



Annual Report 2017

Bayswater Community Financial
Services Limited

ABN 60 092 770 593

Bayswater & Noranda **Community Bank**[®] branches

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Chairman's report

For year ending 30 June 2017

Again, our company achieved a tremendous result over the financial year. In what has been difficult financial times for Western Australians with the downturn in the mining industry and a falling population, we as a company have continued to achieve good results for the business, customers and shareholders not to mention the whole community with the completion of the Constable Care Safety School.

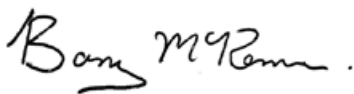
As a Board, we were delighted to be the first and founding stakeholder in this very important venture for children's safety. The final outcome of the safety school which teaches our children about road, rail and general urban safety, such as avoiding fallen powerlines, highlights how working with other organisations can achieve. All up our initial \$250,000 commitment enabled Constable Care to develop a project worth over \$4 million. It has our Board wondering what we can do next!

Congratulations also to one of our founding Board members, David Kelly who became a Minister of the Crown in the recent State election. It was his drive and zeal ensuring that banking services would not leave King William Street in Bayswater that was the genesis of our company. However, I don't think he imagined that the company would deliver such tremendous results as providing banking services and cash grants of nearly \$2 million to the community during his time on the Board. We can only wish him well in his new role in the State Government.

While our shareholders value the returns they get on their investments, I need to pay tribute to our staff for their continued efforts to promote our company and Bendigo Bank. In our region our staff are known for delivering the highest possible service to our customers. Under the leadership of Sean Kay, our Senior Branch Manager, we have an excellent customer relationship and this has led to continued repeat business and growth in our bank book even in these difficult economic conditions.

Finally, to the Board of Bayswater Community Financial Services Limited, I offer my sincere thanks. The commitment and skill set that each Board member offers makes our company outstanding and a leading organisation in Bendigo Bank's Australian **Community Bank**[®] network.

Mr Rob Hunt, a previous Bendigo Bank CEO and the person who delivered the **Community Bank**[®] concept to the Bendigo Bank network once spoke of how all **Community Bank**[®] branches would be judged in difficult economic times. Bayswater Community Financial Services Limited has faced such challenges and continues to provide valued outcomes to all involved with our service. As a company we look forward to the future.



Barry McKenna
Chairman

Senior Manager's report

For year ending 30 June 2017

Dear Shareholders,

I am delighted to be providing this report having just celebrated 15 years as your Branch Manager. So much has changed during this time, but the one constant is that we remain successful and committed to providing the best possible outcomes for our customers and our community. This focus and approach ensures that we continue to provide successful outcomes for our shareholders as well.

The 2016/17 financial year has once again seen solid growth of our business despite the competitive environment and changes being experienced by the banking industry.

During the financial year our overall portfolio of business rose from \$277.8 million to \$295.7 million (+\$17.9 million).

It was pleasing to see that our lending growth was \$12.7 million (+12.2%) between the two branches; Bayswater +\$7.4 million and Noranda +\$5.3 million.

Deposit growth was more modest at \$2.2 million (+1.4%), with Bayswater at +\$2.1 million and Noranda at +\$0.1million. Other business off balance sheet grew by a further \$3.1 million.

Overall we have seen our portfolio of business grow from \$277.8 million to \$295.8 million (+\$18 million or 6.5% overall growth).

Our portfolio as at 30 June 2017 is as follows:

- \$154.7 million of deposit funds, up from \$152.5 million at 30 June 2016
- \$116.6 million of loans, up from \$103.9 million at 30 June 2016
- \$24.5 million of other products/funds, up from \$21.4 million at 30 June 2016.

I am encouraged and excited by these results in an increasingly competitive marketplace. Whilst we have never been "price leaders", we offer products and services to our customers that offer excellent value.

New customers continue to come to us for the exceptional service that all of our staff are able to deliver in our local community, for many people this is just as important as the interest rate being offered.

I hope as a shareholder that you have experienced great service at either of our branches. If you have, help us to continue to grow and let your family members or friends know about us and ask them to contact either of our branches.

Throughout this 15 year journey, we have had a constant and committed Board of Directors led by Barry McKenna. The respect and support offered by the Board to me has ensured that I have always been able to deliver on the visions that I have held for our company and I remain grateful for this assistance.

I hope that as shareholders that you are as proud of your company, its Directors and our achievements. We should never forget our unique place within our community and within the banking industry and continue to strive to deliver amazing outcomes for all of our stakeholders.

Many thanks for the giving me the privilege of being the manager of your company.



Sean Kay
Senior Branch Manager

Noranda Manager report

For year ending 30 June 2017

Dear Shareholders,

Having been your Branch Manager at Noranda **Community Bank**[®] Branch for last two years, I have seen a positive change over every aspect of the business in this time. The professionalism and enthusiasm of the staff has been outstanding and this has been reflected in the accolades that Noranda has received from customer service awards to outstanding sales awards. I am delighted that the staff have adapted to the change and we are all aware of what opportunities these changes will provide.

Lending in the branch has been excellent with a growth of over \$5 million and deposits grown by over \$0.1 million. It is very pleasing to see these results and I am genuinely excited about what the future will bring and we have laid a great foundation to build from.

We have placed ourselves in a great position to take on any challenges that may come our way this financial year and looking forward to further growing the business.

We have had a successful year helping the community and shareholders and I believe the service and community involvement will make us stronger as a business and provide the support our community needs.

I wish to personally thank the staff on their support and conduct over the last 12 months, they have surpassed all targets set for them and we should all be very proud of their achievements.

Thank you to the Board of Directors for their support throughout the time I have been in the company. I also wish to thank the shareholders for allowing me the opportunity to manage your **Community Bank**[®] branch in Noranda.



Darren Ricketts
Noranda Community Bank[®] 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
- Youth disengagement
- Homelessness
- Domestic and family violence
- Mental health
- Unemployment
- Environment

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 2017

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

Directors

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



Barry Anthony McKenna

Chairperson

Occupation: City of Bayswater Mayor

Qualifications, experience and expertise: Councillor for the City of Bayswater since 1991, Barry became mayor of the city in October 2014.

Special responsibilities:

Current Committees: Executive Committee (Chair), Financial Committee.

Past Committees: Staff and Shareholder Committee (Disbanded 1 May 2017), Financial and Governance Committee (Disbanded 1 May 2017), Bayswater and Kingsway Community Financial Services Merger Steering Committee (Disbanded 25 July 2016).

Interest in shares: 9,999



Denise Gail Beer

Deputy Chairperson

Occupation: Retired

Qualifications, experience and expertise: 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:

Current Committees: Executive Committee, Community Committee, Financial Committee.

Past Committees: Customer and Community Committee (Disbanded 1 May 2017), Financial and Governance Committee (Disbanded 1 May 2017), Staff and Shareholder Committee (Disbanded 1 May 2017), Bayswater and Kingsway Community Financial Services Merger Steering Committee (Disbanded 25 July 2016).

Interest in shares: 1,000



Tadeusz Joseph Budzinski

Treasurer

Occupation: Retired

Qualifications, experience and expertise: 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:

Current Committees: Executive Committee, Financial Committee (Chair), Community Committee.

Past Committees: Staff and Shareholder Committee (Disbanded 1 May 2017), Financial and Governance Committee (Disbanded 1 May 2017), Bayswater and Kingsway Community Financial Services Merger Steering Committee (Disbanded 25 July 2016).

Interest in shares: 1

Directors' report (continued)

Directors (continued)



Michael Stephen Anderton J.P

Secretary

Occupation: Company Director

Qualifications, experience and expertise: 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 previously Chair of the City of Bayswater Child Care Association Inc.

Special responsibilities:

Current Committees: Executive Committee, Financial Committee.

Past Committees: Staff and Shareholder Committee (Disbanded 1 May 2017), Financial and Governance Committee (Disbanded 1 May 2017), Bayswater and Kingsway Community Financial Services Merger Steering Committee (Disbanded 25 July 2016).

Interest in shares: 7,000



Steven James Brown

Director

Occupation: Lawyer

Qualifications, experience and expertise: 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. Steven has been a director of Bayswater Community Financial Services Limited for over 10 years. Steven is the current chairperson of the Sacred Heart Primary School Board and is a committee member for the Newman Knights Hockey Club.

Special responsibilities:

Current Committees: Community Committee (Chair).

Previous Committees: Financial and Governance Committee (Disbanded 1 May 2017).

Interest in shares: 1



Gregory Da Rui

Director

Occupation: Pharmacist

Qualifications, experience and expertise: 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:

Current Committees: Customer Committee.

Previous Committees: Customer and Community Committee (Chair - Disbanded 1 May 2017), Financial and Governance Committee (Disbanded 1 May 2017).

Interest in shares: 2,008

Directors' report (continued)

Directors (continued)



Ronald Edwin Gascoigne

Director

Occupation: Retired

Qualifications, experience and expertise: 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:

Current Committees: Community Committee, Financial Committee.

Previous Committees: Financial and Governance Committee (Disbanded 1 May 2017), Customer and Community Committee (Disbanded 1 May 2017).

Interest in shares: 1



Alan James Radford

Director

Occupation: Councillor

Qualifications, experience and expertise: 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:

Current Committees: Financial Committee.

Previous Committees: Financial and Governance Committee (Chair - Disbanded 1 May 2017).

Interest in shares: 1,100



David Joseph Kelly

Director (Resigned 24 March 2017)

Occupation: State Member of Parliament

Qualifications, experience and expertise: 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 (Disbanded 1 May 2017).

Interest in shares: 276



Louie John Magro

Director (Resigned 7 November 2016)

Occupation: Business Proprietor

Qualifications, experience and expertise: 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 publically listed on the ASX). Former Vice President of the WA Italian Club and committee member of the Security Agents Institute W.A. Director of Instalarm Security Pty Ltd since 1985.

Special responsibilities: Financial and Governance Committee (Disbanded 1 May 2017), Customer and Community Committee (Disbanded 1 May 2017).

Interest in shares: 5,022

Directors' report (continued)

Directors (continued)



Rodney Francis Stonehouse

Director (Resigned 7 November 2016)

Occupation: Retired

Qualifications, experience and expertise: Works Manager Engineering Workshops, Sports Administrator and Foundation Member of the Noranda branch Steering Committee.

Special responsibilities: Finance and Governance Committee (Disbanded 1 May 2017).

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 former 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 2017	Year ended 30 June 2016
\$	\$
65,432	72,754

Dividends

	Year ended 30 June 2017	
	Cents	\$
Final dividends recommended:	6.77	77,513
Dividends paid in the year:		
- As recommended in the prior year report	7.19	82,322

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.

Directors' report (continued)

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		Community		Financial		
	A	B	A	B	A	B	A	B	A	B	A	B	
Barry Anthony McKenna	9	8	9	6	1	-	-	-	-	-	-	1	1
Denise Gail Beer	9	9	9	7	1	1	1	1	2	2	1	1	
Tadeusz Joseph Budzinski	9	9	9	8	1	1	-	-	2	2	1	1	
Michael Stephen Anderton	9	9	9	9	1	1	-	-	-	-	1	1	
Steven James Brown	9	7	-	-	-	-	1	1	2	2	-	-	
Gregory Da Rui	9	8	-	-	-	-	1	1	2	1	-	-	
Ronald Edwin Gascoigne	9	8	-	-	-	-	1	1	2	2	1	-	
Alan James Radford	9	7	-	-	-	-	1	1	-	-	1	-	
David Joseph Kelly *	9	6	-	-	-	-	-	-	-	-	-	-	
Louie John Magro **	4	-	-	-	-	-	1	-	-	-	-	-	
Rodney Francis Stonehouse **	4	4	-	-	-	-	-	-	-	-	-	-	

A - eligible to attend

* - (Resigned 24 March 2017)

B - number attended

** - (Resigned 7 November 2016)

Directors' report (continued)

Proceedings on behalf of the company

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

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

Non audit services

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

Non audit services (continued)

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.

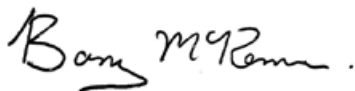
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- 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.

Auditor's independence declaration

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

Signed in accordance with a resolution of the board of directors at Bayswater, Western Australia on 25 August 2017.



Barry Anthony McKenna
Chairman

Auditor's independence declaration



Chartered Accountants

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

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

As lead auditor for the audit of Bayswater Community Financial Services Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 25 August 2017

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

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

Financial statements

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

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	2,120,420	2,019,635
Employee benefits expense		(1,207,609)	(1,176,544)
Charitable donations, sponsorship, advertising and promotion		(215,629)	(174,467)
Occupancy and associated costs		(183,893)	(177,905)
Systems costs		(40,757)	(40,581)
Depreciation and amortisation expense	5	(53,310)	(47,230)
Decrease in net market value of financial assets	5	(12,636)	(9,150)
General administration expenses		(313,356)	(291,281)
Profit before income tax expense		93,230	102,477
Income tax expense	6	(27,798)	(29,723)
Profit after income tax expense		65,432	72,754
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		65,432	72,754
Earnings per share		¢	¢
Basic earnings per share	24	5.71	6.35

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2017

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,281,673	1,302,930
Trade and other receivables	8	176,183	212,005
Financial assets	9	110,800	96,000
Current tax asset	12	8,142	-
Total Current Assets		1,576,798	1,610,935
Non-Current Assets			
Property, plant and equipment	10	278,236	255,034
Intangible assets	11	79,985	107,284
Deferred tax asset	12	40,474	51,278
Total Non-Current Assets		398,695	413,596
Total Assets		1,975,493	2,024,531
LIABILITIES			
Current Liabilities			
Trade and other payables	13	158,840	185,833
Current tax liabilities	12	-	2,246
Provisions	14	149,486	134,694
Total Current Liabilities		308,326	322,773
Non-Current Liabilities			
Provisions	14	6,134	28,644
Total Non-Current Liabilities		6,134	28,644
Total Liabilities		314,460	351,417
Net Assets		1,661,033	1,673,114
Equity			
Issued capital	15	1,103,852	1,103,852
Retained earnings	16	557,181	569,262
Total Equity		1,661,033	1,673,114

The accompanying notes form part of these financial statements.

Financial statements (continued)

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

	Issued capital \$	Retained earnings \$	Total equity \$
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
Balance at 1 July 2016	1,103,852	569,262	1,673,114
Total comprehensive income for the year	-	65,432	65,432
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(77,513)	(77,513)
Balance at 30 June 2017	1,103,852	557,181	1,661,033

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		2,282,719	2,173,363
Payments to suppliers and employees		(2,175,307)	(2,100,307)
Interest received		26,835	42,732
Income taxes paid		(27,382)	(25,845)
Net cash provided by operating activities	17	106,865	89,943
Cash flows from investing activities			
Dividends received		6,800	3,400
Payments for property, plant and equipment		(66,166)	(1,669)
Proceeds from property, plant and equipment		14,545	-
Payments for intangible assets		-	(67,779)
Payments for financial assets		(123,437)	(105,150)
Proceeds from financial assets		117,649	-
Net cash used in investing activities		(50,609)	(171,198)
Cash flows from financing activities			
Dividends paid		(77,513)	(85,871)
Net cash used in financing activities		(77,513)	(85,871)
Net decrease in cash held		(21,257)	(167,126)
Cash and cash equivalents at the beginning of the financial year		1,302,930	1,470,056
Cash and cash equivalents at the end of the financial year	7(a)	1,281,673	1,302,930

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2017

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

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

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited 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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

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

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations.

It is for the board to decide how to use the MDF.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Deferred tax

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

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

c) Income tax (continued)

Deferred tax (continued)

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

g) Property, plant and equipment (continued)

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

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- motor vehicles 3 - 5 years

h) Intangibles

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

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

i) Payment terms

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

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Classification and subsequent measurement (continued)

(iii) Financial liabilities

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

Impairment

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

l) Leases

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

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

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

n) Contributed equity

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

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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

p) Goods and Services Tax (continued)

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

Notes to the financial statements (continued)

Note 2. Financial risk management (continued)

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

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

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

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.

Notes to the financial statements (continued)

Note 3. Critical accounting estimates and judgements (continued)

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:

- 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.

	2017	2016
	\$	\$

Note 4. Revenue from ordinary activities

Operating activities:

- gross margin	1,739,243	1,405,157
- services commissions	132,080	298,474
- fee income	152,692	161,798
- market development fund	36,667	100,000
Total revenue from operating activities	2,060,682	1,965,429

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 4. Revenue from ordinary activities (continued)		
Non-operating activities:		
- interest received	31,287	36,172
- dividends received	6,800	3,400
- profit on sale of financial assets	21,648	-
- other revenue	3	14,634
Total revenue from non-operating activities	59,738	54,206
Total revenues from ordinary activities	2,120,420	2,019,635

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	3,949	5,124
- leasehold improvements	16,783	17,107
- motor vehicles	5,279	4,565

Amortisation of non-current assets:

- franchise agreement - Bayswater	13,556	6,691
- franchise agreement - Noranda	13,743	13,743
	53,310	47,230

Bad debts	90	56
Decrease in net market value of financial assets	12,636	9,150
Loss on disposal of non-current assets	2,408	-

Note 6. Income tax expense

The components of tax expense comprise:

- Current tax	19,907	36,626
- Movement in deferred tax	6,532	(6,903)
- Adjustment to deferred tax to reflect change to tax rate in future periods	4,273	-
- Non-refundable tax offsets	(2,914)	-
	27,798	29,723

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit	93,230	102,477
Prima facie tax on profit from ordinary activities at 27.5% (2016: 30%)	25,638	30,744

Notes to the financial statements (continued)

	Note	2017 \$	2016 \$
Note 6. Income tax expense (continued)			
Add tax effect of:			
- non-deductible expenses		801	-
- timing difference expenses		(6,532)	6,902
- other deductible expenses		-	(1,020)
		19,907	36,626
Movement in deferred tax		6,532	(6,903)
Adjustment to deferred tax to reflect change of tax rate in future periods		4,273	-
Under/(Over) provision of income tax in the prior year		(2,914)	-
		27,798	29,723

Note 7. Cash and cash equivalents

Cash at bank and on hand	131,673	152,930
Term deposits	1,150,000	1,150,000
	1,281,673	1,302,930

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	131,673	152,930
Term deposits	1,150,000	1,150,000
	1,281,673	1,302,930

Note 8. Trade and other receivables

Trade receivables	152,404	167,633
Prepayments	15,068	22,012
Other receivables and accruals	8,711	22,360
	176,183	212,005

Note 9. Financial assets

Available-for-sale financial assets

Listed investments, at fair value:

- shares in listed corporations	18	110,800	96,000
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Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 10. Property, plant and equipment		
Leasehold improvements		
At cost	701,103	678,196
Less accumulated depreciation	(481,392)	(464,609)
	219,711	213,587
Plant and equipment		
At cost	104,784	103,426
Less accumulated depreciation	(85,509)	(81,761)
	19,275	21,665
Motor vehicles		
At cost	41,675	38,256
Less accumulated depreciation	(2,425)	(18,474)
	39,250	19,782
Total written down amount	278,236	255,034
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	213,587	229,383
Additions	22,907	6,691
Disposals	-	-
Less: depreciation expense	(16,783)	(22,487)
Carrying amount at end	219,711	213,587
Plant and equipment		
Carrying amount at beginning	21,665	26,431
Additions	1,584	(5,022)
Disposals	(25)	-
Less: depreciation expense	(3,949)	256
Carrying amount at end	19,275	21,665
Motor vehicles		
Carrying amount at beginning	19,782	24,347
Additions	41,675	-
Disposals	(16,928)	-
Less: depreciation expense	(5,279)	(4,565)
Carrying amount at end	39,250	19,782
Total written down amount	278,236	255,034

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 11. Intangible assets		
Franchise fee		
At cost	227,268	227,268
Less: accumulated amortisation	(227,268)	(227,268)
	-	-
Renewal processing fee (Bayswater)		
At cost	67,781	67,781
Less: accumulated amortisation	(18,789)	(5,233)
	48,992	62,548
Renewal processing fee (Noranda)		
At cost	68,713	68,713
Less: accumulated amortisation	(37,720)	(23,977)
	30,993	44,736
Total written down amount	79,985	107,284

Note 12. Tax

Current:

Income tax payable/(refundable)	(8,142)	2,246
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Non-Current:

Deferred tax assets		
- accruals	743	810
- employee provisions	42,796	49,001
- financial assets	3,475	2,745
	47,014	52,556
Deferred tax liability		
- accruals	2,396	1,278
- deductible prepayments	4,144	-
	6,540	1,278
Net deferred tax asset	40,474	51,278
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	10,804	(6,902)

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 13. Trade and other payables		
Current:		
Trade creditors	28,766	26,521
Other creditors and accruals	130,074	159,312
	158,840	185,833

Note 14. Provisions

Current:		
Provision for annual leave	67,101	73,088
Provision for long service leave	82,385	61,606
	149,486	134,694
Non-Current:		
Provision for long service leave	6,134	28,644

Note 15. Contributed equity

1,144,952 ordinary shares fully paid (2016: 1,144,952)	1,144,952	1,144,952
Less: equity raising expenses	(6,100)	(6,100)
Less: return of capital	(35,000)	(35,000)
	1,103,852	1,103,852

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

Notes to the financial statements (continued)

Note 15. Contributed equity (continued)

(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.

	2017	2016
	\$	\$
Note 16. Retained earnings		
Balance at the beginning of the financial year	569,262	578,830
Net profit from ordinary activities after income tax	65,432	72,754
Dividends paid or provided for	(77,513)	(82,322)
Balance at the end of the financial year	557,181	569,262

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 17. Statement of cash flows		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	65,432	72,754
Adjustments for:		
- depreciation	26,011	26,796
- amortisation	27,299	20,434
- decrease in net market value of financial assets	12,636	9,150
- dividends received	(6,800)	(3,400)
- loss on disposal of financial assets	2,408	-
- profit on disposal of financial assets	(21,648)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	35,823	(35,874)
- (increase)/decrease in other assets	2,662	19,732
- increase/(decrease) in payables	(26,993)	(37,430)
- increase/(decrease) in provisions	(7,719)	15,535
- increase/(decrease) in current tax liabilities	(2,246)	2,246
Net cash flows provided by operating activities	106,865	89,943

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 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	110,800	-	-	110,800
Total assets at fair value	110,800	-	-	110,800

Notes to the financial statements (continued)

Note 18. Fair value measurement (continued)

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
Total assets at fair value	96,000	-	-	96,000

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: There were no fair value measurements by the Level 2 fair value hierarchy.
- Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

2017 \$	2016 \$
------------	------------

Note 19. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	126,640	123,229
- between 12 months and 5 years	203,640	322,321
- greater than 5 years	-	-
	330,280	445,550

The lease on the branch premises at Bayswater is a non-cancellable lease with a five-year term which expired on the 10 September 2015. Bayswater CFSL has exercised the option to renew the lease for a further five years which expires on 10 September 2020. 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.

Note 20. Auditor's remuneration

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

- audit and review services	4,200	4,100
- non audit services	2,390	2,330
	6,590	6,430

Notes to the financial statements (continued)

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
 Tadeusz Joseph Budzinski
 Michael Stephen Anderton
 Steven James Brown
 Gregory Da Rui
 Ronald Edwin Gascoigne
 Alan James Radford
 David Joseph Kelly (Resigned 24 March 2017)
 Louie John Magro (Resigned 7 November 2016)
 Rodney Francis Stonehouse (Resigned 7 November 2016)

No director or related entity has entered into a material contract with the company.

	2017	2016
Directors' Shareholdings		
Barry Anthony McKenna	9,999	9,999
Denise Gail Beer	1,000	1,000
Tadeusz Joseph Budzinski	1	1
Michael Stephen Anderton	7,000	7,000
Steven James Brown	1	1
Gregory Da Rui	2,008	2,008
Ronald Edwin Gascoigne	1	1
Alan James Radford	1,100	1,100
David Joseph Kelly (Resigned 24 March 2017)	276	276
Louie John Magro (Resigned 7 November 2016)	5,022	5,022
Rodney Francis Stonehouse (Resigned 7 November 2016)	10,000	10,000

There was no movement in directors' shareholdings during the year.

	2017 \$	2016 \$
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Note 22. Dividends paid or provided

a. Dividends paid during the year

Prior year proposed final		
100% (2016: 100%) franked dividend - 7.19 cents (2016: 7.5 cents) per share	82,322	85,871

Notes to the financial statements (continued)

	2017 \$	2016 \$
Note 22. Dividends paid or provided (continued)		
b. Dividends proposed and recognised as a liability		
Current year final dividend		
100% (2016: 100%) franked dividend - 6.77 cents (2016: 7.19 cents) per share	77,513	82,322
The tax rate at which dividends have been franked is 27.5% (2016: 30%).		
Dividends proposed will be franked at a rate of 27.5% (2016: 30%).		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	447,651	445,299
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	(8,142)	2,246
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	(35,281)
Franking credits available for future financial reporting periods:	439,509	412,264
- 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	439,509	412,264

Note 23. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Barry Anthony McKenna	14,147	12,048
Denise Gail Beer	12,348	10,405
Tadeusz Joseph Budzinski	11,748	9,858
Michael Stephen Anderton	11,748	9,858
Steven James Brown	6,500	5,050
Gregory Da Rui	6,500	5,050
Ronald Edwin Gascoigne	6,500	5,050
Alan James Radford	6,500	5,050
David Joseph Kelly (Resigned 24 March 2017)	-	5,050
Louie John Magro (Resigned 7 November 2016)	-	5,050
Rodney Francis Stonehouse (Resigned 7 November 2016)	-	5,050
	75,991	77,519

Notes to the financial statements (continued)

Note 23. Key management personnel disclosures (continued)

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.

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.

Notes to the financial statements (continued)

Note 23. Key management personnel disclosures (continued)

Performance-based remuneration (continued)

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	2,019,635	72,754
2017	2,120,420	65,432

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.

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 the **Community Bank**[®] branches at Bayswater and Noranda. 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. Five Directors' elected to avail themselves of the package during the period under review.

Notes to the financial statements (continued)

Note 23. Key management personnel disclosures (continued)

Directors' Privilege Package (continued)

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.

	2017	2016
	\$	\$

Note 24. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	65,432	72,754
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	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.

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 a franchise agreement with Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

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.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$	2017 %	2016 %
Financial assets												
Cash and cash equivalents	131,673	152,930	1,150,000	1,150,000	-	-	-	-	-	-	2.21	2.55
Receivables	-	-	-	-	-	-	-	-	152,404	167,633	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	28,766	26,521	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Notes to the financial statements (continued)

Note 29. Financial instruments (continued)

Sensitivity Analysis

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

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

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	12,817	13,029
Decrease in interest rate by 1%	12,817	13,029
Change in equity		
Increase in interest rate by 1%	12,817	13,029
Decrease in interest rate by 1%	12,817	13,029

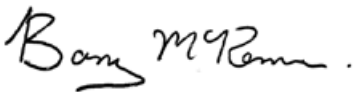
Directors' declaration

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

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



Barry Anthony McKenna
Chairman

Signed on the 25th of August 2017

Independent audit report



Chartered Accountants

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

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

Report on the audit of the financial statements

Our opinion

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

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

What we have audited

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

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

Basis for opinion

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

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

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

Other information

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

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Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

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

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

Auditor's responsibility for the audit of the financial report

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

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



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 25 August 2017



David Hutchings
Lead Auditor

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