Bayswater Community Financial Services Limited

ABN 60 092 770 593

2019 Annual Report

Bayswater and Noranda
Community Bank® branches

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Chairman's report

For year ending 30 June 2019

Partnering with Australia's fifth largest bank, we're proud of the contribution we make to what is one of Australia's most trusted brands. Over the financial year our company has grown its banking book to nearly $320 million, which is a great achievement in economically challenging times.

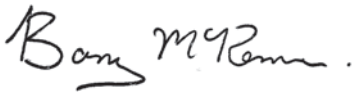
As a result of our strong performance, our Board was able to again pay the maximum dividend of 6.85% fully franked and we as a Board were able to continue to make strong community contributions. Approximately $186,000 was given to many worthwhile projects this financial year, all aimed at making our district a better place to live.

Work has also been done to improve our premises at 83 Whatley Crescent, Bayswater. Many plans are still ongoing. Our hope is that the facility will become a loved community space as well as transitioning into a bank of the future over the coming years. With the recent announcement of the major re-development of the Bayswater train station, as part of the State government's metro-net plan, our premises is in a great location to take full advantage of the site.

Our success in a difficult housing market reflects the efforts of our hard working staff under the leadership of Sean Kay. I thank them all for their effort and enthusiasm. As always, we continue to work closely with our partner, Bendigo and Adelaide Bank Limited on ways to improve the customer experience.

I also need to sincerely thank every Board member for their outstanding contribution to keep our company as one of the leading **Community Bank**® companies in the network.

As confidence returns to the market, our company is in a great position to increase our portfolio. Our Board, staff, shareholders, customers and community have much to look forward to in the future from Bayswater Community Financial Services Limited.



Barry McKenna
Chairman

Senior Manager's report

For year ending 30 June 2019

Dear Shareholders,

At the end of the 2019 financial year, I will have spent seventeen years as the Manager of your **Community Bank®** branches.

I continue to enjoy my ever-evolving role with Bayswater Community Financial Services Limited and I still have the same energy and enthusiasm for our company and community that I have always demonstrated.

Even as banking and banking services change, the role that we have within our community should not be underestimated. We continue to make the communities in which we operate a better place for all, through the provision of a unique banking service and proposition.

This has again led to us showing solid growth in home loans for our community with more people choosing to purchase their homes and investment properties through us. As a result, we continue to provide a strong financial performance and return to our shareholders as well as our community.

Whilst the 2018/19 financial year was a challenging one and a difficult environment for banks to continue to grow their loan portfolios, we have again achieved solid outcomes.

During the financial year our overall portfolio of business rose from $311.1 million to $319.5 million (+$8.4 million).

Lending growth was $3.5 million between the two branches (Bayswater +$5.5 million and Noranda -$2.0 million).

Deposit growth was –$1.0 million (Bayswater –$0.2 million and Noranda –$0.8 million).

Other business growth (off balance sheet) grew by $6 million (Bayswater –$1 million and Noranda +$7 million).

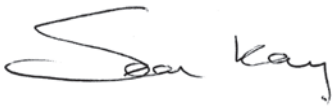
Aggressive product pricing by many competitors has led to a significant pricing shift by Bendigo and Adelaide Bank. This is allowing us to compete on price whilst providing a level of service that our current customers are already familiar with, but which new customers are regularly surprised by.

Once again, it is this differentiation and our **Community Bank®** model that we will continue to promote and publicise as much as possible into the future to ensure that the wider market realise that they can receive great service and extremely competitive rates, whilst helping their local community to grow.

I hope that as a shareholder you remain proud of the company that you financially invest in and would ask you, to help us to continue to grow. It is so important that you are our strongest advocates and let people know about the great things that we can do together.

As always, my thanks to the Board of Directors for the confidence and trust they place in me which allows me to continue to deliver consistent and solid results for us all, year on year.

Many thanks,



Sean Kay
Senior Branch Manager

Noranda Manager's report

For year ending 30 June 2019

Dear Shareholders,

It has been a difficult period of building and consolidating. We have grown our total business holdings to $108 million as at 30 June 2019, the lending market has been depressed and we have found it difficult to achieve growth in the lending space. We have achieved growth in Bendigo Bank deposits and managed deposit funds through Sandhurst Trustees and Community Sector Banking.

By continuing to grow our business, we will have many opportunities to support local organisations, clubs and the community in general by way of sponsorships, donations and staff volunteering their time to make our special community even better.

To date, we have returned many thousands of dollars back into our local community. As a **Community Bank®** company, owned by local shareholders, that's what we are all about – giving back to you and the community as a whole.

From a staffing perspective, we think we have the right fit, with four dedicated and passionate staff; Donna, Peng, Aline and Mariana to service our very valued customer base.

The Noranda **Community Bank®** Branch has a very strong base to continue building on and it is vital that we get as much support from the local community to continue to build on that base.

The Board, staff and Bendigo and Adelaide Bank Limited are absolutely committed to seeing the continued growth of the branch.

As a branch we have no greater promotional tool than the advocacy of our customers and shareholders. I would like to thank you, our shareholders and Board members, for your efforts in getting our branch to where it is today but would also encourage you to continue to talk to the rest of our community about what we have achieved and what the possibilities are.

I would also like to take this opportunity to thank our customers who have chosen us for some, if not all, of their banking. We look forward to developing those relationships even further.

I would like to thank Bendigo and Adelaide Bank Limited for the ongoing support that I receive. It's greatly appreciated.

I remain confident that we can continue to grow our business and look forward to helping your local bank make an even greater contribution back into our community and at the same time adding value to your investment as shareholders.

I would like to acknowledge the continued support from Bayswater Community Financial Services Limited Board, as well as the fantastic 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.

Darren Ricketts
Noranda Community Bank® Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2019

As a Bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our **Community Bank**® partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent **Community Bank**® branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 **Community Bank**® company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your **Community Bank**® company local Board of Directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your **Community Bank**® branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local **Community Bank**® business. All it takes is a referral to your local Branch Manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your **Community Bank**® branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and Directors in developing your business and supporting the communities that you live and work in.

Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2019

Your directors submit the financial statements of the company for the financial year ended 30 June 2019.

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 - October 2017.

Special responsibilities:

Current Committees: Executive Committee (Chair).

Past Committees: Financial Committee (Disbanded 3 December 2018).

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, 83 Whatley Crescent Bayswater Project Committee.

Past Committees: Financial Committee (Disbanded 3 December 2018).

Interest in shares: 1,000

Tadeusz Joseph Budzinski

Treasurer

Occupation: Retired

Qualifications, experience and expertise: Retired Director of Finance at the City of Bayswater, a role he held from 1989 to 2012. Ted extended this role to include Aged Care and Child Care facilities. Previous to his career at the City of Bayswater, Ted held various roles specialising in accountancy and financial management in the mining industry, 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), Community Committee, 83 Whatley Crescent Bayswater Project Committee (appointed Deputy Chair on 11 April 2019).

Past Committees: Financial Committee (Chair) (Disbanded 3 December 2018).

Interest in shares: 1

Directors' report (continued)

Directors (continued)

Michael Stephen Anderton J.P

Secretary

Occupation: Company Director

Qualifications, experience and expertise: Company Director of an insurance services company, Mike has been a resident of the City of Bayswater since 1989. Former board member of Jobs Australia Morley-Midland and Vice President and board member of the West Australian Junior Soccer Association. Foundation member and Deputy Chair of the Noranda Steering Committee and previously Chair of the City of Bayswater Child Care Association Inc.

Special responsibilities:

Current Committees: Executive Committee, 83 Whatley Crescent Bayswater Project Committee (Chair 6 October 2018 - 10 April 2019).

Past Committees: Financial Committee (Disbanded 3 December 2018).

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 and Brown Lawyers. He has worked as a lawyer at Lynn and Brown Lawyers since 1996. He has been a Director of Bayswater Community Financial Services Limited (the owner of the franchise for Bayswater and Noranda **Community Bank**® branches) 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 7 May 2018 - 10 April 2019) (Deputy Chair 11 April 2019).

Interest in shares: 1

Gregory Da Rui

Director

Occupation: Pharmacist

Qualifications, experience and expertise: Chairperson of Bayswater Village Retailers Association and Branch Committee member of the Pharmacy Guild WA branch.

Special responsibilities:

Current Committees: Community Committee, 83 Whatley Crescent Bayswater Project Committee.

Interest in shares: 2,008

Directors' report (continued)

Directors (continued)

Ronald Edwin Gascoigne

Director

Occupation: Retired

Qualifications, experience and expertise: Formerly a manager of ANZ Bank. Previously a resident of the City of Bayswater for 44 years. Committee member of the Bayswater Amateur Swimming and Life Saving Club from 1961 to 1997. Retired as a Life Member after serving as President for 14 years. Ron served 35 years with the Australian Army Reserve and retired with the rank of Major. Secretary/Treasurer of a not for profit charitable organisation since 2004 now Chairman.

Special responsibilities:

Current Committees: Community Committee, 83 Whatley Crescent Bayswater Project Committee.

Previous Committees: Financial Committee (Disbanded 3 December 2018).

Interest in shares: 2,809

Alan James Radford

Director

Occupation: Retired

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 5 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 are independent public schools. At present Alan is President of the Noranda Probus Club and a member of the Noranda Sports Club.

Special responsibilities:

Current Committees: 83 Whatley Crescent Bayswater Project Committee (Chair 11 April 2019).

Previous Committees: Financial Committee (Disbanded 3 December 2018).

Interest in shares: 1,100

Louise Anne Rowe

Director

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. Most recently she has been employed at State Media and Communication Manager (WA) for the Red Cross Blood Service. Her role on the Board of BCFS includes an appointment to the **Community Bank**® National Council "Telling Our Story" portfolio.

Special Responsibilities:

Current Committees: Community Committee (Deputy Chair 7 May 2018 - 10 April 2019) (Chair 11 April 2019).

Previous Committees: 83 Whatley Crescent Bayswater Project Committee (Resigned 10 June 2019).

Interest in shares: Nil

Directors' report (continued)

Directors (continued)

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 22 and 24.

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 2019 $	Year ended 30 June 2018 $
133,177	76,699

Dividends

	Year ended 30 June 2019	
	Cents	$
Dividends paid in the year:		
- As recommended in the prior year report	7	80,147

Significant changes in the state of affairs

The company purchased the premises located at 83 Whatley Crescent, Bayswater WA 6053 for $1,060,000 plus GST on 30 August 2018. This has led to a change in the overall assets and liabilities of the company. Planning is currently underway to best deploy the premises.

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

Events since the end of the financial year

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

Likely developments

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

Directors' report (continued)

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 22 and 24 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		Community		83 Whatley Crescent Bayswater Project	
	A	B	A	B	A	B	A	B
Barry Anthony McKenna	10	10	9	8	-	-	-	-
Denise Gail Beer	10	8	9	6	3	2	4	3
Tadeusz Joseph Budzinski	10	7	9	7	3	1	4	4
Michael Stephen Anderton	10	9	9	9	-	-	4	4
Steven James Brown	10	9	-	-	3	2	-	-
Gregory Da Rui	10	9	-	-	3	2	4	3
Ronald Edwin Gascoigne	10	9	-	-	3	3	1	1
Alan James Radford	10	9	-	-	-	-	4	3
Louise Anne Rowe	10	10	-	-	3	3	4	4

A - eligible to attend
B - number attended

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*.

Directors' report (continued)

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 12.

Signed in accordance with a resolution of the board of directors at Bayswater, Western Australia on 16 August 2019.

Tadeusz Joseph Budzinski
Treasurer

Auditor's independence declaration

AFS
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 2019, 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: 16 August 2019

Joshua Griffin
Lead Auditor

Taxation | Audit | Business Services
Liability limited by a scheme approved under Professional Standards Legislation. ABN 51 061 795 337

Financial statements

Bayswater Community Financial Services Limited
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue from ordinary activities	4	2,227,728	2,193,804
Employee benefits expense		(1,288,442)	(1,235,820)
Charitable donations, sponsorship, advertising and promotion		(63,587)	(243,114)
Occupancy and associated costs		(193,401)	(186,042)
Systems costs		(46,730)	(46,504)
Depreciation and amortisation expense	5	(113,649)	(62,016)
Finance costs	5	(26,463)	-
Decrease in net market value of financial assets	5	-	(946)
General administration expenses		(315,253)	(313,774)
Profit before income tax expense		**180,203**	**105,588**
Income tax expense	6	(47,026)	(28,889)
Profit after income tax expense		**133,177**	**76,699**
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		**133,177**	**76,699**
Earnings per share		¢	¢
Basic earnings per share	25	11.63	6.70

The accompanying notes form part of these financial statements.

Financial statements (continued)

Bayswater Community Financial Services Limited
Balance Sheet
as at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	7	980,546	1,250,134
Trade and other receivables	8	214,534	211,430
Financial assets	9	231,600	216,800
Total current assets		**1,426,680**	**1,678,364**
Non-current assets			
Property, plant and equipment	10	1,337,067	265,545
Intangible assets	11	90,727	52,686
Deferred tax asset	12	47,636	47,181
Total non-current assets		**1,475,430**	**365,412**
Total assets		**2,902,110**	**2,043,776**
LIABILITIES			
Current liabilities			
Trade and other payables	13	175,718	91,685
Current tax liabilities	12	35,205	22,342
Borrowings	14	59,280	-
Provisions	15	203,147	182,712
Total current liabilities		**473,350**	**296,739**
Non-current liabilities			
Borrowings	14	633,320	-
Provisions	15	4,678	9,305
Total non-current liabilities		**637,998**	**9,305**
Total liabilities		**1,111,348**	**306,044**
Net assets		**1,790,762**	**1,737,732**
EQUITY			
Issued capital	16	1,103,852	1,103,852
Retained earnings	17	686,910	633,880
Total equity		**1,790,762**	**1,737,732**

The accompanying notes form part of these financial statements.

Bayswater Community Financial Services Limited
Statement of Changes in Equity
for the year ended 30 June 2019

	Notes	Issued capital $	Retained earnings $	Total equity $
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**
Balance at 1 July 2018		1,103,852	633,880	1,737,732
Total comprehensive income for the year		-	133,177	133,177
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	23	-	(80,147)	(80,147)
Balance at 30 June 2019		**1,103,852**	**686,910**	**1,790,762**

The accompanying notes form part of these financial statements.

Bayswater Community Financial Services Limited
Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		2,396,294	2,350,387
Payments to suppliers and employees		(2,095,592)	(2,205,654)
Interest received		22,210	28,425
Interest paid		(26,463)	-
Income taxes paid		(34,618)	(5,112)
Net cash provided by operating activities	18	**261,831**	**168,046**
Cash flows from investing activities			
Dividends received		14,000	6,900
Payments for property, plant and equipment		(1,157,872)	(22,026)
Payments for financial assets		-	(106,946)
Net cash used in investing activities		**(1,143,872)**	**(122,072)**
Cash flows from financing activities			
Proceeds from borrowings		742,000	-
Repayment of borrowings		(49,400)	-
Dividends paid	23	(80,147)	(77,513)
Net cash used in financing activities		**612,453**	**(77,513)**
Net decrease in cash held		**(269,588)**	**(31,539)**
Cash and cash equivalents at the beginning of the financial year		1,250,134	1,281,673
Cash and cash equivalents at the end of the financial year	7(a)	**980,546**	**1,250,134**

The accompanying notes form part of these financial statements.

Notes to the financial statements

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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 two new accounting standards which have been issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 January 2018, and are therefore relevant for the current financial year.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces *AASB 111 Construction Contracts* , *AASB 118 Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The existing revenue recognition through the monthly Bendigo and Adelaide Bank Limited profit share provides an accurate reflection of consideration received in exchange for the transfer of services to the customer. Therefore based on our assessment this accounting standard has not materially affected any of the amounts recognised in the current period and is not likely to affect future periods.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

a) Basis of preparation *(continued)*

AASB 9 Financial Instruments

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *AASB 139 Financial Instruments: Recognition and Measurement* .

Based on our assessment this accounting standard has not had any impact on the carrying amounts of financial assets or liabilities at 1 July 2018. For additional information about accounting policies relating to financial instruments, see Note 1 k).

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 2018. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases

Only AASB 16, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. AASB 16 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. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

AASB 16 replaces existing leases guidance, including *AASB 117 Leases* and related Interpretations. This standard is mandatory for annual reporting periods beginning on or after 1 January 2019.

The company plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The company has assessed the estimated impact that initial application of AASB 16 will have on its financial statements. The actual impacts of adopting the standard on 1 July 2019 may change.

The company will recognise new assets and liabilities for operating leases of its branches. The nature of expenses related to these leases will now change as the company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the company recognised operating lease expense on a straight-line basis over the term of the lease.

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

Based on the information currently available, the company estimates that it will recognise additional lease liabilities and new right-of-use assets of $461,015.

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.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

a) Basis of preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the Community Bank® branches franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the Community Bank® branches
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

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.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

b) Revenue *(continued)*

Core banking products

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

Margin

Margin is arrived at through the following calculation:

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

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

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

Commission

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

Fee income

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

Discretionary financial contributions

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

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

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

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

b) Revenue *(continued)*

Ability to change financial return

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

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

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

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

Monitoring and changing financial return

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

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

c) Income tax

Current tax

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

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

c) Income tax *(continued)*

Deferred tax (continued)

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

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.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

g) Property, plant and equipment *(continued)*

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

- leasehold improvements	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.

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 (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified at fair value through profit or loss, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Classification and subsequent measurement

(i) Financial liabilities

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees). They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest rate is the internal rate of return of the financial asset or liability, that is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

k) Financial instruments *(continued)*

Classification and subsequent measurement (continued)

(ii) Financial assets

Financial assets are subsequently measured at:

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit and loss (FVTPL).

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates.

The company's trade and most other receivables are measured at amortised cost as well as deposits that were previously classified as held-to-maturity under AASB 139.

A financial asset is subsequently measured at FVOCI if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principle amount outstanding on specified dates; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and FVOCI's measurement condition are subsequently measured at FVTPL.

The company's investments in equity instruments are measured at FVTPL unless the company irrevocably elects at inception to measure at FVOCI.

Derecognition

(i) Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(ii) Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

k) Financial instruments *(continued)*

Impairment

The company recognises a loss allowance for expected credit losses on:

- financial assets that are measured at fair value through other comprehensive income;
- lease receivables;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit of loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The company uses the simplified approach to impairment, as applicable under AASB 9. The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:

- trade receivables that result from transactions that are within the scope of AASB 15, that contain a significant financing component; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used, taking into consideration various data to get to an expected credit loss, (ie diversity of its customer base, appropriate groupings of its historical loss experience etc.).

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

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.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 2. Financial risk management *(continued)*

(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.

Expected credit loss assessment for Bendigo and Adelaide Bank Limited

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited. Due to the reliance on Bendigo and Adelaide Bank Limited the company has reviewed the credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit risk exposure of the company. The most recent credit rating provided by the ratings agencies is as follows:

Ratings Agency	Long-Term	Short-Term	Outlook
Standard & Poor's	BBB+	A-2	Stable
Fitch Ratings	A-	F2	Stable
Moody's	A3	P-2	Stable

Based on the above risk ratings the company has classified Bendigo and Adelaide Bank Limited as low risk.

The company has performed a historical assessment of receivables from Bendigo and Adelaide Bank Limited and found no instances of default. As a result no impairment loss allowance has been made in relation to the Bendigo & Adelaide Bank Limited receivable as at 30 June 2019.

Expected credit loss assessment for other customers

The company has performed a historical assessment of the revenue collected from other customers and found no instances of default. As a result no impairment loss allowance has been made in relation to other customers as at 30 June 2019.

(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%.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 2. Financial risk management *(continued)*

(vi) Capital management *(continued)*

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2019 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from 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.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

Impairment of assets

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

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

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

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

Fair value measurement

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

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

- 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.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 4. Revenue from ordinary activities	2019	2018
	$	$
Operating activities:		
- gross margin	1,905,927	1,912,323
- services commissions	90,438	72,719
- fee income	134,446	136,443
- market development fund	35,000	35,000
Total revenue from operating activities	2,165,811	2,156,485
Non-operating activities:		
- interest received	18,315	30,419
- rental revenue	14,502	-
- dividends received	14,000	6,900
- increase in net market value of financial assets (FVTPL)	14,800	-
- other revenue	300	-
Total revenue from non-operating activities	61,917	37,319
Total revenues from ordinary activities	2,227,728	2,193,804

Note 5. Expenses		
Depreciation of non-current assets:		
- plant and equipment	54,978	5,228
- leasehold improvements	21,945	19,677
- motor vehicles	9,427	9,812
Amortisation of non-current assets:		
- franchise agreement - Bayswater	13,556	13,556
- franchise agreement - Noranda	13,743	13,743
	113,649	62,016
Finance costs:		
- interest paid	26,463	-
Bad debts	374	15
Decrease in net market value of financial assets (FVTPL)	-	946

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 6. Income tax expense	2019	2018
	$	$
The components of tax expense comprise:		
- Current tax	53,481	38,553
- Movement in deferred tax	(455)	(6,707)
- Non-refundable tax offsets	(6,000)	(2,957)
	47,026	28,889
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	180,203	105,588
Prima facie tax on profit from ordinary activities at 27.5% (2018: 27.5%)	49,556	29,037
Add tax effect of:		
- non-deductible expenses	3,470	2,809
- timing difference expenses	455	6,707
	53,481	38,553
Movement in deferred tax	(455)	(6,707)
Non-refundable tax offsets	(6,000)	(2,957)
	47,026	28,889

Note 7. Cash and cash equivalents		
Cash at bank and on hand	230,546	100,134
Term deposits	750,000	1,150,000
	980,546	1,250,134

Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	230,546	100,134
Term deposits	750,000	1,150,000
	980,546	1,250,134

Note 8. Trade and other receivables		
Trade receivables	177,681	174,599
Prepayments	30,041	26,124
Other receivables and accruals	6,812	10,707
	214,534	211,430

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 9. Financial assets	Note	2019	2018
		$	$
FVTPL financial assets			
Listed investments, at fair value:			
Carrying amount at beginning		216,800	110,800
Purchases		-	106,946
Sales		-	-
Increase/(decrease) in market value		14,800	(946)
Total listed shares at fair value	19	231,600	216,800

The company owns 20,000 Bendigo and Adelaide Bank (BEN) shares which are valued at $11.58 as at 30 June 2019.

Note 10. Property, plant and equipment		
Freehold land		
At cost	963,634	-
Leasehold improvements		
At cost	795,521	712,617
Less accumulated depreciation	(523,014)	(501,069)
	272,507	211,548
Plant and equipment		
At cost	195,807	115,296
Less accumulated depreciation	(145,715)	(90,737)
	50,092	24,559
Motor vehicles		
At cost	70,430	41,675
Less accumulated depreciation	(19,596)	(12,237)
	50,834	29,438
Total written down amount	1,337,067	265,545

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 10. Property, plant and equipment *(continued)*	2019	2018
	$	$
Movements in carrying amounts:		
Land		
Carrying amount at beginning	-	-
Additions	963,634	-
Carrying amount at end	963,634	-
Leasehold improvements		
Carrying amount at beginning	211,548	219,711
Additions	82,903	11,514
Less: depreciation expense	(21,945)	(19,677)
Carrying amount at end	272,506	211,548
Plant and equipment		
Carrying amount at beginning	24,559	19,275
Additions	80,511	10,512
Less: depreciation expense	(54,978)	(5,228)
Carrying amount at end	50,092	24,559
Motor vehicles		
Carrying amount at beginning	29,438	39,250
Additions	30,824	-
Less: depreciation expense	(9,427)	(9,812)
Carrying amount at end	50,835	29,438
Total written down amount	1,337,067	265,545

Note 11. Intangible assets		
Franchise fee		
At cost	227,268	227,268
Less: accumulated amortisation	(227,268)	(227,268)
	-	-
Renewal processing fee (Bayswater)		
At cost	67,781	67,781
Less: accumulated amortisation	(45,901)	(32,345)
	21,880	35,436
Renewal processing fee (Noranda)		
At cost	134,053	68,713
Less: accumulated amortisation	(65,206)	(51,463)
	68,847	17,250
Total written down amount	90,727	52,686

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 12. Tax	2019	2018
	$	$
Current:		
Income tax payable	35,205	22,342
Non-current:		
Deferred tax assets		
- accruals	954	770
- employee provisions	57,152	52,805
- financial assets	-	3,734
	58,106	57,309
Deferred tax liability		
- accruals	1,874	2,944
- deductible prepayments	8,261	7,184
- financial assets	335	-
	10,470	10,128
Net deferred tax asset	47,636	47,181
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	(455)	(6,707)

Note 13. Trade and other payables		
Current:		
Trade creditors	4,069	5,193
Other creditors and accruals	171,649	86,492
	175,718	91,685

Note 14. Borrowings		
Current:		
Bank loans	59,280	-
Non-current:		
Bank loans	633,320	-

Bank loans are repayable monthly with the final instalment due in August 2023. Interest is recognised at an average rate of 4.02% (2018: nil). The loans are secured by a charge over the property at 83 Whatley Crescent, Bayswater.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 15. Provisions	2019	2018
	$	$
Current:		
Provision for annual leave	109,050	86,072
Provision for long service leave	94,097	96,640
	203,147	182,712
Non-current:		
Provision for long service leave	4,678	9,305

Note 16. Issued capital		
1,144,952 ordinary shares fully paid (2018: 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®** branches 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.*

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

	2019	2018
	$	$
Balance at the beginning of the financial year	633,880	557,181
Net profit from ordinary activities after income tax	133,177	76,699
Dividends paid or provided for	(80,147)	-
Balance at the end of the financial year	686,910	633,880

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 18. Statement of cash flows	2019	2018
	$	$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	133,177	76,699
Non cash items:		
- depreciation	86,350	34,717
- amortisation	27,299	27,299
- (increase)/decrease in net market value of financial assets FVTPL	(14,800)	946
- dividends received	(14,000)	(6,900)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(3,104)	(35,247)
- (increase)/decrease in other assets	(455)	1,435
- increase/(decrease) in payables	18,692	10,358
- increase/(decrease) in provisions	15,809	36,397
- increase/(decrease) in current tax liabilities	12,863	22,342
Net cash flows provided by operating activities	261,831	168,046

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 2019	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements:				
FVTPL financial assets				
Listed investments:				
- shares in listed corporations	231,600	-	-	231,600
Total assets at fair value	231,600	-	-	231,600

At 30 June 2018	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements:				
FVTPL financial assets				
Listed investments:				
- shares in listed corporations	216,800	-	-	216,800
Total assets at fair value	216,800	-	-	216,800

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 19. Fair value measurement *(continued)*

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 FVTPL 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

	2019	2018
	$	$
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	133,878	130,188
- between 12 months and 5 years	137,392	78,183
- greater than 5 years	-	-
	271,270	208,371

The lease on the branch premises at Bayswater is a non-cancellable lease with a ten-year term which expires on 10 September 2020. The lease has a further five year renewal option.

The lease on the branch permises at Noranda is a non-cancellable lease with a five year term due to expire 4 October 2019. An additional lease term of two years was agreed to in February 2019 extending the lease to 4 October 2021. The lease has no additional renewal options.

Note 21. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	4,600	4,300
- non audit services	1,830	3,640
	6,430	7,940

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:	2019 $	2018 $
Louise Anne Rowe and her company, Louise Rowe Communications, undertakes PR and communications services for the company.	18,620	3,840

Directors Shareholdings

Barry Anthony McKenna	9,999	9,999
Denise Gail Beer	1,000	1,000
Tadeusz Joseph Budzinski	1	1
Michael Stephen Anderton	7,000	7,000
Steven James Brown	1	1
Gregory Da Rui	2,008	2,008
Ronald Edwin Gascoigne	2,809	1
Alan James Radford	1,100	1,100
Louise Anne Rowe	-	-

Note 23. Dividends provided for or paid

a. Dividends paid during the year

Prior year proposed final 100% (2018: 100%) franked dividend - 7 cents (2018: 6.77 cents) per share	80,147	77,513

b. Dividends proposed and not recognised as a liability

Current year final dividend 100% (2018: 100%) franked dividend - 6.85 cents (2018: 7 cents) per share	78,429	80,147

The tax rate at which dividends have been franked is 27.5% (2018: 27.5%).

Dividends proposed will be franked at a rate of 27.5% (2018: 27.5%).

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 23. Dividends provided for or paid *(continued)*	2019	2018
	$	$
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	430,536	426,653
- franking credits that will arise from payment of income tax as at the end of the financial year	36,213	23,045
- 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:	466,749	449,698
- 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	466,749	449,698

Note 24. Key management personnel disclosures

The directors received remuneration including superannuation, as follows:

Barry Anthony McKenna	13,797	13,797
Denise Gail Beer	11,998	11,998
Tadeusz Joseph Budzinski	11,398	11,398
Michael Stephen Anderton	11,398	11,398
Steven James Brown	6,150	6,150
Gregory Da Rui	6,150	6,150
Ronald Edwin Gascoigne	6,150	6,150
Alan James Radford	6,150	6,150
Louise Anne Rowe	6,150	7,350
	79,341	80,541

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

Remuneration Policy

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

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

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

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

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

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

Performance-based remuneration

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

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

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

Company performance, shareholder wealth and executive remuneration

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

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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

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
2019	2,227,728	133,177

Key management personnel remuneration policy

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

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

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

Performance income as a proportion of total remuneration

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

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

Directors' Privilege Package

Bayswater Community Financial Services Limited has accepted the **Community Bank®** Directors' Privileges package. The package is available to all directors who can elect to avail themselves of the benefits based on their personal banking with the **Community Bank®** branches at Bayswater and Noranda, 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 2019 (2018: $215).

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.

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

Note 25.	Earnings per share	2019	2018
		$	$
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	133,177	76,699
		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 Hawaiian's Noranda Benara Road Noranda WA 6062

Bayswater Community Financial Services Limited
Notes to the Financial Statements
for the year ended 30 June 2019

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					
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 %	2018 %
Financial assets												
Cash and cash equivalents	230,546	100,134	750,000	1,150,000	-	-	-	-	-	-	1.94	2.00
Receivables	-	-	-	-	-	-	-	-	177,681	174,599	N/A	N/A
Financial liabilities												
Interest bearing liabilities	692,600	-	-	-	-	-	-	-	-	-	4.02	Nil
Payables	-	-	-	-	-	-	-	-	4,069	5,193	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 2019, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2019 $	2018 $
Change in profit/(loss)		
Increase in interest rate by 1%	2,879	12,501
Decrease in interest rate by 1%	(2,879)	(12,501)
Change in equity		
Increase in interest rate by 1%	2,879	12,501
Decrease in interest rate by 1%	(2,879)	(12,501)

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 2019 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.

Tadeusz Joseph Budzinski
Treasurer

Signed on the 16th of August 2019

Independent audit report

AFS
Partners in success
Chartered Accountants
61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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

Report on the audit of the financial report

Our opinion
In our opinion, the accompanying 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 2019 and of its financial performance for the year ended; 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 company.

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

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

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

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

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Independent audit report (continued)

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

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

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

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

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report 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: 16 August 2019

Joshua Griffin
Lead Auditor

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(BNPAR19007) (09/19)
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