Sanctuary Point & Districts Community Bank® Branch

annual report 2016

Bay & Basin Community

Financial Services Limited

ABN 62 105 756 063

Sanctuary Point & Districts Community Bank® Branch

annual report 2016

chair's report

INTRODUCTION

It is my great pleasure to present my first report on matters related to the Bay & Basin Community Financial Services Limited (BBCFSL) and its performance for the year ended 30 June 2016 – to our shareholders, my fellow Board members and our partners. Our previous Chair, Noel Burke retired from the Board in November, 2015.

CORPORATE AFFAIRS

In recent months, BBCFSL's franchise partners, Bendigo & Adelaide Bank Ltd. (BEN) have made approaches to **Community Bank®** company Boards to undertake the signing of the proposed Funds Transfer Pricing proposal at this time. Our decision not to sign was based on the knowledge that to do so would see a reduction operating profitability and we felt that it was more appropriate that we were able to accumulate cash reserves to generate a return to our shareholders and the community.

There has also been an extensive external review by the **Community Bank®** Strategic Advisory Board (CBSAB) which has seen several recommendations that we consider will be of greater advantage to our **Community Bank®** company, and therefore to our shareholders and the community.

SHAREHOLDERS' DIVIDEND

The global economy is in a state of flux, with the BREXIT exit, reduced economic activity in China, fiscal challenges on many countries within the European Union (EU) and subsequent changes to the value of the Australian dollar.

Based on this, at the July 2016 Board meeting, the Board approved the payment of a fully franked divided of four point five (4.5) cents per share to our shareholders. We are also in the process of attempting to make contact with some shareholders regarding their payments as people move from time to time and do not always advise us of new addresses.

I must acknowledge the efforts of past and present Treasurers as John Dunn retired from the Board in November 2015, and our new Treasurer Allen Kruse stepped into the position and has demonstrated a keen knowledge of the company's financial situation.

THE BRANCH

As always, a major factor in the ongoing growth and respect of the company has been an increased focus on the acquisition of new business in all products which the branch has on offer. The manner in which our staff have focussed themselves on you, our customers, has seen our customer service rating increase both within the Bendigo Bank family and with the users of the branch.

We have also been very active outside of our day-to-day activities, participating in careers markets, Seechange events, River festival and an annual community festival.

I would like to commend and thank our Manager, Keith Robinson and every member of his team, which includes three trainees, two of which have just completed their first full year with the branch. They, along with the rest of the staff are a credit to Keith and his management skills.

Keith will present his own detailed report, however, I felt that I also needed to acknowledge our great staff of whom we are very proud.

BOARD MEMBERSHIP

There have been a number of changes to the Board since our last Annual Report and Meeting.

Allen Kruse, who was welcomed to our previous Annual General Meeting has taken up the reins of the Treasurer and Michelle Miran has taken on the role of Editor after the retirement of Conrad Dawe. We have also welcomed Paul Hawkins and Ian MacKelden to the Board. We continue to seek new members who will bring skills and knowledge to the running of the company.

I am also pleased that our branch began a process of regular meetings with other **Community Bank®** branches in the Shoalhaven, namely Nowra, Milton and Sussex Inlet. These meetings have been formalised by Bendigo with the naming and creating of Cluster Groups.

I cannot let this report pass without giving my thanks and appreciation for the continued support and skills of our Deputy Chair, Geoffrey Ellison. Geoffrey provides the Board and I with his knowledge and considerable skills.

COMMUNITY SUPPORT

The **Community Bank®** branch became involved in the setting up of a Bay & Basin Business Chamber which has run as a part of the Shoalhaven Business Chamber. Our branch was successful in winning the Ethics in Business Award at the 2015 Business Chamber Awards.

The Board has continued to provide grants and sponsorship throughout the year, the recipients of which are listed later in the Annual Report. Included in this amount is a further $30,000 which has been paid into the Community Enterprise Foundation for use in future community grants together with the net cost of producing and distributing the About..... magazine.

Since the last report, the Community Youth Drop in Centre or Chill Out Room has been completed, youth worker has been appointed and on average 25 per day of the youth of the area attend each week day from 2.00pm to 7.00pm. I must offer my sincere thanks to the Board and CEO of the St. Georges Basin Country Club for their generosity and understanding of the needs of the youth in our catchment area.

We have also begun negotiations with Shoalhaven City Council on the construction of a second fitness station to be located near Plantation Point in Vincentia.

We successfully awarded three separate scholarships this year as we felt there were three special young people who should be provided with a scholarship. The recipients frequently send advice on their progress.

The Board has worked extremely well with Shoalhaven City Council in these projects, along with Sanctuary Point Community Pride.

COMMUNITY MAGAZINE

The About….. magazine continues to prove itself to play an important role in our marketing strategy, with a break-even result instead of the previous loss. Our wonderful book keeper Lori Hambridge and Michelle Graham who works for Sanctuary Point Printing have proven to be extremely competent and capable people. We are very fortunate to have the services of these people.

GOVERNANCE

One of the most important aspects of the Board's roles and responsibilities is to ensure that the company continues to prosper and complies with ASIC regulations and guidelines. In this respect we are indebted to Geoffrey Ellison for ensuring that all of these guidelines are followed. Geoffrey also guides the company in its Strategic Planning and Shareholder communications, aided by one of our new Directors, Ian MacKelden.

CONCLUSION

In concluding my report, I thank all Board members for their contribution to the company's operations, both in the Boardroom, in training sessions, at committee level and at functions to which we may be invited.

Veronica Husted

Veronica Husted
Chairperson

governance & audit committee report

THE FUTURE

Shareholders will be aware that operating in the Financial Services arena since the **GFC of 2008** has posed continuous and varied challenges for the Banking industry since that time. Although **BBCFSL** is a small regional branch we are not quarantined from such challenges.

Bendigo & Adelaide Bank Limited **("BEN")** has found it necessary to address the profit split as defined in our Franchise Agreement. Those initiatives have included:

a. A close analysis of the true cost of funding borrowing and lending **("Cost of Funds")**.

b. A review of the Community Bank Strategic Advisory Board **("CBSAB")** titled **Project Horizon**.

c. Re assessment of the annual Market Development Fund **("MDF")** contribution ($50,000).

COST OF FUNDS

An initial analysis in 2012 saw the proposed introduction of **RESTORE the BALANCE Mark 1 ("RTB #1)**. This was intended to address the imbalance in the then current profit split caused by the erosion of margins suffered by **BEN** who had determined profit split was biased in favour of the Community Banks as opposed to **BEN**. While **BBCFSL** acknowledged the methodology **BEN** was advised that RTB #1 should have been part of an overall review of the **Community Bank®** business model.

Pursuant to the discretion within its Franchise Agreement and due to the immediate negative impact on profitability and cash reserves, **BBCFSL** negotiated a deferral **RTB #1** until certain bench marks were reached. **RTB #1** became effective in April 2014.

Subsequently **BEN** sought to apply **RTB # 2**. Again **BBCFSL** declined.

This year **BEN** has approached the same issue with a model titled **FUNDS TRANSFER PRICING ("FTP")**. **FTP** comes with a phasing in condition which could delay in part and/or reduce the negative impact on profitability based on the value of the business book (Loans and Deposits). Your Directors are continuing negotiations with **BEN** on all features of **FTP** in the context of the discretionary powers available through our Franchise Agreement.

FRANCHISE AGREEMENT, PROJECT HORIZON AND CBSAB.

As reported in last year's Annual Report this review was completed last year. The outcomes do not impact on **BBCFSL** immediately. Recently there has been growing concern within the **Community Bank®** network as **BEN** seeks to roll out certain **Project Horizon** recommendations.

These concerns have increased as **BEN** released a new form of Franchise Agreement that includes:

a. Removal of the power to negotiate with **BEN**.

b. **BEN** can apply changes to the profit split without consultation.

c. A power for **BEN** to mandate proposed shareholder resolutions to be submitted to an Extraordinary/ Special General meeting.

BBCFSL Directors obtained legal advice on its options and the changes in the New Franchise Agreement as compared with the current agreement.

BBCFSL elected not to accept the new agreement and exercised a final 5 year option to extend our Franchise that will expire in **April 2019**, thus enabling:

a. A model that will permit accumulation cash reserves and continue a sustainable dividend and Community Service policy.

b. A time frame to continue sensible cost management.

c. Exploration of alternative income streams through the Strategic Planning process.

COMMUNITY BANK ALLIANCE.

The above concerns and others resulted in the establishment of a **COMMUNITY BANK ALLIANCE ("the Alliance")**.

BBCFSL, was invited to join and after further information joined the **ALLIANCE** whose stated aims include:

a. Consider & represent the priorities of the **Community Bank®** board's independently of **BEN**.

b. Facilitate a more effective and influential communication platform with **BEN**.

c. Obtain specialist legal advice on the proposed new Franchise Agreement to enable negotiation with **BEN** as a group.

d. Analyse the proposed **FTP** model.

Your board is mindful of the upcoming negotiations for a new franchise agreement and the possible forced acceptance of **FTP** that could result.

The **ALLIANCE** has obtained "a seat at the table" with the **CBSAB** and ultimately **BEN**.

MARKET DEVELOPMENT FUND.

The **MDF** paid to **BBCFSL** is not part of the Franchise agreement. While intended to assist with marketing, promotions and advertising it can be reduced or withdrawn by **BEN** as they see fit.

Recently **BEN** introduced a programme where by the **MDF** can be reduced based on certain financial criteria. **BBCFSL** may be subject to a reduction from 1 July 2017.

Mean time **BEN** has formed a marketing initiative whereby **Community Bank®** are joined together in a "cluster" to launch local marketing initiatives funded by a mandatory reduction in the **MDF**.

Your branch is joined (only after strenuous representations by your board) with Nowra, Milton and Sussex Inlet. Our contribution is $15,000. Your board has accordingly strengthened its marketing policy through a closer examination of all sponsorship and donation applications as well as preparing a sophisticated Marketing Policy. Funding will be contained to within a smaller budget while major items may be funded through contributions to the **Community Enterprise Foundation**.

manager's report

as at 30 June 2016

Financial Performance

Over the last financial year, the Sanctuary Point & Districts **Community Bank®** Branch has achieved an 5.1% increase in its book of business. In dollar terms, this represents an increase of some $4.106 million throughout the year, and a year end position of $84.006 million.

This is a good result considering the very competitive environment we have been working in during the past financial year.

In summary, as at the end of 2015/16 financial year, the branch's business is represented by:

- A total of 4,397 accounts
- Total book value of $84.006 million
- Loan business of $18.925 million (399 loan accounts)
- Deposit business of $65.081 million (3,998 deposit accounts).

Staffing

Our two trainees have now completed their first year of their traineeships with us and have developed into valuable members of our branch team. Both **Sharna** and **Sarah** have completed their Certificate III in Financial Services. Photos show our Chair Veronica proudly presenting the ladies, (Sharna at left) with their Certificates of Achievement.

At the beginning of 2016 the branch took on a school based trainee. Romeny Henderson (see photo right), continuing our committment to the youth of this area and taking another step towards one of our goals of being an employer of choice in the Bay & Basin area.

The school based traineeship system allows Romeny to continue her studies through years 11 and 12 whilst working part time hours with the bank and obtaining her Certificate III in Financial Services.

This should give Romeny an advantage in the job market and indeed the Traineeship contributes to her ATAR score in the HSC. I look forward to working with Romeny and our other trainees and helping to shape their future.

The rest of the staff have remained unchanged and their experience and dedication is what allows us to have such a high percentage of trainees in the branch at one time.

- Kerry Welsh (Customer Relationship Manager)
- Michael Tomson (Full Time Customer Service Officer)
- Megan Ray (Part Time Customer Service Officer).

Overall our staff have remained quite stable over the years we have been in operation. This has allowed for good relationships to be developed both with our client base and internally with our branch team and board of Directors. This of course makes for a stable environment which is conducive to continued good growth.

I am very happy with the structure of the branch staff and the direction we have taken with regards to training of local youth. There are limited opportunities for our young people in this area and I am proud that we as a bank can help in some small way.

Working in the Community

It's been another busy year for your **Community Bank®** branch in the Bay & Basin area. We have attended and contributed to many sponsorship events and community building projects.

A couple of the more notable are:

- **Bay & Basin Youth Centre**

  In collaboration with St Georges Basin Country Club and others, Bendigo Bank has converted the unused Squash Court area of the Club into a Youth Centre. The centre operates on a daily basis during the week and allows local youth to have a place to meet safely.

- **KidsFix Ambulance**

During the year an agreement was reached with our Regional office and our Nowra & District **Community Bank®** Branch to jointly fund the purchase of the KidsFix Ambulance.

This Ambulance is specifically designed to handle the requirements of children with critical needs. The Ambulance was launched in early August 2016 and is now permanently in use in the Shoalhaven area.

- **Scholarships 2016**

Your **Community Bank®** branch was pleased to be able to announce further scholarships to local students who had completed their HSC and had been offered a place in a university.

In previous years we have offered two scholarships, but this year we found we could not discount one of the applicants and so, with the full support of the Board, were able to provide a third. Each of the young women were former students from Vincentia High School.

The recipients will be studying a diverse range of courses, Bachelor Arts (Japanese), Bachelor of International Studies; Bachelor of Interior Design Honours and Bachelor of Social Work.

The successful recipients are Kristen Bradshaw, Lara Norton and Maddison Mayberry.

- **MND Charity Golf Day & Auction**

At the end of 2015 Bendigo Bank organised and ran a Charity Golf Day and Auction to raise funds for Motor Neurone Disease (MND) NSW.

MND NSW is a charitable organisation that looks after the needs of MND suffers and their families in NSW. The day was a resounding success thanks to the assistance of the St Georges Basin Country Club who became the **Community Bank®** branch's joint major sponsor for the event, along with some 25 other minor sponsors who were all local businesses in the Bay & Basin area. (Photo L to R Kerry Welsh (CRM Bendigo Bank), Ben Duncan (Supervisor SGB Club) Peter Opie (CEO MND NSW) and Branch Manager Keith Robinson.

2016 Wrap

In conclusion, I would like to take this opportunity to publicly thank the company's Board of Directors who have been capably lead this year by Veronica Husted who gives freely of her time to help make the Bay & Basin a better place and the local branch the success that it is. Veronica was ably assisted by our other local Directors. Together they form a great team to work with and help achieve many wonderful things for this area.

I look forward to another successful year in 2016/17 for our local **Community Bank®** company and its board.

Keith G Robinson – Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2016

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

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

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

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

The statistics are impressive:

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

Yes, these figures are staggering.

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

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

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

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

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

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

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

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

On behalf of Bendigo Bank, thank you.

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

Robert Musgrove
Executive Community Engagement

sponsorships/ grant allocations 2015-2016 Financial Year

During the year, many local organisations benefited from sponsorship and donations provided by your **Community Bank®**.

These included:-

- Bay & Basin Community Radio
- Sanctuary Point Public School
- Jervis Bay Christian School
- Vincentia Primary School
- Jervis Bay Public School
- Cancer Care Support Group
- St Georges Basin Country Club Men's Golf
- South Coast Referees Association
- St Georges Basin Bowls
- Vincentia Golf Club
- Vietnam Veterans Golf
- Community Enterprise Foundation
- Sanctuary Point Community Pride Group
- Bay & Basin Yacht Club
- St Georges Basin Football Club
- St Georges Basin Hockey
- Little A's
- Youth Awards
- Vincentia High School - Greenlight Driver Training
- Jervis Bay Fishing Club
- SeeChange Arts Festival
- Bay & Basin Amateur Swimming Club

directors' report

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

DIRECTORS

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

Veronica Jean Husted **Chair** Retired Library Assistant	Library Assistant, NSW Public Schools, Women's Employment Officer, NSW Public Service, Deputy Chair Southern Cross Community Housing, President of Crossroads Rural Fire Service, Secretary of Sanctuary Point Community Pride Inc. and previous involvement in many aspects of the community. Has Certificate IV in Workplace Training and Assessment and a Diploma in Labour Law. *Special Responsibilities:* Chair of Bay & Basin CFSL, Chair Community Affairs Committee *Interest in shares:* 500
Geoffrey McNiel Clark Ellison **Director** Chartered Accountant, Retired Insolvency Practitioner	Past: Insolvency Partner 2nd tier Chartered Accountancy practice. Consultant to C of A. Faculty member (Business Planning Org.) Executive Council member - Treasurer, Strategic Planning Unit Leader (National Security & Defence Org.) Pacific Region Board member/International President (International Accountancy Org.) Former Member IPAA. Fellow CPA. Current: Insolvency Consultant. Board Member Regional Museum, Mentor, Presenter (Shoalhaven Professional Business Association). *Special Responsibilities:* Chair Governance & Audit Committee, Leader Strategic Planning sub committee. *Interest in shares:* 1,000
Allen Christian Kruse **Treasurer** Retired	Early banking experience with Bank of New South Wales and Banque National de Paris. Principal career with Department of Social Security and Centrelink IT specialising in business analysis, system design, project management and executive management. President of Sanctuary Point Community Pride Inc. Heavily involved in the development of Clifton Community Food Garden and Chillout Youth Centre. *Special Responsibilities:* Member Community Affairs Committee *Interest in shares:* Nil
Michelle Rebecca Miran **Director** Business Consultant	Diploma of Teaching, Bachelor of Education, Accredited Mediator. Early professional background in TAFE; teaching, administration, curriculum development and educational policy. Business owner and operator in Sydney operating two successful cafes in tourist locations. Last 25 years in working in the NFP sector in senior management with special expertise in change management, business development and sourcing funding. Currently providing contract services in business development and mediation. *Special Responsibilities:* Member of Marketing Committee *Interest in shares:* Nil
Paul Jeffrey Hawkins **Director** *(appointed 29 March 2016)* Retired/Self Employed Marriage Celebrant	Customer Service Officer with Centrelink involved in granting payments, raising debts and investigating fraud. Managed welfare centre plus outreach homes with 3 F/T and 4 P/T staff. Duties included OHS, HR, budgeting, submitting monthly/annual audit reports, training general running of centre. Financial counsellor with Creditline. Duties included negotiating with creditor, assisting clients with budgeting, counselling and some preparation and attendance at bankruptcy proceedings. Other employment included probation – parole, youth worker and over 20 years with NSW Police Service. Involved with NSW Justice Association, retired Police Association and complete volunteer work (court duties) with Shorehaven Community Legal Aid. Completed a BA Social Science and current listed Justice of Peace. *Special Responsibilities:* Human Resources Committee *Interest in shares:* Nil

directors' report continued

Ian Spencer Frank Mackelden **Director** *(appointed 29 March 2016)* Retired	Involvement as previous Vice President Lady Denman Maritime Museum. Advisor to Board – Australian Skin and Cancer Foundation. Past Board Director of Clemenger BBDO Direct, BBDC Direct New York and Lintas Advertising (Unilever). Accredited MBA – International Management, Tuck School of Business Dartmouth College – New Hampshire USA. Director of Business Development Asia Pacific Wonderman Y&R Advertising. *Special Responsibilities:* Marketing Committee *Interest in shares:* Nil
Nicholas Patrick Burke **Chairman** *(resigned 30 November 2015)* Retired IT Consultant/Project Manager	Ex captain of Vincentia Golf Club, Ex member of Coastal Patrol, President Vincentia Golf Club since May 2013. Retired member of British Computer Society (MBCS – BSc degree equivalent), Chairman & Managing Director BBCFSL from July 2010 through 31st October 2015. *Special Responsibilities:* Chairman, Managing Director, Chair Human Resources Committee, member of Finance Committee. *Interest in shares:* Nil
John Peter Dunn **Treasurer** *(resigned 30 November 2015)* Retired	Retired Managing Director of an Engineering company in Sydney and past Vice President, past Secretary and current Director of St Georges Basin Country Club. Past Secretary of St Georges Basin Men's Bowling Club. Diploma in Commerce. *Special Responsibilities:* Treasurer *Interest in shares:* Nil
Conrad William Dawe **Director** *(resigned 22 October 2015)* Retired Electrical Engineer	Experience includes: Electrical Engineer for National Coal Board (UK); Lecturer at the College of Technology (UK) Engineering Superintendant; Roan Consolidated Copper Mines (Zambia); Electrical Design Engineer (Project Manager); Air Products Limited (UK); served six years on the board of Vincentia Golf Club *Special Responsibilities:* **About.....** Magazine Editor *Interest in shares:* Nil

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

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

COMPANY SECRETARY

Keith Gordon Robinson was appointed as company secretary on 25 August 2010. Keith holds a Diploma in Business and has experience in the finance sector, as well as the real estate industry.

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

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

	Year ended 30 June	
	2016 $	2015 $
	35,361	44,400

directors' report continued

DIVIDENDS

	Year Ended 30 June 2016	
Dividends	Cents	$
Dividends paid in the year	6	39,600

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 of 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 note 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

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

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

directors' report continued

DIRECTORS' MEETINGS

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

	Board Meetings Attended		Committee Meetings Attended							
			Governance & Audit		Human Resources		Marketing		Community Affairs	
	A	B	A	B	A	B	A	B	A	B
Veronica Jean Husted	11	11	8	8	-	-	-	-	1	1
Geoffrey McNiel Clark Ellison	11	9	11	11	-	-	-	-	-	-
Allen Kruse	11	7	-	-	-	-	-	-	1	1
Michelle Rebecca Miran	11	10	-	-	-	-	6	3	-	-
Paul Jeffrey Hawkins *(appointed 29 March 2016)*	3	1	-	-	-	-	-	-	-	-
Ian Spencer Frank Mackelden *(appointed 29 March 2016)*	3	2	-	-	-	-	3	3	-	-
John Peter Dunn *(resigned 30 November 2015)*	5	5	-	-	-	-	3	2	-	-
Nicholas Patrick Burke *(resigned 30 November 2015)*	5	5	3	3	-	-	3	3	-	-
Conrad William Dawe *(resigned 22 October 2015)*	5	3	-	-	-	-	-	-	-	-

A - Eligible to attend, B - Number attended

Branch Manager, Keith Robinson is Chairman of the Marketing committee and attended 10 meetings held during the year. He is also a member of the Community Affairs Committee and attended 4 out of 4 meetings held during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON AUDIT SERVICES

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

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

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

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

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 12.

Signed in accordance with a resolution of the board of directors at Sanctuary Point, New South Wales on 21st August 2016.

Veronica Husted

Veronica Jean Husted, Chairman

auditor's independence declaration

Partners in success

Chartered Accountants

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

As lead auditor for the audit of Bay & Basin Community Financial Services Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 21 August 2016

David Hutchings
Lead Auditor

statement of profit or loss and other comprehensive income

for the financial year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	748,860	716,168
Employee benefits expense		(337,379)	(302,072)
Charitable donations, sponsorship, advertising and promotion		(68,725)	(58,409)
Occupancy and associated costs		(48,597)	(50,566)
Systems costs		(22,632)	(20,232)
Depreciation and amortisation expense	5	(23,709)	(23,393)
General administration expenses		(198,423)	(197,029)
Profit before income tax expense		**49,395**	**64,467**
Income tax expense	6	(14,034)	(20,067)
Profit after income tax expense		35,361	44,400
Total comprehensive income for the year		**35,361**	**44,400**
Earnings per share for profit attributable to the ordinary shareholders of the company:		c	c
- Basic earnings per share	21	5.36	6.73

The accompanying notes for part of these financial statements

balance sheet

as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	372,696	371,469
Trade and other receivables	8	65,644	60,520
Current tax asset	11	2,778	-
Total Current Assets		**441,118**	**431,989**
Non-Current Assets			
Property, plant and equipment	9	106,678	115,158
Intangible assets	10	37,793	51,536
Deferred tax assets	11	6,247	13,797
Total Non-Current Assets		**150,718**	**180,491**
Total Assets		**591,836**	**612,480**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	17,910	25,360
Current tax liabilities	11	-	12,031
Provisions	13	43,304	47,127
Total Current Liabilities		**61,214**	**84,518**
Non-Current Liabilities			
Provisions	13	8,359	1,460
Total Non-Current Liabilities		**8,359**	**1,460**
Total Liabilities		**69,573**	**85,978**
Net Assets		**522,263**	**526,502**
Equity			
Issued capital	14	624,056	624,056
Accumulated losses	15	(101,793)	(97,554)
Total Equity		**522,263**	**526,502**

The accompanying notes for part of these financial statements

statement of changes in equity

for the financial year ended 30 June 2016

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2014	624,056	(112,254)	511,802
Total comprehensive income for the year	-	44,400	44,400
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(29,700)	(29,700)
Balance at 30 June 2015	624,056	(97,554)	526,502
Balance at 1 July 2015	624,056	(97,554)	526,502
Total comprehensive income for the year	-	35,361	35,361
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(39,600)	(39,600)
Balance at 30 June 2016	624,056	(101,793)	522,263

statement of cashflows

for the financial year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		810,541	756,783
Payments to suppliers and employees		(754,842)	(679,439)
Interest received		8,132	11,303
Income taxes paid		(21,293)	(17,028)
Net cash provided by operating activities	16	42,538	71,619
Cash flows from investing activities			
Payments for property, plant and equipment		(1,711)	(756)
Net cash used in investing activities		(1,711)	(756)
Cash flows from financing activities			
Dividends paid		(39,600)	(29,700)
Net cash used in financing activities		(39,600)	(29,700)
Net increase in cash held		1,227	41,163
Cash and cash equivalents at the beginning of the financial year		371,469	330,306
Cash and cash equivalents at the end of the financial year	7(a)	372,696	371,469

The accompanying notes for part of these financial statements

notes to the financial statements

for the financial year ended 30 June 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

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

	Effective for annual reporting periods beginning on or after
■ AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
■ AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
■ AASB 16 Leases	1 January 2019
■ AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
■ AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
■ AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
■ AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
■ AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
■ AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
■ AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016

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

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2015. Therefore the above mentioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Sanctuary Point, New South Wales.

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

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

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016.

notes to the financial statements continued

for the financial year ended 30 June 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

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

Commission

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

Fee income

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

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

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

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

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

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

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.

notes to the financial statements continued

for the financial year ended 30 June 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

i. Loans and receivables

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

ii. Held-to-maturity investments

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

iii. Available-for-sale financial assets

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

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

iiii. 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 of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

NOTE 2. FINANCIAL RISK MANAGEMENT

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

a. 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

b. subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

notes to the financial statements continued

for the financial year ended 30 June 2015

NOTE 2. FINANCIAL RISK MANAGEMENT CONTINUED

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

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

NOTE 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

NOTE 4. REVENUE FROM ORDINARY ACTIVITIES

	2016 $	2015 $
Operating activities:		
- services commissions	659,270	629,910
- other revenue	81,458	76,438
Total revenue from operating activities	740,728	706,348
Non-operating activities:		
- interest received	8,132	9,820
Total revenue from non-operating activities	8,132	9,820
Total revenues from ordinary activities	748,860	716,168

NOTE 5. EXPENSES

	2016 $	2015 $
Depreciation of non-current assets:		
- plant and equipment	8,012	7,696
- leasehold improvements	1,954	1,954
Amortisation of non-current assets:		
- franchise agreement	2,266	2,266
- franchise renewal fee	11,477	11,477
	23,709	23,393
Loss on disposal of non-current asset	224	-
Bad debts	1,029	2,346

NOTE 6. INCOME TAX EXPENSE

	2016 $	2015 $
The components of tax expense comprise:		
- Current tax	11,916	21,762
- Movement in deferred tax	7,323	(2,421)
- Adjustment to deferred tax to reflect change to tax rate in future periods	227	726
- Under/over provision in respect to prior years	(5,432)	-
	14,034	20,067
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	49,395	64,467
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	14,078	19,341
Add tax effect of:		
- non deductible expenses	64	-
- timing difference expenses	(2,226)	2,421
	11,916	21,762
Movement in deferred tax	7,323	(2,421)
Under/over provision in respect to prior years	(5,432)	-
Adjustment to deferred tax to reflect change of tax rate in future periods	227	726
	14,034	20,067

notes to the financial statements continued

for the financial year ended 30 June 2016

NOTE 7. CASH AND CASH EQUIVALENTS

	2016 $	2015 $
Cash at bank and on hand	80,459	87,098
Term deposits	292,237	284,371
	372,696	371,469

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:	2016 $	2015 $
Cash at bank and on hand	80,459	87,098
Term deposits	292,237	284,371
	372,696	371,469

NOTE 8. TRADE AND OTHER RECEIVABLES

	2016 $	2015 $
Trade receivables	54,835	52,099
Prepayments	8,183	5,974
Other receivables and accruals	2,626	2,447
	65,644	60,520

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

	2016 $	2015 $
Leasehold improvements		
At cost	78,165	78,165
Less accumulated depreciation	(23,911)	(21,956)
	54,254	56,209
Plant and equipment		
At cost	139,522	138,555
Less accumulated depreciation	(87,098)	(79,606)
	52,424	58,949
Total written down amount	106,678	115,158

NOTE 9. PROPERTY, PLANT AND EQUIPMENT CONTINUED

	2016 $	2015 $
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	56,209	58,163
Additions	-	-
Disposals	-	-
Less: depreciation expense	(1,954)	(1,954)
Carrying amount at end	54,255	56,209
Plant and equipment		
Carrying amount at beginning	58,949	65,890
Additions	1,711	755
Disposals	(744)	-
Less: depreciation expense	(7,493)	(7,696)
Carrying amount at end	52,423	58,949
Total written down amount	106,678	115,158

NOTE 10. INTANGIBLE ASSETS

	2016 $	2015 $
Franchise fee		
At cost	82,930	82,930
Less: accumulated amortisation	(76,580)	(74,314)
	6,350	8,616
Renewal processing fee		
At cost	114,645	114,645
Less: accumulated amortisation	(83,202)	(71,725)
	31,443	42,920
Total written down amount	37,793	51,536

notes to the financial statements continued

for the financial year ended 30 June 2016

NOTE 11. TAX

	2015 $	2015 $
Current:		
Income tax payable/(refundable)	(2,778)	12,031
Non-Current:		
Deferred tax assets		
- accruals	715	699
- employee provisions	14,207	13,847
	14,922	14,546
Deferred tax liability		
- accruals	723	749
- property, plant and equipment	7,952	-
	8,675	749
Net deferred tax asset	6,247	13,797
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	7,550	(1,695)

NOTE 12. TRADE AND OTHER PAYABLES

	2016 $	2015 $
Trade creditors	1,499	10,078
Other creditors and accruals	16,411	15,282
	17,910	25,360

NOTE 13. PROVISIONS

	2016 $	2015 $
Current:		
Provision for annual leave	21,378	24,094
Provision for long service leave	21,926	23,033
	43,304	47,127
Non-Current:		
Provision for long service leave	8,359	1,460

NOTE 14. CONTRIBUTED EQUITY

	2016 $	2015 $
660,000 Ordinary shares fully paid (2015; 660,000) Less: equity raising expenses	660,000 (35,944)	660,000 (35,944)
	624,056	624,056

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 share holding 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 share holding interest

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

In summary, a person has a prohibited share holding interest if they control or own 10% or more of the shares in the company (the "10% limit").

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

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

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited share holding interest. If the board becomes aware that a member has a prohibited share holding 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.

notes to the financial statements continued

for the financial year ended 30 June 2016

NOTE 15. ACCUMULATED LOSSES

	2016 $	2015 $
Balance at the beginning of the financial year	(97,554)	(112,254)
Net profit from ordinary activities after income tax	35,361	44,400
Dividends paid or provided for	(39,600)	(29,700)
Balance at the end of the financial year	(101,793)	(97,554)

NOTE 16. STATEMENT OF CASH FLOWS

	2016 $	2015 $
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	35,361	44,400
Non cash items:		
- depreciation	9,966	9,650
- amortisation	13,743	13,743
- loss on disposal of non-current asset	224	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(5,124)	(284)
- (increase)/decrease in other assets	4,773	(1,695)
- increase/(decrease) in payables	(7,450)	(3,067)
- increase/(decrease) in provisions	3,076	4,138
- increase/(decrease) in current tax liabilities	(12,031)	4,734
Net cash flows provided by operating activities	42,538	71,619

NOTE 17. LEASES

	2016 $	2015 $
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	28,729	28,175
- between 12 months and 5 years	50,276	77,482
- greater than 5 years	-	-
	79,005	105,657

The rental lease agreement on the branch premises is a non-cancellable lease with a five year term, with rent payable monthly in advance. The current lease was renewed on 21 March 2014 and expires on 21 March 2019, with the option of a further term of five years available to be exercised.

NOTE 18. AUDITORS' REMUNERATION

	2016 $	2015 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,100	3,950
- share registry services	2,330	3,766
- non-audit services	4,954	2,200
	11,384	9,916

NOTE 19. DIRECTOR AND RELATED PARTY DISCLOSURES

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

Veronica Jean Husted

Geoffrey McNiel Clark Ellison

Allen Kruse

Michelle Rebecca Miran

Paul Jeffrey Hawkins (appointed 29 March 2016)

Ian Spencer Frank Mackelden (appointed 29 March 2016)

Nicholas Patrick Burke (resigned 30 November 2015)

John Peter Dunn (resigned 30 November 2015)

Conrad William Dawe (resigned 22 October 2015)

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

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

Directors Share holdings

	2016 $	2015 $
Veronica Jean Husted	500	500
Geoffrey McNiel Clark Ellison	1,000	1,000
Allen Kruse	-	-
Michelle Rebecca Miran	-	-
Paul Jeffrey Hawkins (appointed 29 March 2016)	-	-
Ian Spencer Frank Mackelden (appointed 29 March 2016)	-	-
Nicholas Patrick Burke (resigned 30 November 2015)	-	-
John Peter Dunn (resigned 30 November 2015)	-	-
Conrad William Dawe (resigned 22 October 2015)	-	-

There was no movement in directors share holding during the year.

notes to the financial statements continued

for the financial year ended 30 June 2016

NOTE 20. DIVIDENDS PAID OR PROVIDED

	2016 $	2015 $
a. Dividends paid during the year		
Current year dividend 100% (2015: 100%) franked dividend - 6 cents (2015: 4.5 cents) per share	39,600	29,700
b. Dividends proposed and not recognised as a liability		
Current year final dividend 100% (2015: 100%) franked dividend - Nil (2015: 6 cents) per share	-	39,600
The tax rate at which dividends have been franked is 30% (2015: 30%).		
Dividends proposed will be franked at a rate of 30% (2015: 30%).		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	36,864	32,543
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(2,865)	12,031
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	33,999	44,574
- 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	33,999	44,574

NOTE 21. EARNINGS PER SHARE

	2016 $	2015 $
a. Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	35,361	44,400
	Number	Number
b. Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	660,000	660,000

NOTE 22. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

NOTE 23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

During the year ended 30 June 2016 Bay & Basin Community Financial Services Limited committed to sponsoring KIDZFIX for four years from 2016 to 2019. Four annual payments of $4,220 will be made totalling $16,880.

During the year ended 30 June 2016 Bay & Basin Community Financial Services Limited committed to three scholarships of $10,000 ($5,000 each year) each over two years (2016 to 2017). The total commitment over the two years will be $30,000.

No other contingent assets or contingent liabilities have been incurred by the company affect the year ended 30 June 2016.

NOTE 24. SEGMENT REPORTING

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Sanctuary Point and Districts, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

NOTE 25. 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

1/200 Kerry Street

Sanctuary Point NSW 2540

Principal Place of Business

1/200 Kerry Street

Sanctuary Point NSW 2540

NOTE 26. FINANCIAL INSTRUMENTS

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 %	2015 %
Financial Assets												
Cash and cash equivalents	80,459	87,056	292,237	284,371	-	-	-	-	-	42	2.19	2.75
Receivables	-	-	-	-	-	-	-	-	54,835	52,099	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	1,499	10,078	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 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2016 $	2015 $
Change in profit/(loss)		
- Increase in interest rate by 1%	3,727	3,714
- Decrease in interest rate by 1%	3,727	3,714

	2016 $	2015 $
Change in equity		
- Increase in interest rate by 1%	3,727	3,714
- Decrease in interest rate by 1%	3,727	3,714

director's declaration

year ended 30 June 2016

In accordance with a resolution of the directors of Bay & Basin Community Financial Services Limited we state that:

In the opinion of the directors:

a. the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

   ii. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Veronica Husted

Veronica Jean Husted,
Chairman
Signed on 21st of August 2016.

independent auditor's report

Partners in success

Chartered Accountants

Independent auditor's report to the members of Bay & Basin Community Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Bay & Basin Community Financial Services Limited, which comprises the balance sheet as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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independent auditor's report continued

Independence

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

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Bay & Basin Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 21 August 2016

David Hutchings
Lead Auditor

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www.aboutbayandbasin.org