

Mundaring **Community Bank**[®] Branch



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Talitha Huston and Carolina Vas Pinto, winners of the X Factor Prize in the annual Bendigo Bank Quick Flicks Festival with Taryn and Penny from the branch.



2018 Autumn Grant Round recipients with Staff and Directors from MCFS.



Bo Read, 2017 Endeavour Award recipient from Chidlow Primary School with MCFS Director, Peter Hackett.

Chairman's report

For year ending 30 June 2018



On behalf of the Board of Mundaring Community Financial Services Ltd I am pleased to present the 2018 Annual Report.

Once again, our branch and community office staff deserve acknowledgement for their diligent efforts throughout the year. Despite the difficult lending conditions the staff have continued to provide outstanding service to our customers and the community. Through their efforts your Company has become one of the top performing branches in the state in sales of other products such as insurance.

Existing revenues have continued to contract, with reasons including reduced interest rate margins and a continuing trend for borrowers to pay down debt and discharge mortgages. Lending criteria have also become more stringent, due to tightening of lending criteria required by APRA.

As it is likely the effect of the tight current economic conditions will continue over the foreseeable future your Board has continued to find ways of growing and diversifying current business opportunities through a combination of the following initiatives.

We have been investing in a business development manager over the past year. He is tasked with taking our services to new customers in both our existing area of operations and new territories further afield.

Our Company's profile in the Greater Midland area has been significantly enhanced through a sponsorship agreement with the Swan Districts Football Club (SDFC). SDFC is focused on building its community involvement not only in football and therefore has significant synergies and shared values with our own company. A significant amount of time has been invested in this initiative by a number of Directors.

These various business development initiatives are necessary to build up new business opportunities for the years to come, but take time to materialise as extra income. The current situation is that the bank branch operation remains profitable, but with a reduced surplus available to fund our community contributions.

Community contributions have been reduced compared to last year in line with reduced profits, but a decision was taken to maintain our community profile by funding some community investment from the Company's very healthy cash reserves. A major example of this was our decision to support the Darlington Sports and Recreation Association (DaSRA) with a sponsorship of \$50K towards their new pavilion building. In addition to this big ticket item, we have provided financial and in-kind support to the broader community of \$188,147.

Whilst we have made a loss this year, this was mainly due to us continuing to maintain a substantial discretionary spend on community contributions, made possible by our strong cash reserves. The bank operation itself remains profitable.

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.

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

Dr Richard Stuart
Chairman

Bendigo and Adelaide Bank report

For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank**[®] branch opened. And it has only been a few months since the latest, the 321st, **Community Bank**[®] branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank**[®] branch to the most recent one, and the 319 in between.

This year, five of our Community Bank branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank**[®] branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank**[®] funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over \$200 million in **Community Bank**[®] contributions, all because of people banking with their local **Community Bank**[®] branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank**[®] network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only '*community bank*', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank**[®] company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank**[®] company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank**[®] branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank®** branch and your community. Thank you for continuing to play a role in helping your community **Be the change.**



Robert Musgrove
Bendigo and Adelaide Bank



Bendigo Bank Directors and Staff at the 2018 State Conference.

Manager's report

For year ending 30 June 2018



It certainly has been an interesting twelve months given the state of the economy, and the general uncertainty surrounding it.

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

Accounts

Account numbers have grown to 12,315 from 12,037. It is interesting to note that we have attracted 128 new customers to the branch taking the actual customer base to 8597 as at 30th June 2018. New customers predominantly come from referrals from existing customers who want their family and friends to experience the friendly and professional service provided by the staff.

Portfolio

Portfolio which is a total of deposits and loans has grown \$1.5m for the year to \$217.7m. During the past twelve months many of our customers have taken the opportunity to reduce debt in this low interest rate environment.

Staff

During the past twelve months we said goodbye to Kiera and welcomed Sheena Healy-Pickwell to the team as a Customer Service Officer, so if you have not met Sheena drop in and say hello.

Aims for 2018/19

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

So why not drop in and ask the girls for a comparison against your current policy.

It is pleasing to note that in the first 2 months as at 30th August we have achieved:

- Increase in account numbers of 128
- Increase in new customers of 91
- Portfolio increase of \$5.6m

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.



Gerry raising awareness of the Fat Cat dolls for sale in the branch.

Manager's report (continued)

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

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 with their community involvement is again a credit to them both.

I would finally like to extend the appreciation on behalf of myself and staff to you the shareholder – your investment and commitment has made it all possible.

Thank You



Gerry Toovey
Manager



The girls in the branch: Taryn, Mariana, Ann, Sheena, Denise, Leanne, Heidi and Penny.

Community Office report

For year ending 30 June 2018



Andrea and Karen receiving "Pride of Workmanship" awards from the Rotary Club of Mundaring.

The annual report always provides us with an opportunity to reflect over the past financial year, evaluate our projects and celebrate our contribution to the Mundaring and Hills area.

In 2018 we are piloting a new funding model for the sporting community with our Sporting Club raffle. This is in addition to our usual Spring and Autumn Grant rounds. Our company has met the costs of the raffle and put up \$25,000 in prize money to be raffled with the winners drawn on 14th December. Participating clubs can sell the tickets and 100% of the funds raised goes back to their club to purchase uniforms and sporting equipment. This is the first time this approach has been used within the Bendigo Community Bank system and if successful we can leverage up to \$150,000 worth of support for less than \$30,000. The progressive response has been very positive with good feedback coming from the clubs. Hopefully one of our shareholders has purchased the winning ticket and will be \$20,000 better off just in time for Christmas.

In July 2018 we celebrated the official opening of the Mundaring Arena to which we contributed over \$100,000 towards the construction. It is a world class stadium and

community facility that we and the Shire are very proud of. Total cost of the project was over \$10 million with some funding coming from the State Government and the majority from the Mundaring Shire. If you have yet to see this great community asset, make sure you pop in one day to see the change your banking has made.

Another wonderful capital project was the construction of the Community Pavilion at Darlington Oval. Mundaring Community Bank thanks to the business provided by its customers, contributed \$50,000 to the pavilion which was officially opened in February 2018. This project was a perfect example of multiple levels of government, community and commerce working together to achieve community goals.

In February 2018 we held our second Twilight Market in conjunction with the Mundaring Shire and the Rotary Club of Mundaring. With much better weather than our first market, it was a fabulous evening with over 100 stall holders, food and entertainment for the whole family. I would like to take this opportunity to recognise the efforts of the Rotary Club of Mundaring, not only for the huge amount of volunteer hours spent coordinating and organising the Twilight Markets but also for their ongoing support to us and the wider Hills Community. Geoff Francis, David Brockman, Peter Pelham, Lyle Favas, Ross Kiesey, Mark Williamson and all the others involved with the Rotary Sunday Markets not only store and maintain our Bendigo Bank marquees, they deliver and install them at any community event we attend or support which saves us a huge amount of time (and lifting). So, thank you Rotarians, we are grateful for your passion and commitment.

Andrea and I thank you for the privilege of serving you and our community and we look forward to a successful 2019.

Karen Beale
Executive Officer



THE TREEHOUSE
Business Centre
— A Mundaring Community Bank Branch Bendigo Bank Initiative —

Groups supported

Spring 2017 Grant Round

Recipients

Glen Forrest Christmas Gathering
Helena Valley Cricket Club
Gidgegannup Horse & Pony Club
Perth Parkerville Hockey Club
Mundaring in Transition
Glen Forrest Junior Cricket Club
Woorloo Primary School
Youthcare Chaplaincy Program
Chidlow Progress Association
Darlington Community Bonfire
Mt Helena Residents & Ratepayers Association
Swan City Titans
Swan View Cricket Club
WA Practice Nurses Association
Hills Night Hockey Association
Swan View Agricultural Show
Parkerville Volunteer Bush Fire Brigade

Contribution towards

Community Carol's event
Kitchen facilities and new equipment
Prizes for events at Gidgegannup Ag Show
Junior Goalkeeping Kit
Insurance and IT costs
First Aid Kits
Sports uniforms
Purchase of books for Chaplains and Fundraising
Community Carols event
Insurance and Prize money for Art Competition
Costs for Whim Festival and Event Insurance
Sporting equipment for new club
Coaching workshop for members
Education platform on new website
Equipment for new indoor courts
Cost of security for event
Thermal Imaging Camera

Autumn 2018 Grant Round

Recipients

Experience Gidgegannup
Zamia Adult Riding Club
Wundowie Primary School
Gidgegannup Horse & Pony Club
Hills Football Association
Parkerville Junior Football Club
Chidlow Progress Association
Glen Forrest Netball Club
Mundaring Chamber of Commerce
Wheels Inc
Gidgegannup Senior Football Club
Wundowie Golf Club
Sawyers Valley Primary School
Perth Hills & Wheatbelt Band
Chidlow Netball Club
Anakah deJong

Contribution towards

Gidgegannup Small Farm Field Day expenses
Prizes for 8 classes in Horse Riding event
Children's activities for Open Day Fair
Prizes to 6th place, winners' rugs and rosettes for CNC event
Top-up of Umpires uniforms
Provision of Marquees
Old Chidlow Hall Window Restoration
Playing members uniforms
Funding towards new website
Purchase of defibrillator
Goal Post Pads
Costs for annual golf tournaments
Noticeboards
Uniform shirts for events
First Aid Kits and equipment
Airfares for Calisthenics competition

Groups supported (continued)



Helena Valley Cricket Club showing their support after our contribution to the upgrade of their facilities.

Other

Recipients

Darlington Sport & Recreation Association
Hills Education Network
Mundaring Senior Football Club
Darlington Arts Festival
Seen & Heard
Mundaring Senior Football Club
Hills Rangers Football Club
Helena Valley Netball Club
Glen Forrest Sports Club
12 Local Primary Schools
2 Local High Schools
Shire of Mundaring
Gidgegannup Recreation Club
Santos Judo
Hills Football Association
Hills Junior Football
Eastern Hills Masters Football Club
Mundaring Woodturners
1st Mundaring Scout Group
Yallambee Retirement Village
Perth Horse Trials Association
Trillion Trees
Mundaring Twilight Markets

Contribution towards

Darlington Pavilion
Sponsorship of Interschool Science Quest
Quiz Night Sponsorship
Support of Youth activities at DAF
Quick Flicks Festival
Trophy Sponsorship
Award Sponsorship
Trophy Sponsorship
Day in the Forrest
Endeavour Award for graduating student
Youth Ambassador Scholarships - Year 10 students
Cinema Under Starlight
Movie Night
Sausage Sizzle Fundraiser
Game balls for each game held in 2018
Game balls for each team in each club for 2018
Home Game activities
Running Costs
100-year celebration event
Barbecue
Wooroloo CNC advertising
Donation
Entertainment



MCFS Director, Fran Berry with colouring competition winners; Isabella Cuthbert, Eli Heffernan, Ebony Block and Adele McWaters-Smith from Mt Helena Primary School.

Groups supported (continued)

In-kind Support

Recipients

Chidlow & Districts RSL Sub Branch
 Chidlow Netball Club
 Chidlow Progress Association
 Darlington Arts Festival
 Darlington Concerts
 Darlington Primary School

Provision of:

EFTPOS facilities, Printing
 EFTPOS facilities, printing
 Desktop publishing, printing
 Printing
 Tickets and sales
 Printing



Mundaring Arena.



Piggy playing basketball at the opening of the Mundaring Arena.

Darlington Sports & Recreation Assoc
 Eastern Hills Masters Football Club
 EH Branch of Wildflower Society of WA
 EH Hornets Teeball & Baseball Club
 Essentials for Women
 Gidgegannup Agricultural Society
 Gidgegannup Senior Football Club
 Gidgegannup Small Farm Field Day
 Glen Forrest Community Garden
 Helena Valley Primary School
 Hills Education Network
 Hills Lions Basketball Club
 Hills Raiders Basketball Club
 Hills Rangers Football Club
 Hills Symphony Orchestra
 Mount Helena Little Athletics
 Mount Helena Playgroup & Community Kindy
 Mount Helena Residents & Ratepayers
 Mount Helena Tennis Club
 Mount Helena Whim Festival
 Mundaring Bicentennial Sponsorship Trust

EFTPOS facilities, printing
 Printing, merchandise
 EFTPOS facilities, printing
 EFTPOS facilities
 Printing
 EFTPOS facility
 Printing
 Market stall, printing
 Printing
 EFTPOS facilities
 Bank vouchers and merchandise
 EFTPOS facilities
 Printing
 Printing, EFTPOS facilities
 Printing, tickets and sales
 Printing
 Market stall, printing
 Desktop publishing, printing
 Desktop publishing, printing
 Printing
 Printing

Groups supported (continued)

Mundaring Chamber of Commerce	Office space, printing, ticket sales, business cards
Mundaring Community Men's Shed	Desktop publishing, printing, business cards, banner
Mundaring in Transition/Hills Sustainability Group	Office usage, printing, EFTPOS facilities
Mundaring Netball Club	EFTPOS facilities, printing
Mundaring Primary School P&C	EFTPOS facilities, printing
Mundaring Senior Citizens Associations	Desktop publishing, printing, Market Stall



Kat, Kirsty, Alex, Michael,
Justin, Brendon, Daniel, Ashleigh, James, Kurt, Celeste, Mikaela, Tauri, Casey, Ruth,
Logan, Jamie, Marie, Anna, Kaitlin, Rah, Eliza, Christine, Katherine,
Jason, Gio, Robyn, Trevor, Peter, Des, DG Lindsay Dry, Michelle, Tim, Marieke, Mark

Camp Opportunity - Rotary Club of WA.

Mundaring Junior Football Club	EFTPOS facilities
Mundaring Senior Football Club	EFTPOS facilities, printing, merchandise
Mundaring Tennis Club	Market Stall, Printing
Mundaring Toy Library	Printing
Mundaring Woodturners	Market Stall



Bendigo Bank Quick Flicks Festival
DAFFI Award winners, Reuben and
Zac with MCFS Director, Arthur
Maddison, and Executive Officer,
Karen Beale.

Groups supported (continued)

Octagon Art Group	EFTPOS facilities
Panthers Basketball Club	EFTPOS facilities, printing
Parkerville Junior Cricket Club	EFTPOS facilities,
Parkerville Netball Club	Printing
Parkerville Primary School	Advertising
Parkerville Senior Football Club	EFTPOS facilities
Rotary Club of Mundaring	Printing, desktop publishing, provision of business cards
Shire of Mundaring	Printing
Swan Harmony Singers	Printing
Swan View Agricultural Show	Printing
The Essentials Collective	EFTPOS facilities, Market Stall
The Hills Choir	Desktop publishing, market stall, printing, tickets and sales
WA Practice Nurses Association	Desktop publishing, printing, phone bookings & payments
Wheels	Printing
Wundowie Golf Club	Desktop publishing, printing
Youthcare	Office space



Gidgegannup Senior Football Club with their new goal post pads.

Directors' report

For the financial year ended 30 June 2018

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

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

Special responsibilities: Audit and Governance Committee.

Interest in shares: 500



Charles Matthew Yacopetti

Vice-Chairman

Occupation: Geoscientist & Executive Director

Qualifications, experience and expertise: Mr Matt Yacopetti was educated at the Australian National University and has spent 29 years working as a professional geoscientist and in business. Matt has lived and worked throughout Australia and overseas and recently worked with a Perth based technology firm that provided software solutions for Business Leaders and Entrepreneurs across a wide range of industries. Matt and his family have called Perth Hills home for over 18 years and 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 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 with his family in Darlington where his son is involved with the Cubs and is a member of the Darlington and Bellevue Anglican parish.

Special responsibilities: Chair of Audit and Governance Committee and member of Marketing Committee.

Interest in shares: 3,000

Directors' report (continued)

Directors (continued)



Arthur Robert Maddison

Director

Occupation: Retired

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

Special responsibilities: Audit and Governance Committee and Marketing 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 Committee.

Interest in shares: 500



Benjamin Peter Fillery

Director

Occupation: Business Development Manager

Qualifications, experience and expertise: Ben has over 16 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 Committee and Marketing 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 Committee.

Interest in shares: 100

Directors' report (continued)

Directors (continued)



Susan Elisabeth Fox-Mooney

Director

Occupation: Tax Consultant

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

Special responsibilities: Audit and Governance Committee.

Interest in shares: 100



Frances Jessica Berry

Director

Occupation: Owner/Operator

Qualifications, experience and expertise: Fran has been involved in running her own businesses for 33 years. Her education includes a Masters in Organisational Development with Applied Coaching and NLP, Bachelor Degrees in Organisational Development and Organisational Psychology, Assoc 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: Marketing Committee.

Interest in shares: 1,000

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

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



MCFS Directors at the 2017 Annual General Meeting.

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**[®] 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. As highlighted at the previous Annual General Meeting these include continuing tight margins being experienced in the banking industry, the employee costs including the effect of the first full year of Business Development officer costs and charitable donations including a \$50,000 contribution to Darlington Pavilion.

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

Year ended 30 June 2018	Year ended 30 June 2017
\$	\$
(81,813)	2,525

Dividends

	Year ended 30 June 2018	
	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

Directors' report (continued)

receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Sponsorship		Audit & Governance		Marketing	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Richard James Stuart	11	11	-	-	3	3	-	-
Matthew Charles Yacopetti	11	11	2	2	-	-	-	-
James Edward Saunders	11	10	-	-	3	3	3	2
Arthur Robert Maddison	11	9	-	-	3	3	3	3
Peter Francis Hackett	11	10	2	2	-	-	-	-
Benjamin Peter Fillery	11	10	2	1	-	-	3	3
Tara Lee Herbert	11	9	2	1	-	-	-	-
Susan Elisabeth Fox-Mooney	11	10	-	-	3	3	-	-
Frances Jessica Berry	11	7	-	-	-	-	3	2

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.

Directors' report (continued)

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.

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 2 August 2018.



James Edward Saunders

Director

Auditor's independence declaration



Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.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 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 2 August 2018

David Hutchings
Lead Auditor

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	1,507,829	1,571,059
Employee benefits expense		(1,054,554)	(935,268)
Charitable donations, sponsorship, advertising and promotion		(188,147)	(245,462)
Occupancy and associated costs		(135,078)	(141,174)
Systems costs		(29,297)	(26,845)
Depreciation and amortisation expense	5	(38,796)	(39,245)
Bank administration expenses		(104,616)	(99,890)
General administration expenses		(69,399)	(79,711)
Profit/(loss) before income tax		(112,058)	3,464
Income tax (expense)/credit	6	30,245	(939)
Profit/(loss) after income tax		(81,813)	2,525
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		(81,813)	2,525
Earnings per share		¢	¢
Basic earnings per share	23	(14.46)	0.45

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,031,316	1,112,879
Trade and other receivables	8	163,793	168,529
Other assets	9	5,000	20,000
Total Current Assets		1,200,109	1,301,408
Non-Current Assets			
Other assets	9	-	5,000
Property, plant and equipment	10	87,283	108,501
Intangible assets	11	40,102	51,297
Deferred tax asset	12	75,120	44,875
Total Non-Current Assets		202,505	209,673
Total Assets		1,402,614	1,511,081
LIABILITIES			
Current Liabilities			
Trade and other payables	13	127,762	126,671
Provisions	14	158,552	131,689
Total Current Liabilities		286,314	258,360
Non-Current Liabilities			
Trade and other payables	13	26,236	39,354
Provisions	14	12,285	19,833
Total Non-Current Liabilities		38,521	59,187
Total Liabilities		324,835	317,547
Net Assets		1,077,779	1,193,534
EQUITY			
Issued capital	15	559,585	559,585
Retained earnings	16	518,194	633,949
Total Equity		1,077,779	1,193,534

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2018

	Notes	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2016		559,585	665,366	1,224,951
Total comprehensive income/(loss) for the year		-	2,525	2,525
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(33,942)	(33,942)
Balance at 30 June 2017		559,585	633,949	1,193,534
Balance at 1 July 2017		559,585	633,949	1,193,534
Total comprehensive income/(loss) for the year		-	(81,813)	(81,813)
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(33,942)	(33,942)
Balance at 30 June 2018		559,585	518,194	1,077,779

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		1,643,864	1,665,673
Payments to suppliers and employees		(1,734,121)	(1,673,122)
Interest received		44,611	25,492
Income taxes paid		-	4,000
Net cash provided by/(used in) operating activities	17	(45,646)	22,043
Cash flows from investing activities			
Payments for property, plant and equipment		(6,382)	(9,487)
Payment of intangible assets		(15,593)	(9,085)
Repayment of loan		20,000	20,000
Net cash provided by/(used in) investing activities		(1,975)	1,428
Cash flows from financing activities			
Dividends paid		(33,942)	(33,942)
Net cash used in financing activities		(33,942)	(33,942)
Net increase/(decrease) in cash held		(81,563)	(10,471)
Cash and cash equivalents at the beginning of the financial year		1,112,879	1,123,350
Cash and cash equivalents at the end of the financial year	7(a)	1,031,316	1,112,879

The accompanying notes form part of these financial statements.

Notes to the financial statements

For the year ended 30 June 2018

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 Board (AASB) and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates 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 AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

AASB 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 *Leases* is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$272,761, on an undiscounted basis (see Note 18).

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

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

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

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

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis.

Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

Fee income

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

Discretionary financial contributions

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

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

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

• leasehold improvements	5 - 15 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

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)

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 2018 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)

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)

	2018	2017
	\$	\$
Note 4. Revenue from ordinary activities		
Operating activities:		
- gross margin	1,249,814	1,249,486
- services commissions	81,073	111,195
- fee income	120,195	163,861
- market development fund	10,000	10,000
Total revenue from operating activities	1,461,082	1,534,542
Non-operating activities:		
- interest received	22,014	24,679
- other revenue	24,733	11,838
Total revenue from non-operating activities	46,747	36,517
Total revenues from ordinary activities	1,507,829	1,571,059

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	5,076	5,925
- leasehold improvements	14,436	14,736
- motor vehicle	8,088	8,088
Amortisation of non-current assets:		
- franchise agreement	2,244	6,765
- renewal processing fee	8,952	3,731
	38,796	39,245

Bad debts	906	1,736
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Employee benefits expense:

- Core operating activities	1,054,554	877,024
	1,054,554	942,787

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

Notes to the financial statements (continued)

	2018	2017
	\$	\$

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:

- Future income tax benefit attributable to losses	(24,152)	(4,351)
- Movement in deferred tax	(6,093)	5,290
	(30,245)	939

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)	(112,058)	3,464
Prima facie tax on profit/(loss) from ordinary activities at 27.5% (2017: 27.5%)	(30,816)	953
Add tax effect of:		
- non-deductible expenses	571	-
- timing difference expenses	6,093	(5,304)
	(24,152)	(4,351)
Movement in deferred tax	(6,093)	5,290
	(30,245)	939

Note 7. Cash and cash equivalents

Cash at bank and on hand	166,316	187,879
Term deposits	865,000	925,000
	1,031,316	1,112,879

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	166,316	187,879
Term deposits	865,000	925,000
	1,031,316	1,112,879

Notes to the financial statements (continued)

	2018	2017
	\$	\$
Trade receivables	109,097	115,720
Prepayments	23,575	24,090
Other receivables and accruals	31,121	28,719
	163,793	168,529

Note 9. Other assets

Current:

Unsecured loan to community organisation	5,000	20,000
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Non-Current:

Unsecured loan to community organisation	-	5,000
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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	204,874	202,967
Less accumulated depreciation	(149,728)	(135,292)
	55,146	67,675
Plant and equipment		
At cost	246,629	242,154
Less accumulated depreciation	(235,748)	(230,672)
	10,881	11,482
Motor vehicles		
At cost	40,430	40,430
Less accumulated depreciation	(19,174)	(11,086)
	21,256	29,344
Total written down amount	87,283	108,501

Notes to the financial statements (continued)

	2018	2017
	\$	\$
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	67,675	79,487
Additions	1,907	2,924
Disposals	-	-
Less: depreciation expense	(14,436)	(14,736)
Carrying amount at end	55,146	67,675
Plant and equipment		
Carrying amount at beginning	11,482	10,846
Additions	4,475	6,561
Disposals	-	-
Less: depreciation expense	(5,076)	(5,925)
Carrying amount at end	10,881	11,482
Motor vehicles		
Carrying amount at beginning	29,344	37,432
Additions	-	-
Disposals	-	-
Less: depreciation expense	(8,088)	(8,088)
Carrying amount at end	21,256	29,344
Total written down amount	87,283	108,501

Note 11. Intangible assets

Franchise fee		
At cost	161,192	161,192
Less: accumulated amortisation	(153,176)	(150,933)
	8,016	10,259
Renewal processing fee		
At cost	44,769	44,769
Less: accumulated amortisation	(12,683)	(3,731)
	32,086	41,038
Total written down amount	40,102	51,297

Notes to the financial statements (continued)

	2018	2017
	\$	\$
Note 12. Tax		
Non-Current:		
Deferred tax assets		
- accruals	796	743
- employee provisions	46,980	41,669
- tax losses carried forward	39,406	15,255
	87,182	57,667
Deferred tax liability		
- accruals	1,683	2,417
- property, plant and equipment	10,379	10,375
	12,062	12,792
Net deferred tax asset	75,120	44,875
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(30,245)	939

Note 13. Trade and other payables

Current:

Trade creditors	5,920	6,014
Other creditors and accruals	121,842	120,657
	127,762,	126,671

Non-Current

Other creditors and accruals	26,236	39,354
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Note 14. Provisions

Current:

Provision for annual leave	55,757	51,553
Provision for long service leave	102,795	80,136
	158,552	131,689

Non-Current:

Provision for long service leave	12,285	19,833
----------------------------------	--------	--------

Notes to the financial statements (continued)

	2018	2017
	\$	\$
Note 15. Issued capital		
565,700 ordinary shares fully paid (2017: 565,700)	565,700	565,700
Less: equity raising expenses	(6,115)	(6,115)
	559,585	559,585

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

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. Issued capital (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.

	2018	2017
	\$	\$

Note 16. Retained earnings

Balance at the beginning of the financial year	633,949	665,366
Net profit/(loss) from ordinary activities after income tax	(81,813)	2,525
Dividends paid or provided for	(33,942)	(33,942)
Balance at the end of the financial year	518,194	633,949

Note 17. Statement of cash flows

Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by/(used in) operating activities		
Profit/(loss) from ordinary activities after income tax	(81,813)	2,525
Non-cash items:		
- depreciation	27,600	28,749
- amortisation	11,196	10,496
Changes in assets and liabilities:		
- (increase)/decrease in receivables	4,736	(23,197)
- (increase)/decrease in other assets	(30,245)	4,939
- increase/(decrease) in payables	3,565	6,825
- increase/(decrease) in provisions	19,315	(8,294)
Net cash flows (used in)/provided by operating activities	(45,646)	22,043

Notes to the financial statements (continued)

	2018	2017
	\$	\$

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	89,128	73,823
- between 12 months and 5 years	183,633	180,282
	272,761	254,105

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 final term.

The operating lease for the Corporate Office is a non-cancellable lease with a three-year term expiring on the 16 January 2021, with rent payable monthly in advance. The lease is currently into its first 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	4,400	4,200
- non audit services	2,580	2,340
	6,980	6,540

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

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.

	2018	2017
	\$	\$
Transactions with related parties:		
Jeasdel Pty Ltd a company controlled by James Edward Saunders provided accounting services.	755	650

	2018	2017
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	1,000	1,000

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.

	2018	2017
	\$	\$

Note 21. Dividends paid or provided

a. Dividends paid during the year		
Prior year proposed final		
100% (2017: 100%) franked dividend - 6 cents (2017: 6 cents) per share	33,942	33,942
b. Dividends proposed and recognised as a liability		
Current year final dividend		
100% (2017: 100%) franked dividend - 6 cents (2017: 6 cents) per share	33,942	33,942
The tax rate at which dividends have been franked is 27.5% (2017: 27.5%). Dividends proposed will be franked at a rate of 27.5% (2017: 27.5%).		

Notes to the financial statements (continued)

	2018	2017
	\$	\$

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	428,880	441,971
• franking credits that will arise from payment of income tax as at the end of the financial year	-	-
• franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	12,785	12,785
Franking credits available for future financial reporting periods:	441,665	454,756
• franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	441,665	454,756

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	2,000	2,000
	20,000	20,000

Community Bank® Directors' Privileges Package

The board has adopted the **Community Bank®** Directors' Privileges Package. The package is available to all directors, who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branch at Mundaring, Western Australia. There is no requirement to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The total benefits received by the directors from the Directors' Privilege Package are \$2,876 for the year ended 30 June 2018 (2017: \$1,717).

Notes to the financial statements (continued)

	2018	2017
	\$	\$
Note 23. Earnings per share		
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(81,813)	2,525

	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 2018 total commitments would be \$38,500 (2017 \$20,400).

Note 27. Segment reporting

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

Note 28. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
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					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	166,316	187,879	865,000	925,000	-	-	-	-	-	-	2.04	2.19
Receivables	-	-	5,000	20,000	-	5,000	-	-	109,097	115,720	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	5,920	6,014	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 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	10,313	11,129
Decrease in interest rate by 1%	(10,313)	(11,129)
Change in equity		
Increase in interest rate by 1%	10,313	11,129
Decrease in interest rate by 1%	(10,313)	(11,129)

Directors' declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2018 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 2nd of August 2018.

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 2018 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.

Independent audit report (continued)

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: 2 August 2018



David Hutchings
Lead Auditor

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Mundaring **Community Bank**[®] Branch
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