Annual Report 2016

Bayswater Community Financial Services Limited

ABN 60 092 770 593

Bayswater & Noranda **Community Bank**® branches

Contents

Chairman’s report

For year ending 30 June 2016

I am pleased to report another successful year for our company. Having being inducted into the **Community Bank**® Hall of Fame in September 2015 in Bendigo, our Board continues to meet new challenges and seek continual improvement.

Throughout the year, our focus was primarily at our Noranda **Community Bank**® Branch and taking measures to improve its financial performance. This has been achieved in a variety of ways including the appointment of a full time Branch Manager, Darren Ricketts. Darren has been very successful in establishing himself as our new Manager and has achieved great results with his experienced and driven team.

After 14 years of service to our company, Sean Kay was appointed as Senior Branch Manager of our branches. This has allowed him to provide the Board with a more holistic management perspective of our two sites.

In a challenging economic market, our two branches now have over $277 million on our books.

I am also pleased to report that in August 2016, at a Bendigo Bank Company presentation night, Bayswater **Community Bank**® Branch was awarded the highest lending activity for the year out of 43 branches in Western Australia. Well done to Mark Andreatta on his hard work in achieving this.

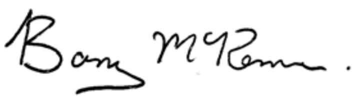
While our staff continue to do a great job, our Board continues to work hard. Sadly, I have to announce the retirement of two long serving members in Mr Lou Magro and Mr Rod Stonehouse.

Both members have made significant contributions with Rod having served 12 years and Lou 15 years on the Board.

I personally would like to thank both gentlemen for their many years of support to me, as Chairman and I know our Bendigo Bank community would like to thank them for their years of commitment. I wish them both an enjoyable retirement from banking.

Finally, thank you to the other members of our Board for their continued drive to make this a leading **Community Bank**® company in the national network.

We all look forward to the opening of the Constable Care Child Safety School in 2017, proudly sponsored by Bayswater Community Financial Services Limited and other projects that make our community a better place to be simply by banking with Bendigo Bank.



Barry McKenna
Chairman

Senior Manager's report

For year ending 30 June 2016

Dear Shareholders,

It is with great delight that I can once again provide you with an update on our company performance for the last financial year. After 14 years in the role as Branch Manager, it is satisfying to see that our company continues to grow. Whilst growth is increasingly difficult to achieve, we continue to adapt to the changing world in which we operate and look for new initiatives to ensure our future success.

During the financial year our overall portfolio of business rose from $271.6 million to $277.8 million.

It was pleasing to see that our lending growth was 6.3%. Our deposit growth was more modest at 0.95% with our overall growth being 2.3%.

Our portfolio as at 30/6/16 is as follows:

- $152.5 million of deposit funds, an increase of $1.5 million on 2015
- $103.9 million of loans, an increase of $6.1 million on 2015
- $21.4 million of other products/funds, a reduction of $1.4 million on 2015.

Our staff are without doubt our greatest asset. During the year we have seen significant staff changes, with new staff introduced to our group. All of our staff are aware of the changing face of banking and our need to meet our customers' needs in significantly different ways to how we have in the past. I am delighted that everyone is adapting well to these changes and is aware of the opportunities that these changes will provide to us.

In this current climate it is hoped that our shareholders and customers help us to continue to meet our objectives of delivering profits so that we can assist our communities and deliver returns to our shareholders.

If you have family members or friends who deserve the levels of service and the excellent products that we can provide, please let me know or ask them to contact either of our branches.

Our Board of Directors led by Barry McKenna continues to show leadership, enthusiasm and initiative. They are constantly striving to improve and grow and form strategic partnerships to meet these goals.

I hope that as shareholders that you are as proud of your company and its achievements. We are a truly unique bank and one that I am privileged to help oversee.

As always I look forward to the challenges and opportunities that lie ahead and hope to continue building our business into the future.

Sean Kay

Sean Kay
Senior Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2016

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

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

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

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

The statistics are impressive:

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

Yes, these figures are staggering.

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

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

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

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

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

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

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

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

On behalf of Bendigo Bank, thank you.

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

Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2016

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

Directors

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

Barry Anthony McKenna

Chairperson

Occupation: City of Bayswater Mayor

Councillor for the City of Bayswater since 1991, Barry became Mayor of the city in October 2014.

Special responsibilities: Executive Committee (Chair), Staff and Shareholder Committee, Financial and Governance Committee, Bayswater and Kingsway Community Financial Services Merger Steering Committee.

Interest in shares: 9,999

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, Staff and Shareholder Committee, Financial and Governance Committee, Customer and Community Committee, Bayswater and Kingsway Community Financial Services Merger Steering Committee.

Interest in shares: 1,000

Michael Stephen Anderton J.P

Company Secretary

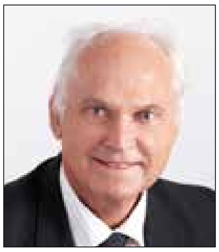
Occupation: Company Director

Company Director of an insurance services company, Mike 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 Inc.

Special responsibilities: Executive Committee, WA Collaborative Marketing Committee, Staff and Shareholder Committee, Financial and Governance Committee, Bayswater and Kingsway Community Financial Services Merger Steering Committee.

Interest in shares: 7,000

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, Staff and Shareholder Committee, Financial and Governance Committee, Bayswater and Kingsway Community Financial Services Merger Steering Committee.

Interest in shares: 1

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: Financial and Governance Committee.

Interest in shares: 1

Gregory Da Rui

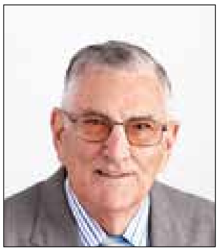
Director

Occupation: Pharmacist

Chairperson of Bayswater Village Retailers Association and the Baysie Rollers Community Group, Greg is also a Branch Committee member of the Pharmacy Guild of Australia (WA Branch), member of the Clinical Commissioning Committee Perth North Primary Health Network and a director of the Pharmacy 777 Advisory Board.

Special responsibilities: Customer and Community Committee (Chair), Financial and Governance 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. Secretary/Treasurer of a not for profit charitable organisation since 2004.

Special responsibilities: Financial and Governance Committee, Customer and Community Committee.

Interest in shares: 1

Directors' (continued)

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.

Special Responsibilities: Financial and Governance Committee.

Interest in shares: 276

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 (now publicly listed on the ASX). Vice President of the WA Italian Club and committee member of the Security Agents Institute W.A.

Special responsibilities: Financial and Governance 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 board member for the Bayswater Child Care Association and a board member for Hampton Park Primary School.

Special responsibilities: Financial and Governance Committee (Chair).

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: Financial and Governance 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 a company director of an insurance services company and the Chair of the City of Bayswater Child Care Association. 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 2016 $	Year ended 30 June 2015 $
72,754	3,163

Dividends

	Year ended 30 June 2016	
	Cents	$
Final dividends recommended:	7.19	82,322
Dividends paid in the year:		
- As recommended in the prior year report	7.50	85,871

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 23 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended							
			Executive		Staff & Shareholder		Customer & Community		Financial & Governance	
	A	B	A	B	A	B	A	B	A	B
Barry Anthony McKenna	10	10	9	9	4	3	-	-	3	2
Denise Gail Beer	10	8	9	9	4	4	3	2	3	3
Michael Stephen Anderton	10	9	9	8	4	3	-	-	3	2
Tadeusz Joseph Budzinski	10	8	9	8	4	4	-	-	3	2
Steven James Brown	10	8	-	-	-	-	3	3	3	2
Gregory Da Rui	10	9	-	-	-	-	3	3	3	3
Ronald Edwin Gascoigne	10	8	-	-	-	-	1	1	3	2
David Joseph Kelly	10	7	-	-	-	-	-	-	3	1
Louie John Magro	10	6	-	-	-	-	3	0	3	0
Alan James Radford	10	9	-	-	-	-	-	-	3	3
Rodney Francis Stonehouse	10	10	-	-	-	-	2	2	3	3

A - Eligible to attend
B - Number attended

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:

- 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 11.

Signed in accordance with a resolution of the board of directors at Bayswater, Western Australia on 31 August 2016.

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 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated:31 August 2016

David Hutchings
Lead Auditor

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

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

	Notes	2016 $	2015 $
Revenue from ordinary activities	4	2,010,485	2,020,379
Employee benefits expense		(1,176,544)	(1,178,092)
Charitable donations, sponsorship, advertising and promotion		(174,467)	(233,772)
Occupancy and associated costs		(177,905)	(173,820)
Systems costs		(40,581)	(41,273)
Depreciation and amortisation expense	5	(47,230)	(54,769)
General administration expenses		(291,281)	(339,768)
Profit/(loss) before income tax		**102,477**	**(1,115)**
Income tax (expense)/credit	6	(29,723)	4,278
Profit after income tax		**72,754**	**3,163**
Total comprehensive income for the year		**72,754**	**3,163**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	24	6.35	0.28

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2016

	Notes	2016 $	2015 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,302,930	1,470,056
Financial assets	8	96,000	-
Trade and other receivables	9	212,005	176,131
Current tax asset	12	-	26,634
Total Current Assets		**1,610,935**	**1,672,821**
Non-Current Assets			
Property, plant and equipment	10	255,034	280,161
Intangible assets	11	107,284	59,937
Deferred tax asset	12	51,278	44,376
Total Non-Current Assets		**413,596**	**384,474**
Total Assets		**2,024,531**	**2,057,295**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	185,833	226,812
Current tax liabilities	12	2,246	-
Provisions	14	134,694	123,647
Total Current Liabilities		**322,773**	**350,459**
Non-Current Liabilities			
Provisions	14	28,644	24,154
Total Non-Current Liabilities		**28,644**	**24,154**
Total Liabilities		**351,417**	**374,613**
Net Assets		**1,673,114**	**1,682,682**
Equity			
Issued capital	15	1,103,852	1,103,852
Retained earnings	16	569,262	578,830
Total Equity		**1,673,114**	**1,682,682**

The accompanying notes form part of these financial statements.

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

	Issued capital $	Retained earnings $	Total equity $
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**
Balance at 1 July 2015	**1,103,852**	**578,830**	**1,682,682**
Total comprehensive income for the year	**-**	**72,754**	**72,754**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(82,322)	(82,322)
Balance at 30 June 2016	**1,103,852**	**569,262**	**1,673,114**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		2,173,363	2,191,814
Payments to suppliers and employees		(2,100,307)	(2,134,010)
Interest received		42,732	49,707
Income taxes paid		(25,845)	(53,521)
Net cash provided by operating activities	**17**	**89,943**	**53,990**
Cash flows from investing activities			
Dividends received		3,400	-
Payments for property, plant and equipment		(1,669)	(6,612)
Payments for intangible assets		(67,779)	(68,713)
Paymentsfor financial assets		(105,150)	-
Net cash used in investing activities		**(171,198)**	**(75,325)**
Cash flows from financing activities			
Dividends paid		(85,871)	(87,016)
Net cash used in financing activities		**(85,871)**	**(87,016)**
Net decrease in cash held		**(167,126)**	**(108,351)**
Cash and cash equivalents at the beginning of the financial year		1,470,056	1,578,407
Cash and cash equivalents at the end of the financial year	**7(a)**	**1,302,930**	**1,470,056**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
AASB 16 Leases	1 January 2019
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

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

Economic dependency - Bendigo and Adelaide Bank Limited

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

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.

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® 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 operation, 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).

Revenue calculation

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

Interest paid by customers on loans less interest paid to customers on deposits

plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,

minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

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

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

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

Commission

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

Fee income

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

Ability to change financial return

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

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return (continued)

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

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

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

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

Monitoring and changing financial return

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

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

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

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

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

c) Income tax

Current tax

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

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment

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

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

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

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

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

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

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions 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.

Note 1. Summary of significant accounting policies (continued)

m) Provisions (continued)

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

The company holds shares in Bendigo and Adelaide Bank Limited and is exposed to equity securities price risk as it hold investments for sale or at fair value. The company has purchased these shares as an investment and does not hold them as part of their day to day operations therefore deem the risk insignificant.

(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.

Note 2. Financial risk management (continued)

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

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

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

Note 3. Critical accounting estimates and judgements (continued)

Taxation (continued)

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Note 3. Critical accounting estimates and judgements (continued)

Fair value measurement (continued)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

	2016 $	2015 $

Note 4. Revenue from ordinary activities

	2016 $	2015 $
Operating activities:		
- services commissions	1,965,429	1,970,672
- other revenue	14,634	-
Total revenue from operating activities	**1,980,063**	**1,970,672**
Non-operating activities:		
- interest received	36,172	49,707
- dividends received	3,400	-
- increase/(decrease) in net market value of financial assets	(9,150)	-
Total revenue from non-operating activities	**30,422**	**49,707**
Total revenues from ordinary activities	**2,010,485**	**2,020,379**

Note 5. Expenses

	2016 $	2015 $
Depreciation of non-current assets:		
- plant and equipment	5,124	6,012
- leasehold improvements	17,107	19,839
- motor vehicles	4,565	5,619
Amortisation of non-current assets:		
- franchise agreement	13,743	13,065
- franchise renewal fee	6,691	10,234
	47,230	**54,769**
Bad debts	**56**	**605**

	Note	2016 $	2015 $

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:			
- Current tax		36,626	5,556
- Movement in deferred tax		(6,903)	(9,834)
		29,723	**(4,278)**
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)		102,477	(1,115)
Prima facie tax on profit/(loss) from ordinary activities at 30%		30,744	(335)
Add tax effect of:			
- non-deductible expenses		-	413
- timing difference expenses		6,902	5,478
- other deductible expenses		(1,020)	-
		36,626	**5,556**
Movement in deferred tax		(6,903)	(9,834)
		29,723	**(4,278)**

Note 7. Cash and cash equivalents

Cash at bank and on hand		152,930	170,056
Term deposits		1,150,000	1,300,000
		1,302,930	**1,470,056**
Note 7(a) Reconciliation to cash flow statement			
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:			
Cash at bank and on hand		152,930	170,056
Term deposits		1,150,000	1,300,000
		1,302,930	**1,470,056**

Note 8. Financial assets

Current:			
Available-for-sale financial assets	**8(a)**	**96,000**	**-**
Note 8(a) Available-for-sale financial assets comprise:			
Current			
Listed investments, at fair value			
- Shares in listed corporations		**96,000**	**-**

	2016 $	2015 $

Note 9. Trade and other receivables

	2016 $	2015 $
Trade receivables	167,633	158,572
Prepayments	22,012	6,738
Other receivables and accruals	22,360	10,821
	212,005	**176,131**

Note 10. Property, plant and equipment

	2016 $	2015 $
Leasehold improvements		
At cost	672,089	671,505
Less accumulated depreciation	(459,229)	(442,122)
	212,860	**229,383**
Plant and equipment		
At cost	109,533	108,448
Less accumulated depreciation	(87,141)	(82,017)
	22,392	**26,431**
Motor vehicles		
At cost	38,256	38,256
Less accumulated depreciation	(18,474)	(13,909)
	19,782	**24,347**
Total written down amount	**255,034**	**280,161**
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	229,383	249,222
Additions	584	-
Disposals	-	-
Less: depreciation expense	(17,107)	(19,839)
Carrying amount at end	**212,860**	**229,383**
Plant and equipment		
Carrying amount at beginning	26,431	25,831
Additions	1,085	6,612
Disposals	-	-
Less: depreciation expense	(5,124)	(6,012)
Carrying amount at end	**22,392**	**26,431**

Notes to the financial statements (continued)

	2016 $	2015 $

Note 10. Property, plant and equipment (continued)

Motor vehicles

Carrying amount at beginning	24,347	29,966
Additions	-	-
Disposals	-	-
Less: depreciation expense	(4,565)	(5,619)
Carrying amount at end	**19,782**	**24,347**
Total written down amount	**255,034**	**280,161**

Note 11. Intangible assets

Franchise fee

At cost	227,268	227,268
Less: accumulated amortisation	(227,268)	(225,810)
	-	**1,458**
Renewal processing fee (Bayswater)		
At cost	67,781	-
Less: accumulated amortisation	(5,233)	-
	62,548	**-**
Renewal processing fee (Noranda)		
At cost	68,713	68,713
Less: accumulated amortisation	(23,977)	(10,234)
	44,736	**58,479**
Total written down amount	**107,284**	**59,937**

Note 12. Tax

Current:

Income tax payable/(refundable)	**2,246**	**(26,634)**
Non-Current:		
Deferred tax assets		
- accruals	810	3,282
- employee provisions	49,001	44,340
- listed shares	2,745	-
	52,556	**47,622**

	2016 $	2015 $
Note 12. Tax (continued)		
Deferred tax liability		
- accruals	1,278	3,246
	1,278	**3,246**
Net deferred tax asset	**51,278**	**44,376**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(6,902)**	**(9,834)**

Note 13. Trade and other payables

	2016 $	2015 $
Current:		
Trade creditors	26,521	28,082
Other creditors and accruals	159,312	198,730
	185,833	**226,812**

Note 14. Provisions

	2016 $	2015 $
Current:		
Provision for annual leave	73,088	71,413
Provision for long service leave	61,606	52,234
	134,694	**123,647**
Non-Current:		
Provision for long service leave	**28,644**	**24,154**

Note 15. Contributed equity

	2016 $	2015 $
1,144,952 ordinary shares fully paid (2015: 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**

Note 15. Contributed equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if 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.

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

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

	2016 $	2015 $

Note 16. Retained earnings

	2016 $	2015 $
Balance at the beginning of the financial year	578,830	661,538
Net profit from ordinary activities after income tax	72,754	3,163
Dividends paid or provided for	(82,322)	(85,871)
Balance at the end of the financial year	**569,262**	**578,830**

Note 17. Statement of cash flows

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

	2016 $	2015 $
Profit from ordinary activities after income tax	69,354	3,163
Non cash items:		
- depreciation	26,796	31,470
- amortisation	20,434	23,299
- (increase)/decrease in net market value of financial assets	9,150	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(35,874)	23,342
- (increase)/decrease in other assets	19,732	(36,468)
- increase/(decrease) in payables	(37,430)	37,790
- increase/(decrease) in provisions	15,535	(7,275)
- increase/(decrease) in current tax liabilities	2,246	(21,331)
Net cash flows provided by operating activities	**89,943**	**53,990**

Note 18. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2016	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	96,000	-	-	96,000
Unlisted investments:				
- shares in other corporations	-	-	-	-
Total assets at fair value	**96,000**	**-**	**-**	**96,000**

Note 18. Fair value measurement (continued)

At 30 June 2015	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	-	-	-	-
Unlisted investments:				
- shares in other corporations				
	-	**-**	**-**	**-**

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.

Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.

Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

Note 19. Leases

	2016 $	2015 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	123,229	128,865
- between 12 months and 5 years	322,321	423,300
- greater than 5 years	-	9,373
	445,550	**561,538**

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.

	2016 $	2015 $

Note 20. Auditor's remuneration

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

- audit and review services	4,100	3,950
- other non audit services	2,330	3,120
	6,430	**7,070**

Note 21. Director and related party disclosures

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

Barry Anthony McKenna
Denise Gail Beer
Michael Stephen Anderton
Tadeusz Joseph Budzinski
Steven James Brown
Gregory Da Rui
Ronald Edwin Gascoigne
David Joseph Kelly
Louie John Magro
Alan James Radford
Rodney Francis Stonehouse

	2016	2015
Directors' shareholdings		
Barry Anthony McKenna	9,999	10,769
Denise Gail Beer	1,000	1,000
Michael Stephen Anderton	7,000	5,500
Tadeusz Joseph Budzinski	1	-
Steven James Brown	1	1
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

Note 22. Dividends paid or provided

	2016 $	2015 $
a. Dividends paid during the year		
Prior year proposed final		
100% (2015: 100%) franked dividend - 7.5 cents (2015: 7.6 cents) per share	**85,871**	**87,016**
b. Dividends proposed and recognised as a liability		
Current year final dividend		
100% (2015: 100%) franked dividend -7.19 cents (2015: 7.5 cents) per share	**82,322**	**85,871**
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	445,299	474,356
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	2,246	(26,634)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(35,281)	(36,802)
Franking credits available for future financial reporting periods:	**412,264**	**410,920**
- 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	**412,264**	**410,920**

Note 23. Key Management Personnel Disclosures

Disclosing entities other than listed companies.

Non listed **Community Bank®** companies must make the following disclosures in relation to compensation of their key management personnel.

For each key management person, specified components of compensation.

Information about the principles of compensation (board policy for determining nature and amount of compensation, the relationship between compensation policy and the entity's performance, explanation of performance conditions for certain elements of compensation, conditions of grants, bonuses etc including share-based payment and other information as set out in AASB 124.

Note 23. Key Management Personnel Disclosures (continued)

	2016 $	2015 $
The directors received remuneration including superannuation, as follows:		
Barry Anthony McKenna	12,048	13,048
Denise Gail Beer	10,405	11,405
Michael Stephen Anderton	9,858	10,858
Tadeusz Joseph Budzinski	9,858	10,858
Steven James Brown	5,050	6,050
Gregory Da Rui	5,050	6,050
Ronald Edwin Gascoigne	5,050	6,050
David Joseph Kelly	5,050	6,050
Louie John Magro	5,050	1,550
Alan James Radford	5,050	6,050
Rodney Francis Stonehouse	5,050	6,050
	77,518	**84,019**

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.

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.

Note 23. Key Management Personnel Disclosures (continued)

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.

Period	Revenue $	Net Profit $
2010	1,936,372	238,838
2011	2,153,329	273,715
2012	2,223,076	244,427
2013	2,164,223	163,653
2014	2,037,216	106,036
2015	2,020,379	3,163
2016	2,010,485	72,754

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.

Note 23. Key Management Personnel Disclosures (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. Four Directors' elected to avail themselves of the package during the period under review.

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.

	2016 $	**2015 $**

Note 24. Earnings per share

	2016 $	**2015 $**
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	72,754	3,163

	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 25. 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 26. Contingent liabilities and contingent assets

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

Notes to the financial statements (continued)

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

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

Registered Office

14 King William Street
Bayswater WA 6053

Principal Place of Business

14 King William Street
Bayswater WA 6053

Shops 13 & 14 Noranda Shopping Village
Benara Road
Noranda WA 6062

Note 29. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

	Floating interest		**Fixed interest rate maturing in**						**Non interest bearing**		**Weighted average**	
			1 year or less		**Over 1 to 5 years**		**Over 5 years**					
Financial instrument	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 $**	**2015 $**	**2016 %**	**2015 %**
Financial assets												
Cash and cash equivalents	152,930	170,056	1,150,000	1,300,000	-	-	-	-	-	-	2.55	3.30
Receivables	-	-	-	-	-	-	-	-	167,633	158,572	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	26,521	28,082	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Note 29. Financial instruments (continued)

Interest Rate Risk

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

Sensitivity Analysis

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

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2016 $	2015 $
Change in profit/(loss)		
Increase in interest rate by 1%	13,029	14,701
Decrease in interest rate by 1%	13,029	14,701
Change in equity		
Increase in interest rate by 1%	13,029	14,701
Decrease in interest rate by 1%	13,029	14,701

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 2016 and of its performance for the financial year ended on that date; and

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

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

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

Barry Anthony McKenna
Chairperson

Signed on the 31st of August 2016

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 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

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 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 31 August 2016

David Hutchings
Lead Auditor

Bayswater **Community Bank**® Branch
14 King William Street, Bayswater WA 6053
Phone: (08) 9370 3899
www.bendigobank.com.au/bayswater

Noranda **Community Bank**® Branch
Shops 13 & 14 Noranda Shopping Village,
Benara Road, Noranda WA 6062
Phone: (08) 9375 2494
www.bendigobank.com.au/noranda

Franchisee: Bayswater Community Financial Services Limited
14 King William Street, Bayswater WA 6053
Phone: (08) 9370 3899
ABN: 60 092 770 593

Share Registry:
Security Transfer Registrars
PO Box 535, Applecross WA 6953
Phone: (08) 9315 2333
www.securitytransfer.com.au

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