Bayswater Community Financial Services Limited

ABN 60 092 770 593

2018 **Annual Report**

Bayswater and Noranda
Community Bank® branches

Contents

Chairman's report

For year ending 30 June 2018

While there are encouraging signs that our economy in Western Australia is starting to improve and that as a state we are on the start of an upswing in the business cycle, our company continues to do well and achieve very good results for shareholders and customers.

After the successful launch of the Constable Care Safety School in 2017, our Board has moved to become more active in the way we can achieve more significant outcomes for our community. Our goal is to continue to build strong communities and our customers are helping us do just that.

With the support of our customers, the base of our overall portfolio grew to more than $300 million which is a great achievement for any **Community Bank**® branch. This has enabled us to continue to give significant donations to various community organisations. Without this point of difference, we would be just another bank.

At a time when focus on community standards in banking has never been more important, we are proud to be part of Australia's pioneering **Community Bank**® model, which this year celebrated 20 years of partnering with communities across Australia. Our Board was gratified to receive the news that Bendigo Bank was recently named by Roy Morgan as Australia's third most trusted brand and most trusted bank.

To show our commitment to our community and the confidence we as a Board have in the future of our branch, Bayswater Community Financial Services Limited has committed to purchase the property at 83 Whatley Crescent in Bayswater with the view to move the existing Bayswater **Community Bank**® Branch into these premises.

With many of our customers moving to an online format and embracing this online world, the Board will be looking at a branch of the future over the coming years. This premise, owned by our shareholders, also gives the opportunity to consider other community facilities. Such concepts will be considered over the next few years by our Board.

Finally, to the Board of Bayswater Community Financial Services Limited I offer my sincere thanks for your dedicated time and effort to making our company a success. To Sean Kay and the fantastic staff we have I also thank you sincerely. The professional service you give to our customers is outstanding. I'd also like to thank you for your decision to support your local **Community Bank**® companies in Bayswater and Noranda as shareholders. Your support has been vital to enhancing the prospects and outcomes within our community.

Barry McKenna
Chairman

Senior Manager’s report

For year ending 30 June 2018

Dear shareholders,

I am pleased to report on a further successful year in terms of our banking operations and more fundamentally in terms of meeting our customer expectations. In being a trusted partner of all our valued clients and business partners, we will continue to provide a strong financial performance to the benefit of our shareholders as well.

2017/18 showed a strong performance in our lending growth despite the on-going competitive environment and the responsible lending changes and obligations being seen throughout the banking industry.

Bendigo Bank has been well ahead of these industry changes which seek to ensure that banks do not enter into transactions which could lead to borrowers experiencing financial stress in the event of economic changes at a micro or macro level.

During the financial year our overall portfolio of business rose from $295.7 million to $311.1 million (+$15.3 million).

It was pleasing to see that our lending growth was $11.8 million (+10.2%) between the two branches (Bayswater +$9.8 million and Noranda +$2.0 million).

Deposit growth was more modest at $1.4 million (+0.9%) being Bayswater +$1.6 million and Noranda -$0.2 million.

Other business off balance sheet grew by a further $2.1 million.

Traditionally, we have not been price leaders and have tended not to publicise our product rates, which can create a perception that we are not competitive. We are entering a new phase whereby Bendigo and Adelaide Bank is keen for us to promote our competitive interest rates, backed up by a level of service that our current customers are already familiar with, but which new customers are surprised and delighted by.

It is this differentiation that we will be working on during the coming financial year, ensuring that our new customers realise that they will receive a fantastic service, at a great price and be helping their local community to grow.

As always, I would ask you as an integral part of our business, to help us to continue to grow. It is so important that you are our strongest advocates.

If for any reason you do not feel able to promote us to your friends and family, please let me know so that I can better understand what we can do to ensure that you feel as proud of your bank as I and all our staff do.

I hope that together we can continue to deliver terrific results that lead to a better and more enjoyable community for us all to live and work in.

It is a real privilege to be working for our organisation.

Sean Kay

Sean Kay
Senior Branch Manager

Noranda Manager's report

For year ending 30 June 2018

Dear shareholders,

We have once again seen solid growth during the 2017/18 financial year at Noranda **Community Bank**® Branch.

The professionalism and enthusiasm of our staff has been outstanding. This has been reflected in several awards that Noranda **Community Bank**® Branch has received as well as many compliments from our valued customers.

I am delighted that our staff continue to rise to any challenges put before them and we should all be proud of the fantastic staff at Bayswater Community Financial Services Limited. We are ready to take on the challenge of growing the business over the next financial year and providing outstanding results for our shareholders, customers and community.

I would like to take this opportunity to encourage you all to spread the word with your family members, friends, work colleagues and even your business associates why it is so important to support the local **Community Bank**® branch and let them know about the great service and products we offer.

I would like to acknowledge the continued support from Bayswater Community Financial Services Limited Board, as well as our team at Noranda **Community Bank**® Branch, Donna Anderson, Peng McGillivray, Aline Potenza and Mariana Vairo Peres Boratino for all their hard work and dedication to the group.

The year ahead will certainly present many opportunities for us to continue to build and grow our business in the local Noranda community, and promote the great work that we do in helping our community become an even better place to live, work and play.

My goal is to continue to lead and develop my team to help us grow the business, create stronger connections with our customers and local community by having meaningful and relevant discussions as to how we can help our customers achieve their financial goals and aspirations.

Darren Ricketts
Noranda Community Bank® Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

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

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

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

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

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

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

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

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

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

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

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

Robert Musgrove
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2018

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

Directors

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

Barry Anthony McKenna

Chairperson

Occupation: Teacher

Qualifications, experience and expertise: Councillor for the City of Bayswater since 1991, Barry was the Mayor of the city from October 2015-2017.

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 (Deputy Chair), 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

Directors (continued)

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, wine industry and at Australia Post as well as being involved in numerous community groups including various chairing roles.

Special responsibilities:

Current Committees: Executive Committee (Treasurer), 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

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: Steven is a lawyer and founder of the law firm Lynn & Brown Lawyers.
He has worked as a lawyer at the firm since 1996. He has been a Director of Bayswater Community Financial Services Limited since 2005. He is the current Chairperson of the Sacred Heart Primary School board and former president and life member of the Morley Business Association.

Special responsibilities:

Current Committees: Community Committee (Chair).

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

Interest in shares: 1

Directors (continued)

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

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. Have been running a small computer software and consulting business since 1995 until 2016 and served five terms as a Councillor for the City of Bayswater, completed last term in October 2017. Alan is a Community Board member on Noranda Primary School and Hampton Park Primary School, both independent public schools. At present Alan is Vice President of the Noranda Probus Club and a member of the Noranda Sports Club.

Special responsibilities:

Current Committees: Financial Committee.

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

Interest in shares: 1,100

Directors (continued)

Louise Anne Rowe

Director (Appointed 3 July 2017)

Occupation: Communications Consultant

Qualifications, experience and expertise: After working as a journalist for 14 years, Louise moved into State Government Corporate Communications roles with the Department of Corrective Services and later Tourism WA. Most recently she was a Director of Corporate Communications at Tourism WA, an executive leadership role with oversight of all stakeholder communications for the agency including media and government. In early 2018 she took a voluntary redundancy from the government and has been self-employed as a Communications Consultant. Her role on the Board of BCFS includes an appointment to the **Community Bank**® National Council "Telling Our Story" portfolio. She is a former member of the Bayswater State Emergency Service and holds interests in various fundraising activities for cystic fibrosis, cancer patient care, animal welfare and volunteer organisations with a second-hand clothing retail element.

Special Responsibilities: Community Committee (Deputy Chair)

Interest in shares: Nil

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

No directors have material interests in contracts or proposed contracts with the company other than from what is disclosed in notes 21 and 23.

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 2018 $	Year ended 30 June 2017 $
76,699	65,432

Dividends

	Year ended 30 June 2018	
	Cents	$
- As recommended in the prior year report	6.77	77,513

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

The company has purchased a commercial property located at 83 Whatley Crescent, Bayswater on 30 August 2018 for $1,060,000 (excluding GST) with a view to either relocate the branch and/or use as a community-based facility.

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Directors' benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in notes 21 and 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		Financial		Community	
	A	B	A	B	A	B	A	B
Barry Anthony McKenna	10	10	12	12	-	-	-	-
Denise Gail Beer	10	9	12	10	-	-	4	3
Tadeusz Joseph Budzinski	10	8	12	10	-	-	4	3
Michael Stephen Anderton	10	10	12	12	-	-	-	-
Steven James Brown	10	10	-	-	-	-	4	4
Gregory Da Rui	10	8	-	-	-	-	4	4
Ronald Edwin Gascoigne	10	9	-	-	-	-	4	4
Alan James Radford	10	8	-	-	-	-	-	-
Louise Anne Rowe *	10	9	-	-	-	-	2	1

A - eligible to attend
B - number attended

* - (Appointed 3 July 2017)

No financial committee meetings were called during the year.

Proceedings on behalf of the company

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

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

Non audit services

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

The Board 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 13.

Signed in accordance with a resolution of the board of directors at Bayswater, Western Australia on 11 September 2018.

Barry Anthony McKenna
Chairman

Auditor's independence declaration

Partners in success

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 2018, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 11 September 2018

David Hutchings
Lead Auditor

Taxation | Audit | Business Services

Financial statements

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

	Notes	2018 $	2017 $
Revenue from ordinary activities	5	2,193,804	2,120,420
Employee benefits expense		(1,235,820)	(1,207,609)
Charitable donations, sponsorship, advertising and promotion		(243,114)	(215,629)
Occupancy and associated costs		(186,042)	(183,893)
Systems costs		(46,504)	(40,757)
Depreciation and amortisation expense	6	(62,016)	(53,310)
Decrease in net market value of financial assets	6	(946)	(12,636)
General administration expenses		(313,774)	(313,356)
Profit before income tax expense		**105,588**	**93,230**
Income tax expense	7	(28,889)	(27,798)
Profit after income tax expense		**76,699**	**65,432**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**76,699**	**65,432**
Earnings per share		**¢**	**¢**
Basic earnings per share	25	6.70	5.71

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	8	1,250,134	1,281,673
Trade and other receivables	9	211,430	176,183
Financial assets	10	216,800	110,800
Current tax asset	13	-	8,142
Total current assets		**1,678,364**	**1,576,798**
Non-current assets			
Property, plant and equipment	11	265,545	278,236
Intangible assets	12	52,686	79,985
Deferred tax asset	13	47,181	40,474
Total non-current assets		**365,412**	**398,695**
Total assets		**2,043,776**	**1,975,493**
LIABILITIES			
Current liabilities			
Trade and other payables	14	91,685	158,840
Current tax liabilities	13	22,342	-
Provisions	15	182,712	149,486
Total current liabilities		**296,739**	**308,326**
Non-current liabilities			
Provisions	15	9,305	6,134
Total non-current liabilities		**9,305**	**6,134**
Total liabilities		**306,044**	**314,460**
Net assets		**1,737,732**	**1,661,033**
EQUITY			
Issued capital	16	1,103,852	1,103,852
Retained earnings	17	633,880	557,181
Total equity		**1,737,732**	**1,661,033**

The accompanying notes form part of these financial statements.

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

	Notes	Issued capital $	Retained earnings $	Total equity $
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	23	-	(77,513)	(77,513)
Balance at 30 June 2017		**1,103,852**	**557,181**	**1,661,033**
Balance at 1 July 2017		1,103,852	557,181	1,661,033
Total comprehensive income for the year		-	76,699	76,699
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	23	-	-	-
Balance at 30 June 2018		**1,103,852**	**633,880**	**1,737,732**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		2,350,387	2,282,719
Payments to suppliers and employees		(2,205,654)	(2,170,498)
Interest received		28,425	26,835
Income taxes paid		(5,112)	(27,382)
Net cash provided by operating activities	**18**	**168,046**	**111,674**
Cash flows from investing activities			
Dividends received		6,900	6,800
Payments for property, plant and equipment		(22,026)	(66,166)
Proceeds from property, plant and equipment		-	14,545
Payments for financial assets		(106,946)	(123,437)
Proceeds from financial assets		-	117,649
Net cash used in investing activities		**(122,072)**	**(50,609)**
Cash flows from financing activities			
Dividends paid	23	(77,513)	(82,322)
Net cash used in financing activities		**(77,513)**	**(82,322)**
Net decrease in cash held		**(31,539)**	**(21,257)**
Cash and cash equivalents at the beginning of the financial year		1,281,673	1,302,930
Cash and cash equivalents at the end of the financial year	**8(a)**	**1,250,134**	**1,281,673**

The accompanying notes form part of these financial statements.

For year ended 30 June 2018

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

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

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

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

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

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

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

Note 1. Summary of significant accounting policies *(continued)*

a) Basis of preparation *(continued)*

Application of new and amended accounting standards *(continued)*

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branches. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to $208,371 on an undiscounted basis (see Note 19).

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** 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.

Note 1. Summary of significant accounting policies *(continued)*

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.

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.

Note 1. Summary of significant accounting policies *(continued)*

b) Revenue *(continued)*

Discretionary financial contributions

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

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

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

Ability to change financial return

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

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

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.

Note 1. Summary of significant accounting policies *(continued)*

c) Income tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

d) Employee entitlements

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

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

Note 1. Summary of significant accounting policies *(continued)*

e) Cash and cash equivalents

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

f) Trade receivables and payables

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

g) Property, plant and equipment

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

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

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

- leasehold improvements	5 - 15	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.

Note 1. Summary of significant accounting policies *(continued)*

k) Financial instruments

Recognition and initial measurement

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

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

Derecognition

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

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.

(iii) Financial liabilities
Financial liabilities include borrowings, trade and other payables and 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.

Note 1. Summary of significant accounting policies *(continued)*

m) Provisions

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

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

n) Issued capital

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

Note 2. Financial risk management *(continued)*

(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%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2018 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Note 3. Critical accounting estimates and judgements *(continued)*

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 carried-forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

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

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

Estimation of useful lives of assets

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

Impairment of assets

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

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

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

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

Note 4. Critical accounting estimates and judgements *(continued)*

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.

Note 5. Revenue from ordinary activities

	2018	2017
	$	$
Operating activities:		
- gross margin	1,912,323	1,739,243
- services commissions	72,719	132,080
- fee income	136,443	152,692
- market development fund	35,000	36,667
Total revenue from operating activities	2,156,485	2,060,682
Non-operating activities:		
- interest received	30,419	31,287
- dividends received	6,900	6,800
- profit on sale of financial assets	-	21,648
- other revenue	-	3
Total revenue from non-operating activities	37,319	59,738
Total revenues from ordinary activities	2,193,804	2,120,420

Note 6. Expenses	2018	2017
	$	$
Depreciation of non-current assets:		
- plant and equipment	5,228	3,949
- leasehold improvements	19,677	16,783
- motor vehicles	9,812	5,279
Amortisation of non-current assets:		
- franchise agreement - Bayswater	13,556	13,556
- franchise agreement - Noranda	13,743	13,743
	62,016	53,310
Bad debts	15	90
Decrease in net market value of financial assets	946	12,636
Loss on disposal of non-current assets	-	2,408

Note 7. Income tax expense		
The components of tax expense comprise:		
- Current tax	38,553	19,907
- Movement in deferred tax	(6,707)	6,532
- Adjustment to deferred tax to reflect change to tax rate in future periods	-	4,273
- Non-refundable tax offsets	(2,957)	(2,914)
	28,889	27,798
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	105,588	93,230
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	29,037	25,638
Add tax effect of:		
- non-deductible expenses	2,809	801
- timing difference expenses	6,707	(6,532)
	38,553	19,907
Movement in deferred tax	(6,707)	6,532
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	(2,957)	(2,914)
	28,889	27,798

Note 8. Cash and cash equivalents		2018	2017
		$	$
Cash at bank and on hand		100,134	131,673
Term deposits		1,150,000	1,150,000
		1,250,134	1,281,673

Note 8.(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		100,134	131,673
Term deposits		1,150,000	1,150,000
		1,250,134	1,281,673

Note 9. Trade and other receivables

Trade receivables		174,599	152,404
Prepayments		26,124	15,068
Other receivables and accruals		10,707	8,711
		211,430	176,183

Note 10. Financial assets

Available-for-sale financial assets

Listed investments, at fair value:

Carrying amount at beginning		110,800	96,000
Purchases		106,946	123,436
Sales		-	(96,000)
increase/decrease in market value		(946)	(12,636)
Total listed shares at fair value	19	216,800	110,800

The company owns 20,000 Bendigo and Adelaide Bank (BEN) shares which are valued at $10.84 as at 30 June 2018.

Note 11. Property, plant and equipment

	2018	2017
	$	$
Leasehold improvements		
At cost	712,617	701,103
Less accumulated depreciation	(501,069)	(481,392)
	211,548	219,711
Plant and equipment		
At cost	115,296	104,784
Less accumulated depreciation	(90,737)	(85,509)
	24,559	19,275
Motor vehicles		
At cost	41,675	41,675
Less accumulated depreciation	(12,237)	(2,425)
	29,438	39,250
Total written down amount	265,545	278,236

Movements in carrying amounts:

	2018	2017
Leasehold improvements		
Carrying amount at beginning	219,711	213,587
Additions	11,514	22,907
Disposals	-	-
Less: depreciation expense	(19,677)	(16,783)
Carrying amount at end	211,548	219,711
Plant and equipment		
Carrying amount at beginning	19,275	21,665
Additions	10,512	1,584
Disposals	-	(25)
Less: depreciation expense	(5,228)	(3,949)
Carrying amount at end	24,559	19,275
Motor vehicles		
Carrying amount at beginning	39,250	19,782
Additions	-	41,675
Disposals	-	(16,928)
Less: depreciation expense	(9,812)	(5,279)
Carrying amount at end	29,438	39,250
Total written down amount	265,545	278,236

Note 12. Intangible assets

	2018	2017
	$	$
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	(32,345)	(18,789)
	35,436	48,992
Renewal processing fee (Noranda)		
At cost	68,713	68,713
Less: accumulated amortisation	(51,463)	(37,720)
	17,250	30,993
Total written down amount	52,686	79,985

Note 13. Tax

	2018	2017
Current:		
Income tax payable/(refundable)	22,342	(8,142)
Non-Current:		
Deferred tax assets		
- accruals	770	743
- employee provisions	52,805	42,796
- financial assets	3,734	3,475
	57,309	47,014
Deferred tax liability		
- accruals	2,944	2,396
- deductible prepayments	7,184	4,144
	10,128	6,540
Net deferred tax asset	47,181	40,474
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(6,707)	10,804

Note 14. Trade and other payables

	2018	2017
Current:		
Trade creditors	5,193	28,766
Other creditors and accruals	86,492	130,074
	91,685	158,840

Note 15. Provisions	2018	2017
	$	$
Current:		
Provision for annual leave	86,072	67,101
Provision for long service leave	96,640	82,385
	182,712	149,486
Non-Current:		
Provision for long service leave	9,305	6,134

Note 16. Issued capital		
1,144,952 ordinary shares fully paid (2017: 1,144,952)	1,144,952	1,144,952
Less: equity raising expenses	(6,100)	(6,100)
Less: return of capital	(35,000)	(35,000)
	1,103,852	1,103,852

Rights attached to shares

(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Note 16. Issued capital *(continued)*

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.

Note 17. Retained earnings

	2018 $	2017 $
Balance at the beginning of the financial year	557,181	569,262
Net profit from ordinary activities after income tax	76,699	65,432
Dividends paid or provided for	-	(77,513)
Balance at the end of the financial year	633,880	557,181

Note 18. Statement of cash flows

	2018	2017
	$	$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	76,699	65,432
Adjustments for:		
- depreciation	34,717	26,011
- amortisation	27,299	27,299
- decrease in net market value of financial assets	946	12,636
- dividends received	(6,900)	(6,800)
- 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	(35,247)	35,823
- decrease in other assets	1,435	2,662
- increase/(decrease) in payables	10,358	(22,184)
- increase/(decrease) in provisions	36,397	(7,719)
- increase/(decrease) in current tax liabilities	22,342	(2,246)
Net cash flows provided by operating activities	168,046	111,674

Note 19. 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 2018	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	216,800	-	-	216,800
Total assets at fair value	216,800	-	-	216,800

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

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.

Note 20. Leases

	2018	2017
	$	$
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	130,188	126,640
- between 12 months and 5 years	78,183	203,640
- greater than 5 years	-	-
	208,371	330,280

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 21. Auditor's remuneration

	2018	2017
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,300	4,200
- non audit services	3,640	2,390
	7,940	6,590

Note 22. 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
Louise Anne Rowe *(Appointed 3 July 2017)*

	2018	2017
Louise Anne Rowe and her company, Louise Rowe Communications, undertakes PR and communications services for the company.	3,840	-

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

Note 22. Director and related party disclosures *(continued)*

Directors Shareholdings	2018	2017
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
Louise Anne Rowe *(Appointed 3 July 2017)*	-	-

There was no movement in directors shareholdings during the year.

Note 23. Dividends provided for or paid

	2018 $	2017 $
a. Dividends paid during the year		
Prior year proposed final 100% (2017: 100%) franked dividend - 6.77 cents (2017: 7.19 cents) per share	77,513	82,322
b. Dividends proposed and recognised as a liability		
Current year final dividend 100% (2017: 100%) franked dividend - nil cents (2017: 6.77 cents) per share	-	77,513
c. Dividends proposed and not recognised as a liability		
Current year final dividend 100% (2017: 100%) franked dividend - 7 cents (2017: Nil cents) per share	80,146	-

The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).

Dividends proposed will be franked at a rate of 27.5% (2017: 27.5%).

d. Franking account balance

	2018	2017
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	426,653	447,651
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	23,045	(8,142)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	449,698	439,509
- 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	449,698	439,509

Note 24. Key management personnel disclosures	2018	2017
	$	$
The directors received remuneration including superannuation, as follows:		
Barry Anthony McKenna	13,797	14,147
Denise Gail Beer	11,998	12,348
Tadeusz Joseph Budzinski	11,398	11,748
Michael Stephen Anderton	11,398	11,748
Steven James Brown	6,150	6,500
Gregory Da Rui	6,150	6,500
Ronald Edwin Gascoigne	6,150	6,500
Alan James Radford	6,150	6,500
Louise Anne Rowe *(Appointed 3 July 2017)*	7,350	-
	80,541	75,991

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
- 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.

Note 24. Key management personnel disclosures *(continued)*

Performance-based remuneration

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

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

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

Company performance, shareholder wealth and executive remuneration

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

Period	Revenue	Net Profit
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
2018	2,193,804	76,699

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.

Note 24. Key management personnel disclosures *(continued)*

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, Western Australia. 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. The total benefits received by the directors from the Directors' Privilege Package are $215 for the year ended 30 June 2018 (2017: $nil).

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.

Note 25. Earnings per share

	2018	2017
	$	$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	76,699	65,432
	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 26. 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 27. 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 28. 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.

Note 29. Registered office/Principal place of business

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

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

Note 30 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					
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 %	2017 %
Financial assets												
Cash and cash equivalents	100,134	131,673	1,150,000	1,150,000	-	-	-	-	-	-	2.00	2.21
Receivables	-	-	-	-	-	-	-	-	174,599	152,404	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	5,193	28,766	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Sensitivity Analysis

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

As at 30 June 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018 $	2017 $
Change in profit/(loss)		
Increase in interest rate by 1%	12,501	12,817
Decrease in interest rate by 1%	12,501	(12,817)
Change in equity		
Increase in interest rate by 1%	12,501	12,817
Decrease in interest rate by 1%	12,501	(12,817)

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 2018 and of its performance for the financial year ended on that date; and

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

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

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

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

Barry Anthony McKenna, Chairman

Signed on the 11th of September 2018

Partners in success
Chartered Accountants

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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 2018 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.

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: 11 September 2018

David Hutchings
Lead Auditor

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