Annual Report 2015

Bayswater Community Financial Services Limited

ABN 60 092 770 593

Bayswater & Noranda **Community Bank**® branches

Contents

Chairman's report

For year ending 30 June 2015

Dear shareholders,

The last financial year has been an exciting time for Bayswater Community Financial Services Limited with many major projects and decisions completed by the Board which are all aimed at making our community a better place to live in and continuing to improve our banking services to our customers.

One of the major projects that was completed included the new Career Advisory and Information Technology Centre for John Forrest Secondary College at a cost of $484,000. This was able to be completed after a $150,000 grant from Bayswater and Noranda **Community Bank**® branches was provided. This contribution has allowed the school to build a new wing to its library to house its technology centre. This project was extremely well received and appreciated by the school community at John Forrest.

Secondly, the Board committed to a major recurrent grant for Environment House in Bayswater. The $20,000 per year grant for the next three years will ensure that our community will have a place to go to obtain environmentally sustainable advice to make our community a better place for our future generation.

Thirdly, our biggest donation of $250,000 plus further recurrent funding went to Constable Care. We will be a major partner in the development of Perth's new Traffic School in Maylands. This exciting new concept was officially announced by the CEO of Constable Care, David Gribble at the 2015 Constable Care Child Safety awards. David gave special thanks to Bayswater Community Financial Services Limited as our initial grant was the catalyst to building this exciting $1.7 million project due to open in 2016.

There will also be improved services for our customers at Noranda **Community Bank**® Branch. The Board has decided to employ a full-time Branch Manager and we welcome Darren Ricketts to this role. I am sure that he will be a great asset to our company and he will be assisted by our Senior Manager Sean Kay and his team. As always, our dedicated staff continue to promote our company and are the major reason for our continued success and I thank them for this.

Finally, from a strategic perspective and due to current market conditions, the Board has decided not to continue in its partnership with the Midland **Community Bank**® Branch Steering Committee. Other opportunities may arise in the future for our company to expand, however, the Board is currently focused on delivering successful outcomes on the significant community projects which I have outlined above.

Whilst the current banking market may be challenging at times, our Board and staff will continue to work hard to provide the best we possibly can for our customers, community and shareholders and we look forward to another exciting year of our unique **Community Bank**® model of banking.

Barry McKenna
Chairman

Manager's report

For year ending 30 June 2015

Dear shareholders,

You will all be aware that the banking industry continues to face challenges, many of which can be linked to broader economic challenges within Australia. Despite this we continue to enjoy success within our branches and communities as a result of our point of difference. We are not competing with other banks purely on price but instead on our fantastic levels of service, our support of the community and on our extensive and competitive range of products.

As a result of this our business at both branches during 2015 continued to grow. Our overall portfolio of business rose from $246.7 million to $271.6 million during the financial year, an approximate growth rate of 10% overall, with the growth being attributable to both lending and deposit fund increases as well as other "off balance sheet" products. Our portfolio at 30 June 2015 is as follows:

- $149.6 million of deposit funds, an increase of $13 million on 2014/15
- $ 97.7 million of loan funds, an increase of $5.1 million on 2014/15
- $24.3 million of other products/funds, an increase of $6.4 million on 2014/15.

Our staffing at both branches has changed significantly in recent months, this has been as a result of a re-structuring of the staffing at the Noranda **Community Bank**® Branch. I am pleased to announce that as of 20 July 2015, Darren Ricketts has joined us as the Branch Manager at Noranda **Community Bank**® Branch. This change has been considered by the Board of Directors and myself as a necessity to ensure that Noranda **Community Bank**® Branch can provide the levels of service and support to our customers that they deserve. I am certain that this change will enable the branch to grow at a much stronger pace than has previously been the case, especially in the area of lending.

Our staff at both branches are of course our major asset. Their adaptability and willingness to meet the changing demands of our business are to be commended and I thank each of them for their dedicated efforts.

As always, it is important that we recognise the tireless efforts of our Board of Directors led by Barry McKenna. Our Board has been able to make strategic decisions on behalf of our company that continue to ensure that we are constantly striving to improve and grow.

This direction and clarity is important and allows me to focus my energies in meeting these defined priorities.

I hope that as shareholders that you are as proud of our achievements, we have a truly unique company that we can be justifiably proud of.

Thank you for your continued support, I look forward to an exciting and successful new financial year.

Sean Kay

Sean Kay
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2015

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bendigo and Adelaide Bank report (continued)

Interest in the **Community Bank**® model remains strong, with 20 **Community Bank**® sites currently in development and a further six **Community Bank**® branches expected to open nationally during the next 12 months.

The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to support the community with the good that money can bring.

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2015

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

Directors

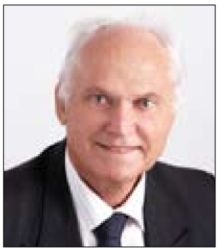
The names and details of the company's directors who held office during or since the end of the financial year:

Barry Anthony McKenna
Chairperson
Occupation: School Teacher
Councillor for the City of Bayswater since 1991. Barry has also been the Chairperson of the Finance and Personnel Committee since 1994 and was appointed Chairperson of the Technical Services Committee in 2009.
Special responsibilities: Executive Committee (Chair), Midland Project Steering Committee, Project Horizon Committee.
Interest in shares: 10,769

Denise Gail Beer
Deputy Chairperson
Occupation: Retired
Resident of Morley since 1977. Bachelor of Business in Management and Accounting. Employed in the not for profit sector in a variety of roles from 1985 until 2013. Denise has experience in operational aspects of community sector business including human resources, marketing and promotion, budgeting and compliance and tender writing.
Special responsibilities: Executive Committee (Deputy Chair), Marketing Committee (Chair), Strategic Options Committee.
Interest in shares: 1,000

Michael Stephen Anderton J.P
Secretary
Occupation: Company Director and Councillor
Currently a Councillor for the City of Bayswater and company director of an insurance services company. Has been a resident of the City of Bayswater since 1989. Former board member of Jobs Australia Morley-Midland and Vice President and board member of the West Australian Junior Soccer Association. Foundation member and Deputy Chair of the Noranda Steering Committee and currently Chair of the City of Bayswater Child Care Association.
Special responsibilities: Executive Committee (Secretary), WA Collaborative Marketing Committee, Strategic Options Committee.
Interest in shares: 5,500

Directors (continued)



Tadeusz Joseph Budzinski
Treasurer
Occupation: Retired
Retired Director of Finance at the City of Bayswater, a role he held from 1989 to 2012. Ted extended this role to include Aged Care and Child Care facilities. Previous to his career at the City of Bayswater, Ted held various roles specialising in accountancy and financial management in the mining industry and at Australia Post as well as being involved in numerous community groups including various chairing roles.
Special responsibilities: Executive Committee (Treasurer), Strategic Options Committee (Chair), Midland Project Steering Committee, Project Horizon Committee.
Interest in shares: Nil

Steven James Brown
Director
Occupation: Lawyer
Resident of the area since 1983 and past president of the Morley Business Association. Steven has worked as a lawyer for a Morley and Ellenbrook based law firm, Lynn & Brown Lawyers since 1996 and is now a director of this law firm.
Special responsibilities: Strategic Options Committee, Midland Project Steering Committee.
Interest in shares: 1

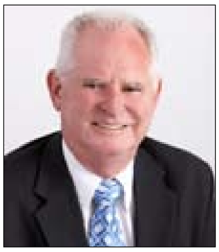
Gregory Da Rui
Director
Occupation: Pharmacist
Local community Pharmacy proprietor and Chairman of Bayswater Village Retailers Association. Branch Committee member of the Pharmacy Guild of Australia (WA Branch).
Special responsibilities: Marketing Committee
Interest in shares: 2,008

Ronald Edwin Gascoigne
Director
Occupation: Retired
Formerly a manager of ANZ Bank. Previously a resident of the City of Bayswater for 44 years. Committee member of the Bayswater Amateur Swimming and Life Saving Club from 1961 to 1997. Retired as a Life Member after serving as President for 14 years. Ron served 35 years with the Australian Army Reserve and retired with the rank of Major. Currently serving his eleventh year as Secretary/Treasurer of a not for profit charitable organisation.
Special responsibilities: Strategic Options Committee, Special Projects Committee
Interest in shares: 1

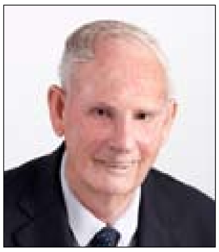
David Joseph Kelly
Director
Occupation: State Member of Parliament
David is the member for Bassendean in the WA Parliament and one of the inaugural directors and residents of Bayswater who originally campaigned for the establishment of the **Community Bank**® branch in Bayswater.
Interest in shares: 276

Directors (continued)

Louie John Magro
Director
Occupation: Business Proprietor
Former Mayor of the City of Bayswater. Managing Director of Ansa Global Security since 1985 and Founding Director of the DTI Group; an international security company. Vice President of the WA Italian Club.
Special responsibilities: Marketing Committee.
Interest in shares: 5,022



Alan James Radford
Director
Occupation: Councillor
Retired from Telstra as a Principal Technical Officer after 33 years. Has been running a small computer software and consulting business since 1995 and was elected as a councillor for the City of Bayswater in 2001, where he is now serving his fourth term. Alan is also a councillor for the East Metropolitan Regional Council, director of the City of Bayswater Child Care Committee, and board member for Hampton Park Primary School.
Special responsibilities: Special Projects Committee
Interest in shares: 1,100



Rodney Francis Stonehouse
Director
Occupation: Retired
Works Manager Engineering Workshops, Sports Administrator and Foundation Member of the Noranda branch Steering Committee.
Special responsibilities: Marketing Committee, Special Projects Committee
Interest in shares: 10,000

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

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

Company Secretary

The company secretary is Michael Anderton. Michael was appointed to the position of secretary on 1 July 2007.

Michael is currently a Councillor for the City of Bayswater and the company director of an insurance services company. He has been a resident of the City of Bayswater since 1989.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank**® services under management rights to operate franchised branches 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 2015 $	Year ended 30 June 2014 $
3,163	106,035

Remuneration report

Directors' remuneration

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

	2015 $	2014 $
Barry Anthony McKenna	12,050	10,000
Denise Gail Beer	10,550	8,500
Michael Stephen Anderton	10,050	8,000
Tadeusz Joseph Budzinski	10,050	8,000
Steven James Brown	6,050	4,500
Gregory Da Rui	6,050	4,500
Ronald Edwin Gascoigne	6,050	4,500
David Joseph Kelly	6,050	4,500
Louie John Magro	1,550	4,500
Alan James Radford	6,050	4,500
Rodney Francis Stonehouse	6,050	4,500
	80,550	**66,000**

The above amounts include a $1,550 technology allowance per director introduced during the 2014 financial year (2014: $500).

Transactions with directors

	$
Rodney Stonehouse received an increased interest rate on an investment account via the Directors Privilege Packaage. The benefit from this increased rate was:	193

Remuneration report (continued)

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Barry Anthony McKenna	10,769	-	10,769
Denise Gail Beer	1,000	-	1,000
Michael Stephen Anderton	5,500	-	5,500
Tadeusz Joseph Budzinski	-	-	-
Steven James Brown	1	-	1
	Balance at start of the year	**Changes during the year**	**Balance at end of the year**
Gregory Da Rui	2,008	-	2,008
Ronald Edwin Gascoigne	1	-	1
David Joseph Kelly	276	-	276
Louie John Magro	5,022	-	5,022
Alan James Radford	1,100	-	1,100
Rodney Francis Stonehouse	10,000	-	10,000

Remuneration Policy

The remuneration policy of the company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The Board of the company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the company's performance, Executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

Remuneration report (continued)

Remuneration Policy (continued)

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the company and expensed.

Performance-based remuneration

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the company's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the company bases the assessment on audited figures.

Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on KPIs. The company believes this policy to have been effective in increasing shareholder wealth over the past years.

	2015	2014	2013	2012	2011	2010
Revenue	2,020,379	2,037,216	2,164,223	2,223,076	2,153,329	1,936,372
Net Profit	3,163	106,036	163,653	244,427	273,715	238,838

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the company.

The employment contracts stipulate a resignation period. The company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

Remuneration report (continued)

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

Directors' Privilege Package

Bayswater Community Financial Services Limited has accepted the **Community Bank**® Directors' Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with Bayswater Community Financial Services Limited® branches. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders. One director elected to avail themselves of the package during the period under review.

Dividends

	Year ended 30 June 2015	
	Cents	**$**
Dividends declared and provided for in the year:	7.5	85,871
Dividends Paid in the year	7.6	87,016

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

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.

Indemnification and insurance of directors and officers (continued)

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

Directors' Meetings

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

	Board Meetings Attended		Committee Meetings Attended							
			Executive		Marketing		Special Projects[1]		Strategic Options	
	A	B	A	B	A	B	A	B	A	B
Barry Anthony McKenna	10	10	3	3	-	-	-	-	-	-
Denise Gail Beer	10	8	3	3	2	1	-	-	2	2
Michael Stephen Anderton	10	9	3	3	-	-	-	-	-	-
Tadeusz Joseph Budzinski	10	8	3	3	-	-	-	-	2	1
Steven James Brown	10	10	-	-	-	-	-	-	2	2
Gregory Da Rui	10	10	-	-	2	2	-	-	-	-
Ronald Edwin Gascoigne	10	9	-	-	-	-	-	-	2	2
David Joseph Kelly	10	6	-	-	-	-	-	-	-	-
Louie John Magro	10	5	-	-	2	0	-	-	-	-
Alan James Radford	10	9	-	-	-	-	-	-	-	-
Rodney Francis Stonehouse	10	10	-	-	2	1	-	-	-	-

A - Eligible to attend, B - Number attended

1 Special Projects Committee was disbanded on 1 July 2014.

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 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:

Non Audit Services (continued)

- all non-audit services have been reviewed by the board 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 15.

Signed in accordance with a resolution of the board of directors at Bayswater, Western Australia on 11 September 2015.

Barry Anthony McKenna
Chairperson

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 Bayswater Community Financial Services Limited

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 16 September 2015

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

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Financial statements

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

	Notes	2015 $	2014 $
Revenue from ordinary activities	4	2,020,379	2,037,216
Employee benefits expense		(1,178,092)	(1,170,248)
Charitable donations, sponsorship, advertising and promotion		(233,772)	(123,143)
Occupancy and associated costs		(173,820)	(164,706)
Systems costs		(41,273)	(41,005)
Depreciation and amortisation expense	5	(54,769)	(59,414)
General administration expenses		(339,768)	(317,440)
Profit/(loss) before income tax		**(1,115)**	**161,260**
Income tax (expense)/credit	6	4,278	(55,225)
Profit after income tax		**3,163**	**106,035**
Total comprehensive income for the year		**3,163**	**106,035**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	21	0.28	9.26

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2015

	Notes	2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,470,056	1,578,407
Trade and other receivables	8	176,131	199,472
Current tax asset	11	26,634	-
Total Current Assets		**1,672,821**	**1,777,879**
Non-Current Assets			
Property, plant and equipment	9	280,161	305,019
Intangible assets	10	59,937	14,523
Deferred tax asset	11	44,376	34,542
Total Non-Current Assets		**384,474**	**354,084**
Total Assets		**2,057,295**	**2,131,963**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	140,941	103,150
Current tax liabilities	11	-	21,331
Provisions	13	209,518	228,334
Total Current Liabilities		**350,459**	**352,815**
Non-Current Liabilities			
Provisions	13	24,154	13,758
Total Non-Current Liabilities		**24,154**	**13,758**
Total Liabilities		**374,613**	**366,573**
Net Assets		**1,682,682**	**1,765,390**
Equity			
Issued capital	14	1,103,852	1,103,852
Retained earnings	15	578,830	661,538
Total Equity		**1,682,682**	**1,765,390**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2013	**1,103,852**	**642,519**	**1,746,371**
Total comprehensive income for the year	**-**	**106,035**	**106,035**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(87,016)	(87,016)
Balance at 30 June 2014	**1,103,852**	**661,538**	**1,765,390**
Balance at 1 July 2014	**1,103,852**	**661,538**	**1,765,390**
Total comprehensive income for the year	**-**	**3,163**	**3,163**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(85,871)	(85,871)
Balance at 30 June 2015	**1,103,852**	**578,830**	**1,682,682**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		2,191,814	2,198,720
Payments to suppliers and employees		(2,134,010)	(1,996,924)
Interest received		49,707	49,943
Income taxes paid		(53,521)	(12,390)
Net cash provided by operating activities	**16**	**53,990**	**239,349**
Cash flows from investing activities			
Payments for property, plant and equipment		(6,612)	(10,733)
Payments for intangible assets		(68,713)	-
Net cash provided by/(used in) investing activities		**(75,325)**	**(10,733)**
Cash flows from financing activities			
Dividends paid		(87,016)	(92,740)
Net cash provided by/(used in) financing activities		**(87,016)**	**(92,740)**
Net increase/(decrease) in cash held		**(108,351)**	**135,876**
Cash and cash equivalents at the beginning of the financial year		1,578,407	1,442,531
Cash and cash equivalents at the end of the financial year	**7(a)**	**1,470,056**	**1,578,407**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).
- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

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

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

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into franchise agreements with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branches at Bayswater and Noranda.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The branches operate as franchises 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**® branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branches 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 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**® branches 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 operations, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branches
- 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).

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation

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

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

The franchise agreements with Bendigo and Adelaide Bank Limited provides for three forms of revenue 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Commission

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

Fee income

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

Ability to change financial return

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

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

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

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

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

Monitoring and changing financial return

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

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

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.

Note 1. Summary of significant accounting policies (continued)

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.

Note 1. Summary of significant accounting policies (continued)

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

• leasehold improvements	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.

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

Note 1. Summary of significant accounting policies (continued)

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%.

Note 2. Financial risk management (continued)

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

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

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

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

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

	2015 $	**2014 $**

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	1,970,672	1,987,181
- other revenue	-	92
Total revenue from operating activities	**1,970,672**	**1,987,273**
Non-operating activities:		
- interest received	49,707	49,943
Total revenue from non-operating activities	**49,707**	**49,943**
Total revenues from ordinary activities	**2,020,379**	**2,037,216**

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	6,012	6,989
- leasehold improvements	19,839	22,056
- motor vehicles	5,619	6,915

	2015 $	2014 $

Note 5. Expenses (continued)

Amortisation of non-current assets:		
- franchise agreement	13,065	23,454
- franchise renewal fee	10,234	-
	54,769	**59,414**
Bad debts	**605**	**258**

Note 6. Income tax expense/(credit)

	2015 $	2014 $
The components of tax expense/(credit) comprise:		
- Current tax	5,556	57,632
- Movement in deferred tax	(9,834)	(2,407)
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	-
- Recoupment of prior year tax losses	-	-
- Under/(Over) provision of tax in the prior period	-	-
	(4,278)	**55,225**
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows		
Operating profit/(loss)	(1,115)	161,260
Prima facie tax on profit/(loss) from ordinary activities at 30%	(335)	48,378
Add tax effect of:		
- non-deductible expenses	413	-
- timing difference expenses	5,478	9,253
- other deductible expenses		
	5,556	**57,631**
Movement in deferred tax	(9,834)	(2,407)
Adjustment to deferred tax to reflect change of tax rate in future periods	-	-
Under/(Over) provision of income tax in the prior year	-	-
	(4,278)	**55,225**

Note 7. Cash and cash equivalents

	2015 $	2014 $
Cash at bank and on hand	170,056	178,407
Term deposits	1,300,000	1,400,000
	1,470,056	**1,578,407**

	2015 $	2014 $

Note 7. Cash and cash equivalents (continued)

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:

	2015 $	2014 $
Cash at bank and on hand	170,056	178,407
Term deposits	1,300,000	1,400,000
	1,470,056	**1,578,407**

Note 8. Trade and other receivables

	2015 $	2014 $
Trade receivables	158,572	146,602
Prepayments	6,738	5,419
Other receivables and accruals	10,821	47,451
	176,131	**199,472**

Note 9. Property, plant and equipment

	2015 $	2014 $
Leasehold improvements		
At cost	671,505	671,505
Less accumulated depreciation	(442,122)	(422,283)
	229,383	**249,222**
Plant and equipment		
At cost	108,448	101,836
Less accumulated depreciation	(82,017)	(76,005)
	26,431	**25,831**
Motor vehicles		
At cost	38,256	38,256
Less accumulated depreciation	(13,909)	(8,290)
	24,347	**29,966**
Total written down amount	**280,161**	**305,019**

Note 9. Property, plant and equipment (continued)

	2015 $	2014 $
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	249,222	271,278
Additions	-	-
Disposals	-	-
Less: depreciation expense	(19,839)	(22,056)
Carrying amount at end	**229,383**	**249,222**
Plant and equipment		
Carrying amount at beginning	25,831	22,087
Additions	6,612	10,733
Disposals	-	-
Less: depreciation expense	(6,012)	(6,989)
Carrying amount at end	**26,431**	**25,831**
Motor vehicles		
Carrying amount at beginning	29,966	36,881
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,619)	(6,915)
Carrying amount at end	**24,347**	**29,966**
Total written down amount	**280,161**	**305,019**

Note 10. Intangible assets

	2015 $	2014 $
Franchise fee		
At cost	227,268	227,268
Less: accumulated amortisation	(225,810)	(212,745)
	1,458	**14,523**
Renewal processing fee		
At cost	68,713	-
Less: accumulated amortisation	(10,234)	-
	58,479	**-**
Total written down amount	**59,937**	**14,523**

Notes to the financial statements (continued)

	2015 $	2014 $

Note 11. Tax

Current:		
Income tax payable/(refundable)	**(26,634)**	**21,331**
Non-Current:		
Deferred tax assets		
- accruals	3,282	736
- employee provisions	44,340	42,167
	47,622	**42,903**
Deferred tax liability		
- accruals	3,246	(6,735)
- deductible prepayments	-	(1,626)
	3,246	**(8,361)**
Net deferred tax asset	**44,376**	**34,542**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(9,834)**	**(2,407)**

Note 12. Trade and other payables

Trade creditors	28,082	25,178
Other creditors and accruals	112,859	77,972
	140,941	**103,150**

Note 13. Provisions

Current:		
Provision for annual leave	71,413	77,374
Provision for long service leave	52,234	63,944
Provision for Dividend	85,871	87,016
	209,518	**228,334**
Non-Current:		
Provision for long service leave	**24,154**	**13,758**

Note 14. Contributed equity

	2015 $	2014 $
1,144,952 ordinary shares fully paid (2014: 1,144,952)	1,144,952	1,144,952
Less: equity raising expenses	(6,100)	(6,100)
Less: return of capital	(35,000)	(35,000)
	1,103,852	**1,103,852**

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if 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 shareholding provision is to reflect the community-based nature of the company.

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

Note 14. Contributed equity (continued)

Prohibited shareholding interest (continued)

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

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

	2015 $	2014 $

Note 15. Retained earnings

	2015 $	2014 $
Balance at the beginning of the financial year	661,538	642,519
Net profit from ordinary activities after income tax	3,163	106,035
Dividends paid or provided for	(85,871)	(87,016)
Balance at the end of the financial year	**578,830**	**661,538**

Note 16. Statement of cash flows

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

	2015 $	2014 $
Profit from ordinary activities after income tax	3,163	106,035
Non cash items:		
- depreciation	31,470	35,960
- amortisation	23,299	23,454
Changes in assets and liabilities:		
- (increase)/decrease in receivables	23,342	10,193
- (increase)/decrease in other assets	(36,468)	(2,407)
- increase/(decrease) in payables	37,790	(3,052)
- increase/(decrease) in provisions	(7,275)	23,924
- increase/(decrease) in current tax liabilities	(21,331)	45,242
Net cash flows provided by operating activities	**53,990**	**239,349**

	2015 $	2014 $

Note 17. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	128,865	116,511
- between 12 months and 5 years	423,300	337,073
- greater than 5 years	9,373	20,500
	561,538	**474,084**

The lease on the branch premises at Bayswater is a non-cancellable lease with a five-year term which expires on 10 September 2015. Bayswater CFSL has exercised the option to renew the lease for a further five years. The lease has a further five year renewal option. The Noranda Lease is a non-cancellable lease with a five year term due to expire 4 October 2019. The Noranda lease has no additional renewal options.

	2015 $	2014 $

Note 18. Auditor's remuneration

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

- audit and review services	3,950	3,850
- non audit services	3,120	2,552
	7,070	**6,402**

Note 19. Director and related party disclosures

Key Management Personnel Remuneration

Short-term employee benefits	80,550	66,000
	80,550	**66,000**

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

Transactions with Key Management Personnel

Rodney Stonehouse received an increased interest rate on an investment account. The benefit from this increased rate was:	-	193

Note 20. Dividends paid or provided

	2015 $	2014 $
a. Dividends paid during the year		
Current year dividend		
100% (2014: 100%) franked dividend - 7.6cents (2014: 8.1 cents) per share	**87,016**	**92,740**
b. Dividends proposed and recognised as a liability		
Current year final dividend		
100% (2014: 100%) franked dividend -7.5cents (2014: 7.6 cents) per share	**85,871**	**87,016**
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	474,356	458,127
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(26,634)	21,330
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(36,802)	(37,292)
Franking credits available for future financial reporting periods:	**410,920**	**442,165**
- 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	**410,920**	**442,165**

Note 21. Earnings per share

		2015 $	2014 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	3,163	106,035
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,144,952	1,144,952

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**® services in Bayswater and Noranda, Western Australia pursuant to franchise agreements 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 places of business is:

Registered Office	Principal Place of Business
14 King William Street Bayswater WA 6053	14 King William Street Bayswater WA 6053
	Shops 13 & 14 Noranda Shopping Village Benara Road Noranda WA 6062

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		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 %	2014 %
Financial assets												
Cash and cash equivalents	170,056	178,407	1,300,000	1,400,000	-	-	-	-	-	-	3.30	3.35
Receivables	-	-	-	-	-	-	-	-	158,572	146,602	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	28,082	25,178	N/A	N/A

Note 26. Financial instruments (continued)

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

	2015 $	2014 $
Change in profit/(loss)		
Increase in interest rate by 1%	14,701	15,784
Decrease in interest rate by 1%	14,701	15,784
Change in equity		
Increase in interest rate by 1%	14,701	15,784
Decrease in interest rate by 1%	14,701	15,784

Directors' declaration

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

In the opinion of the directors:

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

   (i) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

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

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

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Barry McKenna.

Barry Anthony McKenna
Chairperson

Signed on the 11th of September 2015.

Independent audit report

Partners in success

Chartered Accountants

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

Report on the financial report

We have audited the accompanying financial report of Bayswater Community Financial Services Limited, which comprises the balance sheet as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

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

Report on the remuneration report

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

Auditor's opinion on the remuneration report

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 16 September 2015

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