



# BFS

## Financial Report

for the year ended 31 December 2015

Baptist Financial Services Australia Limited

ABN 56 002 861 789 AFSL 311 062

Registered Office: Level 1, Corner of Rawson Street and Carlingford Road, Epping NSW 2121  
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A Delegated Body Of Australian Baptist Ministries

**BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED**  
**ABN 56 002 861 789**

**DIRECTORS' REPORT**

The Directors of Baptist Financial Services Australia Limited submit herewith the Annual Financial Report of the Company for the financial year ended 31 December 2015. The Directors report as follows:

- (1) The names, qualifications, experience and special responsibilities of each Director in office at any time during 2015 and up to the date of this report are:

**Name:** Owen Hsiao-Fen Chew Lee  
**Qualifications:** BSc, BCA, FCA, GAICD  
**Roles:** Board Chairman from 11 December 2014, Deputy Board Chairman to 11 December 2014, Chairman of Assets and Liabilities Committee, Member of Board Governance & Remuneration Committee from 12 December 2014.  
**Church:** Member of Gordon Baptist Church, NSW  
**Term of Office:** Appointed a Director from 22 July 2008  
**Experience:** Head of Prudential Regulatory Affairs, Westpac Banking Corporation, and previously held positions in Treasury, Strategy & Mergers and Acquisitions, Finance and Corporate Finance in Australia and Asia. Prior to 1996 held senior executive positions with CSR Limited and Westpac, and qualified as a Chartered Accountant with Ernst and Young.

**Name:** Gregory Paul Holland  
**Qualifications:** BBus (Accounting), CPA, GAICD, AIMM,  
**Roles:** Member of the Board Governance & Remuneration Committee from 10 March 2014 (Chairman of committee from 11 July 2014).  
**Church:** Member of Woodvale Baptist Church, WA  
**Term of Office:** Appointed a Director from 11 February 2014  
**Experience:** Business Manager for the Baptist Churches of Western Australia. Former Chief Executive Officer of Ray Village Aged Services Inc, WA, former General Manager Finance / Chief Financial Officer and General Manager HR and Shared Services at Capricorn Society Ltd, WA, former Chief Financial Officer of University of Western Sydney, NSW and former Director Management Services of Edith Cowan University, WA.

**Name:** Ross Martin Langford  
**Qualifications:** BCom, FFin, MAICD  
**Roles:** Member of Audit, Risk & Compliance Committee from 28 May 2015 until 18 February 2016; Member of Assets & Liabilities Committee from 18 February 2016.  
**Church:** Member of Gynea Baptist Church, NSW  
**Term of Office:** Appointed a Director from 13 March 2015  
**Experience:** Head of Credit Assurance with a major overseas bank (Rabobank). Formerly Head of Finance, Property & Administration at St George Christian School and formerly Senior Relationship Management, Regional Lending Manager and Senior Manager positions with Commonwealth Bank, BankWest and State Bank NSW. Currently Director of Christian Super and member of Risk Management Association.

**Name:** Darren Leigh McDonald  
**Qualifications:** BA (Accounting), CPA, MBA  
**Roles:** Member of Assets & Liabilities Committee from 20 June 2014; Member of Audit Risk & Compliance Committee from 20 June 2014 (Chairman of the committee from 12 December 2014).  
**Church:** Member of Golden Grove Baptist Church Inc, SA  
**Term of Office:** Appointed a Director from 29 May 2014  
**Experience:** Business Manager of Kings Baptist Grammar School Inc, SA, former Executive / Finance Manager of Woolworths Ltd, Board of Kings Baptist Grammar School Inc, SA including 2 years as Chairman, Chairman and Treasurer of Golden Grove Baptist Church Inc, SA.

**Name:** Sally Anne Mullins  
**Qualifications:** BBus (Business Administration), Grad Dip HR & IR  
**Roles:** Member of the Board Governance & Remuneration Committee from 9 December 2015.  
**Church:** Member of Ashburton Baptist Church, VIC  
**Term of Office:** Appointed a Director from 9 December 2015  
**Experience:** Senior Human Resource Consultant at a Leadership consulting business. Formerly a Senior Human Resource professional at National Australia Bank following 16 years experience in various Human Resource and Change Management roles within the bank and overseas.

**Name:** Allan Kenneth Priest  
**Qualifications:** Holder of Unrestricted Building Work & Plumbing/Gasfitting contracting and restricted Electrical Worker licenses enabled through various Trade qualifications, also Diploma for Public Health Inspectors.  
**Roles:** Deputy Chairman from 18 February 2016. Member of Audit, Risk & Compliance Committee (Chairman of committee to 12 December 2014); Member of Assets and Liabilities Committee; Member of Board Governance & Remuneration Committee to 12 December 2014.  
**Church:** Member of Rostrevor Baptist Church Inc, SA  
**Term of Office:** Appointed a Director from 31 May 2005  
**Experience:** Director then Managing Director of family plumbing and building business 1972 - 2003 and Manager of two Commercial Rental Properties 1989 - 2013; Member of Baptist Churches of South Australia Inc (BCSA) Assembly Board 2004 - 2015 including as BCSA President 2006-2009, past service (including as Chairman) on numerous other BCSA Committees and working parties; Chairman of Baptist Care (SA) Inc 2007 - 2015 after joining Board in 2006; current Director of Baptist Care (SA) Foundation Nominees Pty Ltd and Member of Kings Baptist Association of Kings Baptist Grammar School Inc; and 28 years' past service in numerous senior leadership roles of Rostrevor Baptist Church Inc (SA) including as Treasurer, Administrator and Chairman.

(continued)

**BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED**  
**ABN 56 002 861 789**

**DIRECTORS' REPORT**  
**(continued)**

**Name:** Alan Leslie Soden  
**Qualifications:** FAIM, MAIE  
**Roles:** Member of the Assets and Liabilities Committee to 12 December 2014, Member of the Audit, Risk and Compliance Committee to 12 December 2014, Member of the Communications Due Diligence Committee to 12 December 2014 and Member of the Board Governance & Remuneration Committee. Secretary of the company since 20 November 2001.  
**Church:** Member of Port Macquarie Baptist Church, NSW  
**Term of Office:** Appointed a Director from 13 August 2002  
**Experience:** Interim Pastor, Port Macquarie Baptist Church; Director (previously Chief Executive Officer) of Kairos Prison Ministry Australia, Trustee Director BCS Foundation, Member of Baptist Churches of New South Wales Property Trust, Certified CEO and alumni of the CEO Institute, Chairman BICM Ltd, formerly Chairman of Hopestreet, former General Secretary of the Association of Baptist Churches of NSW & ACT, former Board Member and Vice President of the Bible Society of NSW, Recognised Minister, previously in general management roles of training, marketing, public affairs and sales with the Australian Gaslight Company, former National Secretary and Member of the National Council of the Baptist Union of Australia and former Secretary of Baptist Insurance Management Pty Ltd.

**Name:** Trevor Leslie Spicer  
**Qualifications:** BBus (Accounting), MAICD, AFAIM, CPA  
**Roles:** Deputy Board Chairman from 11 December 2014 to 18 February 2016, Member of the Assets and Liabilities Committee, Member of the Audit, Risk and Compliance Committee to 12 December 2014, Member of Board Governance & Remuneration Committee from 12 December 2014.  
**Church:** Member of Diamond Valley Baptist Church, Vic  
**Term of Office:** Appointed a Director from 29 May 2013 and Resigned 18 February 2016  
**Experience:** National Treasurer and Board Member of Australian Baptist Ministries, Chairman of the Council of the Baptist Union of Victoria, Council Member of Diamond Valley Baptist Church, Vic, Treasurer of Melbourne Prayer Breakfast, Treasurer of Asia Pacific Baptist Federation, Treasurer of Asia Pacific Baptist Aid, formerly a Board Member and Director of Corporate Services at Global Interaction, formerly a Board Member of Baptist Community Care, Vic, formerly a Board Member of Whitley College, Vic, Board Member & Treasurer of The Leprosy Mission Australia, Board Member & Treasurer of Link Community Transport Inc, Deputy Chairman of Mobile Mission Maintenance Ltd, Company Secretary of Mission Enterprises (Vic) Ltd, with many years of experience in industry and non profit organisations on Boards, management and other organisational committees.

**Name:** Andrew David Staunton  
**Qualifications:** BBus (Economics and Finance), MDiv, Grad Dip Theology  
**Roles:** Member of Board Governance & Remuneration Committee from 18 February 2016, Member of Audit, Risk and Compliance Committee from 28 May 2015.  
**Church:** Member of Newmarket Baptist Church, Vic  
**Term of Office:** Appointed a Director from 28 May 2015  
**Experience:** Pastor Newmarket Baptist Church; Business Banker, National Australia Bank (1997-2003), Minister of Religion (2003 - Present), Ordained by the BUV 2010. Building and Project Management Consultant (2012 - Present)

**(2) Meetings of Directors**

During the year, 28 meetings of directors (including committees of directors) were held. Attendances by each Director during the year are set out below:

	State	Board		ARCCo		ALCo		BGRCo	
		H	A	H	A	H	A	H	A
Owen H Chew Lee	NSW	15	15			5	5	4	4
Gregory P Holland	WA	15	14					4	4
Ross M Langford (Appointed 13/3/2015)	NSW	14	11	3	3				
Darren L McDonald	SA	15	14	4	4	5	5		
Sally A Mullins (Appointed 9/12/2015)	VIC	2	2					1	1
Allan K Priest	SA	15	15	4	4	5	5		
Alan L Soden	NSW	15	13					4	4
Trevor L Spicer (Resigned 18/2/16)	VIC	15	4			5	1	4	1
Andrew D Staunton (Appointed 28/5/2015)	VIC	10	10	3	3				

**H**=Meetings held during the year, or during the term of appointment; **A**=Attended; **ARCCo**=Audit, Risk & Compliance Committee; **ALCo**=Assets & Liabilities Committee; **BGRCo**= Board Governance & Remuneration Committee.

**(3) Principal Activities**

The principal activities of the Company during the financial year were the provision of financial solutions for the particular needs of churches and Christian ministries, the facilitation of the financing of churches and ministries through participating State Baptist Unions/Associations and the Baptist Union of Australia, and, subject to capital adequacy needs, the making of grants to State Baptist Unions/Associations and the Baptist Union of Australia for ministry. There has been no significant change in those activities during the financial period.

The entity's short term strategic objectives are to:

- Maintain and introduce relevant financial services for Baptist entities in Australia
- Maintain the adequacy of funds and reserves

The entity's long term objectives are to:

- Further develop recognition of BFS by the Australian Baptist community as its primary financial services provider
  - Continue to extend the use of BFS services within Baptist Churches, congregations and Baptist organisations across Australia
- To achieve these objectives, the entity has adopted the following strategies:
- Sponsor nationally oriented support services for Churches
  - Appoint staff as required in accordance with the Strategic Priorities
  - Continue to enhance existing financial services and develop new products

(continued)

BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED  
ABN 56 002 861 789

DIRECTORS' REPORT  
(continued)

(4) **Financial Performance Disclosures**

*Result and Review of Operations*

The operating surplus/(deficit) from ordinary operations for the year was: \$3,883,766. After deducting Grants made to Baptist entities of \$1,116,090, and the writeback of a provision for impairment of an investment of \$841,286, the Net Operating Income for the year was \$3,608,962.

BFS resources Baptist ministry through making available loans to churches and other Christian ministries. This ministry objective is funded from accumulated reserves and through inviting investments for the Charitable Investment Scheme.

During the year the Board continued the review of the capital adequacy framework. This framework indicated that an appropriate capital structure, including capital contributions and retention of surpluses, be maintained to fund the expected future growth in operations and to meet desired Prudential Equivalent levels of capital.

The company operates a registered Charitable Investment Scheme to raise funds so that loans and advances can be made to resource Baptist and other Christian ministries. Loans and advances primarily comprise secured commercial loans to these entities. The Financial Report provides additional information in Note 14 regarding Risk Management.

Liquidity was maintained consistently during the year at levels well above the Board's determined minimum of 30% of total assets, and significantly in excess of regulatory requirements.

*Key Performance Measures*

The company measures its performance through the use of quantitative benchmarks. The benchmarks are used by the directors to assess whether the company's short-term and long-term objectives are being achieved.

	2015		2014	
	Actual	Benchmark	Actual	Benchmark
Growth in total client investments	13.6%	7.5%	7.9%	4.0%
Growth in loans (advanced/approved and undrawn overdrafts)	16.3%	7.5%	5.2%	4.0%
Growth in total assets	13.2%	7.5%	8.0%	4.0%
Ratio of loans (advanced/approved and undrawn overdrafts) to total client investments	50.0%	55.0%	48.8%	55.0%

(5) **Indemnification of Officers and Auditors**

During the financial year the company incurred a premium in respect of a contract insuring the Directors of the Company (as named in Note 21 of the Financial Report) and all Executive Officers of the company against a liability incurred in their capacity as a Director or Executive Officer, to the extent permitted by the Corporations Act 2001. The insurance contract does not permit disclosure of the premium or terms relating to such Directors or Executive Officers. No indemnity has been given or insurance premiums paid for the Auditor.

(6) **Subsequent Events**

On 19 April 2013 the Australian Prudential Regulation Authority (APRA) issued a Discussion Paper on the continuing terms of the exemption given to Church funds under the Banking Act 1959, with responses required by 24 May 2013. On 20 May 2013 the Australian Securities & Investments Commission issued a public Consultation Paper 207 seeking feedback by 15 July 2013 on two options for amending exemptions currently available to charitable investment fundraisers under Regulatory Guide 87. After considering the responses received, in August 2013 APRA provided a Response to Submissions paper outlining their revised proposals on the continuing terms of the exemption given to Church funds under the Banking Act 1959. In December 2015, APRA released revised proposals for the exemption to Church Funds under the Banking Act 1959 which are expected to apply from 1 January 2017 and operate for at least 10 years, when they may be subject to further review.

In the opinion of the Directors, apart from this matter, since the end of the year to the date of this report, no other matter or circumstance has arisen that has 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 financial years.

(7) **Entity**

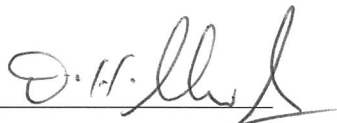
The company is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the company is wound up the constitution states that each member is required to contribute a maximum of \$100 towards any outstanding obligations of the entity. At balance date the total amount that members of the company are liable to contribute if the company was wound up was \$900 (last year \$900).

(8) **Auditors Independence**

The Directors received a written declaration from the Auditor as set out on page 6.

Signed in accordance with a resolution of the Board of Directors made pursuant to Section 298 (2) of the Corporations Act 2001.

DIRECTOR



Dated at Sydney this 28th day of April 2016

## **INDEPENDENT AUDIT REPORT**

TO: The Members, Baptist Financial Services Australia Limited

We have audited the accompanying financial report of Baptist Financial Services Australia Limited, which comprises the Statement of Financial Position as at 31 December 2015, and the Statements of Income and of Other Comprehensive Income , Statement of Changes in Equity Funds and Reserves and the Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' Declaration .

### **Directors' Responsibility for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and that satisfies the requirements of the Corporations Act 2001 and of the Australian Charities and Not for Profits Commission Act 2012 and its regulations 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.

### **Auditors Responsibility**

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

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

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

### **Independence**

In conducting our audit, we have complied with professional independence requirements . We confirm that the independence declaration provided to the directors, would be in the same terms if provided to the directors as at the date of this auditor's report.

## **Audit Opinion**

(In our opinion, the financial report of Baptist Financial Services Australia Limited satisfies the requirements of the Australian Charities and Not for Profits Commission Act 2012 and regulations, including:

- (i) giving a true and fair view of the financial position of the company as at 31<sup>st</sup> December 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Australian Charities and Corporations Commission Regulations 2013 .



**Tyndale KSG Pty Limited**  
Authorised Audit Company  
Dated: 28 April 2016  
Sydney

**Lawrence R Green FCA, Director**

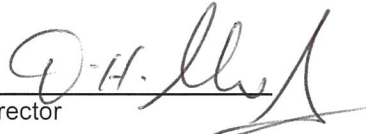
**BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED**  
**ABN 56 002 861 789**

**DECLARATION BY DIRECTORS**

The Directors of the Company declare that:

- 1 The financial statements satisfy the requirements of the Australian Charities and Not For Profits Commission Act 2012 including:
  - a. complying with Australian Accounting Standards - Reduced Disclosure Requirements; and
  - b. giving a true and fair view of the financial position as at 31 December 2015 and of the financial performance and cashflows for the year ended on that date of the company.
- 2 In the directors opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with subsection 60.15(2) of the Australian Charities and Not-for-profit Commission Regulation 2013.

  
\_\_\_\_\_  
Director

Dated at Sydney this 28th day of April 2016

**AUDITORS INDEPENDENCE DECLARATION**

To the Directors

We declare that, to the best of our knowledge and belief, during the year ended 31 December 2015 there have been no contraventions of any applicable code of professional conduct or similar statutory requirement in relation to the audit.

Tyndale KSG Pty Ltd

Lawrence R Green FCA  
Director

Dated at Sydney this 28th day of April 2016

**BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED**

ABN 56 002 861 789

**BALANCE SHEET**

as at 31 December 2015

	Note	2015 \$	2014 \$
<b>ASSETS</b>			
Cash and cash equivalents	2	1,260,367	1,481,525
Loans and advances - interest bearing	3	147,823,437	127,145,734
Other receivables and prepayments	6	1,946,522	2,228,530
Investments	7	169,525,292	151,948,246
Property	8	2,416,556	2,416,556
Other assets	9	181,692	183,671
<b>TOTAL ASSETS</b>		<b>323,153,866</b>	<b>285,404,264</b>
<b>LIABILITIES</b>			
Payables - interest bearing	10	295,933,430	260,575,425
Trade and other Payables	11	2,747,386	3,253,922
<b>TOTAL LIABILITIES</b>		<b>298,680,816</b>	<b>263,829,347</b>
<b>NET ASSETS</b>		<b>24,473,050</b>	<b>21,574,917</b>
<b>ACCUMULATED FUNDS AND RESERVES</b>			
Accumulated funds	12	8,688,231	5,914,087
Contributions reserve	13(a), 1(g)	14,950,000	14,950,000
Future grants reserve	13(b), 1(h)	834,818	710,829
<b>TOTAL FUNDS AND RESERVES</b>		<b>24,473,050</b>	<b>21,574,917</b>

*This Balance Sheet is to be read in conjunction with the accompanying notes.*



**BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED**

ABN 56 002 861 789

**INCOME STATEMENT**

For the year ended 31 December 2015

		2015	2014
		\$	\$
	<b>Note</b>		
Gross Interest revenue	17	<b>13,730,303</b>	13,746,106
Gross Interest expense	17	<b>(7,628,786)</b>	(8,077,236)
<b>Net interest income</b>		<b>6,101,517</b>	5,668,869
Other income	15	<b>80,781</b>	87,795
Operating expenses	16	<b>(2,298,532)</b>	(2,207,549)
<b>NET OPERATING INCOME</b>	17	<b>3,883,766</b>	3,549,115

*This Income Statement is to be read in conjunction with the accompanying notes*

**BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED**

ABN 56 002 861 789

**STATEMENT OF CHANGES IN EQUITY ACCUMULATED FUNDS & RESERVES**

For the year ended 31 December 2015

	Accumulated Funds	Contributions Reserve	Future Grants Reserve	Total
	\$	\$	\$	\$
<b>2015</b>				
<b>INCOME &amp; OTHER COMPREHENSIVE INCOME</b>				
Net Operating Income	3,883,766	-	-	3,883,766
<b>Other Comprehensive Income</b>				
Items that will not be reclassified subsequently to the Income Statement:				
Grants to Baptist Entities	(1,116,090)	-	(710,829)	(1,826,919)
Provision for Impairment written back	841,286			841,286
Total Comprehensive Income	3,608,962	-	(710,829)	2,898,133
Balance brought forward	5,914,087	14,950,000	710,829	21,574,917
Transfer (to)/from Reserves	(834,818)	-	834,818	-
Balance carried forward	<u>8,688,231</u>	<u>14,950,000</u>	<u>834,818</u>	<u>24,473,050</u>
<b>2014</b>				
Net Operating Income	3,549,115	-	-	3,549,115
Grants to Baptist Entities	(1,164,634)	-	(519,946)	(1,684,580)
Total Comprehensive Income	2,384,481	-	(519,946)	1,864,535
Balance brought forward	4,240,435	14,950,000	519,946	19,710,381
Transfer (to)/from Reserves	(710,829)	-	710,829	-
Balance carried forward	<u>5,914,087</u>	<u>14,950,000</u>	<u>710,829</u>	<u>21,574,917</u>

*This Statement is to be read in conjunction with the accompanying notes.*

**BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED**

ABN 56 002 861 789

**STATEMENT OF CASH FLOWS****For the year ended 31 December 2015**

		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
	<b>Note</b>		
<i>Cash flows (used in)/from operating activities</i>			
Interest received from loans		6,748,110	6,763,912
Interest from other investments		7,326,881	7,218,197
Donations, subscriptions & Sundry income		80,781	87,795
Interest paid to investors		(7,628,786)	(8,077,236)
Cash paid to suppliers and employees		<u>(2,692,185)</u>	<u>(1,895,221)</u>
Net cash from operating activities	20 (2)	<u>3,834,801</u>	<u>4,097,447</u>
<i>Cash flows (used in)/from investing activities</i>			
Church & other loans advanced	20 (3)	(84,122,404)	(60,358,125)
Church & other loan payments received	20 (3)	66,466,209	62,816,530
Payments for leasehold improvements, software & web design, furniture & computers		(108,649)	(55,344)
Grants paid to Baptist Entities		(1,826,919)	(1,684,580)
(Increase)/Decrease in other receivables		(64,933)	(52,953)
(Increase)/Decrease in investments		(13,713,586)	(7,252,879)
Received from investors (net)		<u>32,336,496</u>	<u>10,474,975</u>
Net cash from investing activities		<u>(1,033,786)</u>	<u>3,887,623</u>
Net (decrease)/increase in cash		2,801,015	7,985,071
Cash at the beginning of the period		<u>24,444,962</u>	<u>16,459,892</u>
Cash at the end of the period	20 (1)	<u><u>27,245,978</u></u>	<u><u>24,444,962</u></u>

*This Statement of Cash Flows is to be read in conjunction with the accompanying notes*

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Financial Statements are general purpose statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board (AASB), to satisfy the requirements of the Australian Charities and Not For Profits Commission Act 2012 and the Corporations Act 2001. Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions events and conditions. Significant accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

- a) The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**b) Property, Plant and Equipment**

Leasehold Improvements, Office Furniture and Equipment are stated at cost less accumulated amortisation or depreciation less any impairment in value. These are written off over the estimated useful life of each asset using the prime cost method at the following rates:

Computers	33.33%
Software & Web Design	33.33%
Furniture and Equipment	10.00%
Leasehold Improvements	Remaining term of lease

The carrying values of Property, Plant and Equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Land and Buildings are recognised at cost less any subsequent accumulated depreciation on Buildings and accumulated impairment losses.

**c) Income Tax**

No income tax has been provided for in these accounts as the Company has been endorsed by the Australian Taxation Office as an income tax exempt charitable institution, and is also registered as a Charity with the Australian Charities & Not-for-profits Commission.

**d) Membership**

The Company is a company limited by guarantee. Membership consists of each person who is a member of the Board. At balance date there were 9 members.

The liability of members in the event of a deficit upon winding up the Company is limited to \$100. If upon winding up there remains a surplus, then the first part of the surplus, up to the limit of Contributions Reserve, will be repaid to the Contributor, and any remaining surplus given or transferred to State Baptist Unions and Associations or, failing that, to some other institution(s) having objectives and restrictions on distributions similar to the Company, such institutions being determined by the members.

**e) Statement of Compliance**

The financial report complies with Australian Accounting Standards - reduced disclosure requirements, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

**f) Financial Assets**

Financial investments, other than held to maturity investments, are adjusted to fair value and any resulting increment or decrement is taken direct to the Income Statement. Upon disposal of the investments any surplus or deficit is taken to the Income Statement.

**g) Contributions Reserve**

Contributions by State Baptist Unions to financially support the company are taken to this reserve. In the event of a winding up, these amounts are subordinated to all creditor obligations.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**h) Future Grants Reserve**

A proportion of the Surplus determined by the Directors is set aside each year to the Future Grants Reserve for Baptist ministry. In addition, grants may be made as approved by the Directors to Baptist ministry and charged as an expense (refer Note 17).

**i) Impairment of Financial Assets**

No less frequently than at each reporting date the Board assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of 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. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs. Bad debts are written off when identified. If an allowance for impairment has been recognised in relation to a loan, write offs for bad debts are made against the allowance. If no allowance for impairment has previously been recognised, write offs for bad debts are recognised as expenses directly in the Income Statement.

The various components of impaired assets are as follows:

"Restructured loans" are loans and other similar facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member or group of members.

"Past-due loans" means a loan in arrears which has not been operated within its key terms by the borrower for at least 90 days and which is not an impaired loan.

**j) Loans and advances**

Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of resale. After initial measurement, amounts are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment where applicable.

**k) Client Investments and BFS Borrowings from Clients**

These are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

**l) Revenue and Expenses**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest revenue and expense is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

When a loan is classified as impaired the consolidated group ceases to recognise interest revenue and other income earned but not yet received.

No interest is charged on loans where repayments are in arrears and the prospects of a contribution from the borrower are minimal. However, accrued interest may be recovered as part of the recovery of the debt.

**m) Comparative Figures**

Where necessary the comparative figures have been changed to reflect the accounting policies and Accounting Standards applied in the current year.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and deposits held at-call or on 31 day notice

**(o) Goods and Services Tax (GST)**

Where relevant, revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

**(p) Application of new and revised accounting standards**

A number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015, and therefore relevant for the current year end have had no significant impact on the financial report, namely AASB 2012-3 relating to the offsetting of Financial Assets and Liabilities and AASB 1031 materiality which also does not have any substantial effect on the amounts recognised in the entity's financial statements.

**Standards and interpretations issued not yet adopted**

AASB 9 Financial Instruments: Revised principles for accounting for financial assets and liabilities: recognition and derecognition, classification, measurement, impairment and hedge accounting - Applies to all entities effective from 1 January 2018 with early adoption permitted

AASB 15 Revenue from Contracts with Customers: Introduces a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received for that transfer. Further guidance on practical application issues (e.g. licences, agent/principal transactions, identification of performance obligations and transition requirements) is being developed and is expected to be incorporated into the main standard prior to the effective date All entities. This Standard is effective from 1 January 2018 (deferred from the previous effective date of 1 January 2017) with early adoption permitted.

AASB 1056 Superannuation Entities: Replaces AAS 25 Financial Reporting by Superannuation Plans. A summary of key differences between the old and new standards is included at the back of AASB 1056 Large APRA-regulated and public sector superannuation entities, but not SMSF or small APRA funds. This standard is effective from 1 July 2016 with early adoption permitted.

Leases: Recognises right of use assets and liabilities arising from all leases, with exceptions for low value and short term leases for all entities and is expected to be effective from 1 January 2019.

A number of amending standards have also been issued by the AASB but are not yet effective. Some are available for early adoption although most have limited application. A full list of accounting standards and amendments and their respective application dates can be found on the AASB website.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

	2015	2014
	\$	\$
<b>NOTE 2 CASH &amp; CASH EQUIVALENTS</b>		
Cash and cash equivalents	<u>1,260,367</u>	<u>1,481,525</u>
There are no restrictions on access to these amounts.		
<b>NOTE 3 LOANS AND ADVANCES - interest bearing</b>		
Secured Loans (see below)	142,719,427	119,743,939
Less: Allowance for Impairment of Secured Loans (Note 1(i))	<u>(3,618,738)</u>	<u>(3,618,738)</u>
<i>Secured Loans</i>	<u>139,100,689</u>	<u>116,125,201</u>
Other interest bearing loans (unsecured)	<u>794,672</u>	<u>766,487</u>
<i>Secured Loans to related entities (Note 21)</i>	<u>7,906,817</u>	<u>10,228,297</u>
<i>Unsecured Loans to related entities (Note 21)</i>	<u>21,260</u>	<u>25,749</u>
Sub-total	<u>147,823,437</u>	<u>127,145,734</u>
	<u>147,823,437</u>	<u>127,145,734</u>

All loans and advances are to non-financial institution clients and are interest bearing except as referred to in Note 14.

Mortgage securities, offset arrangements or an undertaking from the Baptist Churches of New South Wales Property Trust to enter into a Mortgage, are held for secured loans and certain loans to related entities.

The average of the total security value held against all secured loans (Loan to value Ratio - LVR) at 31 December 2015 was 29% (2014 29%) with a median ratio of 29% (2014 33%). The current policy of the company is that loans to Baptist entities are not to exceed 75% of the security valuation and loans to other entities are not to exceed 67% of security valuation. This loan to value ratio can be varied by the provision of other appropriate security at the discretion of the Directors. This is not to imply that all existing loans meet these criteria.

**NOTE 4 FINANCIAL COMMITMENTS**

<i>Outstanding Loan Commitments</i>		
Loans approved but not advanced	<u>31,552,320</u>	<u>31,941,879</u>
<i>Loan Redraw Facilities</i>		
Loan redraw facilities available	<u>25,865,493</u>	<u>19,500,660</u>
<i>Undrawn Overdraft Loan Facilities</i>		
Loan facilities available for overdraft loans are as follows:		
Total value of facilities approved	9,279,537	10,412,075
Amounts advanced (Included in Secured Loans - Note 3)	<u>6,573,116</u>	<u>7,376,951</u>
<i>Net undrawn value</i>	<u>2,706,421</u>	<u>3,035,124</u>

These commitments are contingent on investors maintaining credit standards, loan terms & conditions and ongoing repayment terms on amounts drawn.

*Computer Software Licensing & Maintenance*

The Company has costs committed under contracts for software licensing & maintenance as follows:

Not later than one year	66,661	64,409
Later than one year but not later than two years	66,661	19,405
Later than two years but not later than five years	118,959	4,806
Over five years	<u>171,257</u>	<u>-</u>
	<u>423,537</u>	<u>88,620</u>

*Bureau and Settlement Services*

The Company has costs committed under a contract for Bureau & Settlement services as follows:

Not later than one year	150,414	133,804
Later than one year but not later than two years	-	-
Later than two years but not later than five years	-	-
Over five years	<u>-</u>	<u>-</u>
	<u>150,414</u>	<u>133,804</u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

	2015	2014
	\$	\$
<b>NOTE 4 FINANCIAL COMMITMENTS (continued)</b>		
<i>Analysis of Loans and Advances</i>		
Debts receivable:		
overdrafts	6,576,693	7,376,951
not longer than 3 months	9,796,260	12,263,831
longer than 3 months and not longer than 12 months	4,701,344	11,591,346
longer than 1 year and not longer than 5 years	28,274,346	17,026,278
longer than 5 years	102,093,532	82,506,066
Allowance for Impairment of Loans	<b>(3,618,738)</b>	<b>(3,618,738)</b>
	<u>147,823,437</u>	<u>127,145,734</u>
Current Assets - not longer than 12 months	<b>112,622,018</b>	79,728,006
Non Current Assets - longer than 12 months	<b>35,201,419</b>	47,417,728
	<u>147,823,437</u>	<u>127,145,734</u>
<b>NOTE 5 IMPAIRMENT OF FINANCIAL ASSETS (Note 1(i))</b>		
<i>Allowance for Impairment of Loans:</i>		
Opening balance	3,618,738	3,618,738
Charge for the year	-	-
Amount written off	-	-
Closing balance	<u>3,618,738</u>	<u>3,618,738</u>
<i>Allowance for Impairment of Investments:</i>		
Opening balance	1,000,000	1,000,000
Value adjustment transferred to income statement (Refer Note 1(i))	-	-
Transfers (to)/from other comprehensive income	<b>(841,286)</b>	-
Transfers (to)/from income statement	-	-
Closing balance	<u>158,714</u>	<u>1,000,000</u>
<b>NOTE 6 OTHER RECEIVABLES &amp; PREPAYMENTS</b>		
Interest Accrued	1,594,323	1,939,011
Other Receivables	275,446	210,513
Prepayments	76,753	79,006
	<u>1,946,522</u>	<u>2,228,530</u>
<b>NOTE 7 INVESTMENTS</b>		
<i>Held to maturity - at cost - see Note 1 (f)</i>		
- Listed convertible preference shares - Market Value \$31,195,426 (2014 \$1	<b>32,160,561</b>	18,821,634
- Other listed securities - Market Value \$11,461,350 (2014 \$17,798,878)	<b>11,528,893</b>	17,682,195
- Unlisted securities:		
Approved Deposit Taking Institutions		
Australian Banks	99,736,767	66,000,197
Australian Subsidiaries of Overseas Banks	12,039,141	7,099,599
Other	11,218,644	37,333,069
Non-Bank investments		
at cost	3,000,000	6,011,552
Less: Allowance for Impairment	<b>(158,714)</b>	<b>(1,000,000)</b>
	<u>169,525,292</u>	<u>151,948,246</u>



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
 For the year ended 31 December 2015

	2015	2014
	\$	\$
<b>NOTE 7 INVESTMENTS (continued)</b>		
<b>Investments - Maturity Analysis</b>		
not longer than 3 months	25,985,611	22,963,437
longer than 3 months and not longer than 12 months	35,756,757	55,120,988
longer than 1 year and not longer than 2 years	20,353,386	21,097,142
longer than 2 years and not longer than 3 years	17,517,711	17,912,183
longer than 3 years and not longer than 4 years	29,486,556	8,003,400
longer than 4 years and not longer than 5 years	19,502,126	11,123,541
longer than 5 years	19,988,495	12,853,304
maturity at discretion of issuer	934,650	2,874,252
	<u>169,525,292</u>	<u>151,948,246</u>
<b>NOTE 8 PROPERTY - at Cost</b>		
Property for use by Baptist Union of NSW	2,416,556	2,416,556
affiliated Churches and associated organisations on a rent free basis.		
<b>NOTE 9 OTHER ASSETS</b>		
<b>Furniture and Equipment</b>		
Leasehold Improvements, Furniture & Computers - at cost	305,693	337,324
Less: Accumulated Depreciation	(232,989)	(256,772)
	<u>72,704</u>	<u>80,553</u>
<b>Other Intangible Assets</b>		
Software & Web Design - at cost	562,731	422,450
Less: Accumulated Depreciation	(453,743)	(319,332)
	<u>108,988</u>	<u>103,119</u>
	<u>181,692</u>	<u>183,671</u>
<b>NOTE 10 PAYABLES - interest bearing based on actual maturity date</b>		
Investments at call	91,337,498	83,978,572
Term Investments	204,595,932	176,596,853
	<u>295,933,430</u>	<u>260,575,425</u>
<b>PAYABLES - interest bearing based on withdrawal experience</b>		
<i>Current Liabilities - payable not later than 12 months</i>		
- Investments from Baptist & Christian organisations	22,776,350	17,291,356
- Loan offset Savings Accounts	3,808,924	3,446,343
- Investments from Individuals & other organisations	8,926,738	10,096,843
	<u>35,512,012</u>	<u>30,834,542</u>
<i>Non Current Liabilities - payable later than 12 months</i>		
- Investments from Baptist & Christian organisations	167,026,571	135,783,215
- Loan offset Savings Accounts	27,932,106	25,273,179
- Investments from Individuals & other organisations	65,462,741	68,684,490
	<u>260,421,418</u>	<u>229,740,884</u>
Investments are classified according to maturity date and the rollover experience		
<b>Term Investments and BFS Borrowings from Clients - Maturity Analysis</b>		
At call	91,337,498	83,978,572
Longer than at call and not longer than 3 months	93,709,987	84,959,228
Longer than 3 and not longer than 12 months	85,715,533	77,106,649
Longer than 1 year and not longer than 2 years	15,851,681	9,528,028
Longer than 2 years and not longer than 5 years	9,318,731	5,002,947
Longer than 5 years	-	-
	<u>295,933,430</u>	<u>260,575,425</u>
<b>Concentration of Payables</b>		

Apart from the Baptist Union of New South Wales and affiliated organisations, with total investments representing 10.87% of the total liabilities, there were no other individuals or organisations which in aggregate represent more than 10% of the liabilities for Payables - Interest Bearing. The majority of the payables are with Baptist Churches in Australia or with individuals or organisations having an association with Baptist Churches in Australia.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
 For the year ended 31 December 2015

	2015 \$	2014 \$
<b>NOTE 11 TRADE AND OTHER PAYABLES</b>		
Accrued term investment interest	2,461,413	2,933,558
Sundry creditors	157,925	196,325
Employee Benefit Provisions	128,048	124,039
	<u>2,747,386</u>	<u>3,253,922</u>
<b>NOTE 12 ACCUMULATED FUNDS - Total</b>		
Balance at beginning of year	5,914,087	4,240,435
Operating Surplus	4,725,053	3,549,115
Grants expended to Baptist ministries	(1,116,090)	(1,164,634)
Transfer (to)/from Reserves	(834,818)	(710,829)
Balance at end of year	<u>8,688,231</u>	<u>5,914,087</u>
<b>ACCUMULATED FUNDS - New South Wales</b>		
Balance at beginning of year	2,803,098	1,829,254
Share of Operating Surplus after Grants	2,951,109	2,075,017
Share of Grants expended to Baptist ministries	(560,075)	(683,811)
Transfer (to)/from Reserves	(464,924)	(417,362)
Balance at end of year	<u>4,729,208</u>	<u>2,803,098</u>
<b>ACCUMULATED FUNDS - Victoria</b>		
Balance at beginning of year	1,068,707	861,413
Share of Operating Surplus after Grants	574,114	441,693
Share of Grants expended to Baptist ministries	(237,046)	(145,559)
Transfer (to)/from Reserves	(101,120)	(88,840)
Balance at end of year	<u>1,304,655</u>	<u>1,068,707</u>
<b>ACCUMULATED FUNDS - South Australia</b>		
Balance at beginning of year	906,935	684,638
Share of Operating Surplus after Grants	461,052	456,641
Share of Grants expended to Baptist ministries	(89,536)	(145,524)
Transfer (to)/from Reserves	(115,970)	(88,820)
Balance at end of year	<u>1,162,481</u>	<u>906,935</u>
<b>ACCUMULATED FUNDS - Tasmania</b>		
Balance at beginning of year	181,334	158,488
Share of Operating Surplus after Grants	68,360	48,678
Share of Grants expended to Baptist ministries	(29,037)	(16,041)
Transfer (to)/from Reserves	(11,797)	(9,791)
Balance at end of year	<u>208,860</u>	<u>181,334</u>
<b>ACCUMULATED FUNDS - Western Australia</b>		
Balance at beginning of year	893,769	673,247
Share of Operating Surplus after Grants	530,209	469,877
Share of Grants expended to Baptist ministries	(112,983)	(154,846)
Transfer (to)/from Reserves	(125,168)	(94,509)
Balance at end of year	<u>1,185,827</u>	<u>893,769</u>
<b>ACCUMULATED FUNDS - Baptist Union of Australia</b>		
Balance at beginning of year	60,243	33,394
Share of Operating Surplus after Grants	114,958	57,209
Share of Grants expended to Baptist ministries	(62,161)	(18,853)
Transfer (to)/from Reserves	(15,839)	(11,507)
Balance at end of year	<u>97,201</u>	<u>60,243</u>

In accordance with Memorandums of Understanding entered into between Baptist Financial Services Australia Limited and the Baptist Unions of New South Wales, Victoria, South Australia, Tasmania, Western Australia and the Baptist Union of Australia Inc, a portion of the surpluses will be allocated in accordance with the directions of those entities.

**BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED**  
 ABN 56 002 861 789

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

	2015 \$	2014 \$
<b>NOTE 13 RESERVES</b>		
<b>a) Contributions Reserve - Total</b>		
Balance at beginning of year	14,950,000	14,950,000
Contributions Received	-	-
Balance at end of year	<u>14,950,000</u>	<u>14,950,000</u>
<b>Contributions Reserve - New South Wales</b>		
Balance at beginning of year	8,000,000	8,000,000
Contribution Received	-	-
Balance at end of year	<u>8,000,000</u>	<u>8,000,000</u>
<b>Contributions Reserve - Victoria</b>		
Balance at beginning of year	3,250,000	3,250,000
Contribution Received	-	-
Balance at end of year	<u>3,250,000</u>	<u>3,250,000</u>
<b>Contributions Reserve - South Australia</b>		
Balance at beginning of year	1,275,000	1,275,000
Contribution Received	-	-
Balance at end of year	<u>1,275,000</u>	<u>1,275,000</u>
<b>Contributions Reserve - Tasmania</b>		
Balance at beginning of year	425,000	425,000
Contribution Received	-	-
Balance at end of year	<u>425,000</u>	<u>425,000</u>
<b>Contributions Reserve - Western Australia</b>		
Balance at beginning of year	1,500,000	1,500,000
Contribution Received	-	-
Balance at end of year	<u>1,500,000</u>	<u>1,500,000</u>
<b>Contributions Reserve - Baptist Union of Australia Inc</b>		
Balance at beginning of year	500,000	500,000
Contribution Received	-	-
Balance at end of year	<u>500,000</u>	<u>500,000</u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

	2015 \$	2014 \$
<b>NOTE 13 RESERVES (Continued)</b>		
<b>b) Future Grants Reserve - Total</b>		
Balance at beginning of year	710,829	519,946
Transfer (to)/from accumulated funds	834,818	710,829
Expended during current year (See Note 14)	<b>(710,829)</b>	<b>(519,946)</b>
Balance at end of year	<u><b>834,818</b></u>	<u><b>710,829</b></u>
<b><i>Future Grants Reserve - New South Wales</i></b>		
Balance at beginning of year	417,362	310,797
Transfer (to)/from accumulated funds	464,924	417,362
Grants expended to Baptist ministries	<b>(417,362)</b>	<b>(310,797)</b>
Balance at end of year	<u><b>464,924</b></u>	<u><b>417,362</b></u>
<b><i>Future Grants Reserve - Victoria</i></b>		
Balance at beginning of year	88,840	73,819
Transfer (to)/from accumulated funds	101,120	88,840
Grants expended to Baptist ministries	<b>(88,840)</b>	<b>(73,819)</b>
Balance at end of year	<u><b>101,120</b></u>	<u><b>88,840</b></u>
<b><i>Future Grants Reserve - South Australia</i></b>		
Balance at beginning of year	88,820	62,777
Transfer (to)/from accumulated funds	115,970	88,820
Grants expended to Baptist ministries	<b>(88,820)</b>	<b>(62,777)</b>
Balance at end of year	<u><b>115,970</b></u>	<u><b>88,820</b></u>
<b><i>Future Grants Reserve - Tasmania</i></b>		
Balance at beginning of year	9,791	8,806
Transfer (to)/from accumulated funds	11,797	9,791
Grants expended to Baptist ministries	<b>(9,791)</b>	<b>(8,806)</b>
Balance at end of year	<u><b>11,797</b></u>	<u><b>9,791</b></u>
<b><i>Future Grants Reserve - Western Australia</i></b>		
Balance at beginning of year	94,509	58,141
Transfer (to)/from accumulated funds	125,168	94,509
Grants expended to Baptist ministries	<b>(94,509)</b>	<b>(58,141)</b>
Balance at end of year	<u><b>125,168</b></u>	<u><b>94,509</b></u>
<b><i>Future Grants Reserve - Baptist Union of Australia</i></b>		
Balance at beginning of year	11,507	5,606
Transfer (to)/from accumulated funds	15,839	11,507
Grants expended to Baptist ministries	<b>(11,507)</b>	<b>(5,606)</b>
Balance at end of year	<u><b>15,839</b></u>	<u><b>11,507</b></u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

**NOTE 14 RISK MANAGEMENT**

***Risk Management Framework***

The Board of Directors has overall responsibility for the establishment and oversight of the Consolidated Entity's risk management framework. The Board maintains an Audit, Risk & Compliance Committee (ARCCo), an Assets & Liabilities Committee (ALCo), a Board Governance & Remuneration Committee (BGRCo) to oversee the financial reporting and audit and risk management processes.

The ARCCo's major role, within the BFS risk management organisational structure, is to monitor BFS's approved policies and procedures in relation to:

- Internal Controls & Risk Management
- Statutory and Financial Reporting Requirements
- Auditor Independence & Performance
- Internal Audit
- Compliance with Laws & Policies
- Review any other matters as determined by the Board from time to time.

The ALCo's major role is to monitor BFS's approved policies and procedures in relation to the management and control of:

- Credit Risk
- Liquidity Risk
- Market Risk
- Balance Sheet Risk
- Capital Management Risk

The BGRCo's major role is to make recommendations to the Board in respect of:

- the Nomination and Roles of New Directors
- the Nomination of Directors to Board Committees
- Annual Board & Committee Assessment
- Professional Development of Directors & Staff
- Conflict of Interest Disclosure & Management
- the Selection, Interview of a CEO, Establish Objectives and Review Performance
- the Selection, Interview of Special Board Appointees and Review Performance in conjunction with the CEO
- the Monitoring of staff performance & salaries, director remuneration, continuous improvement systems and processes with the CEO

BFS has undertaken the following strategies to minimise the risks arising from financial instruments:

***Market risk***

The company has no exposure to currency risk.

The company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

Interest rate exposures are reviewed at least monthly and provided regularly to ALCo and Board meetings.

Details of the interest rate risk profile are set out on the next page.

***Credit risk – loans***

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. Company policy is to maintain no more than a total of \$1.5 million in unsecured loans, with the balance of loans secured by mortgage, offset arrangements, an undertaking from the Baptist Churches of New South Wales Property Trust to enter into a Mortgage, or an interest in property.

***Significant accounting judgements***

The significant accounting judgements, related to the determination of the allowance for impairment of loans, are set out in this Note.

***Credit risk – investments***

The risk of losses from investments is reduced by the limited concentration in any one entity.

Company policy is to limit any investments with one investee to a maximum of 10% of total funds under management with the exception that this limit is not applied to investments in the "big four" Australian banks. All securities and other deposits with Institutions must have an investment grade rating by Standard and Poor's from AAA to BBB-, or equivalent, with the exception of investments lodged with an APRA regulated bank, building society or credit union (ADI).

Non ADI investments are limited to a maximum of 5% of total investments.

***Liquidity risk***

The company is required under its ASIC approved Charitable Investment Scheme to maintain at least 20% of total investments from clients in readily realisable investments in order to maintain adequate funds for meeting withdrawal requests. The ratio is checked at least monthly by management and reported regularly to ALCo and the Board.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

**NOTE 14 RISK MANAGEMENT (Continued)**

***Interest Revenue and Interest Expense***

***Operational Risks***

Operational risk is a risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations and are faced by all business entities. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of the overall Company's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
  - Requirements for the reconciliation and monitoring of transactions
  - Compliance with regulatory and other legal requirements
  - Documentation of controls and procedures
  - Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
  - Requirements for the reporting of operational losses and proposed remedial action
  - Development of contingency plans
  - Training and professional development
  - Ethical and business standards
  - Risk mitigation, including insurance where this is effective
- Compliance with the company's standards is supported by a program of internal audit.

***Interest Rate Risk***

The effective weighted average interest rates on classes of financial assets and financial liabilities, including the impact of offset funds lodged, is as follows:

	<b>Average balance</b>	<b>Interest at rates applicable at balance date</b>	<b>Average rate %</b>
<b>2015</b>			
<b><i>Financial Assets</i></b>			
Cash and liquid assets	1,137,096	68	0.01
Investments with other financial institutions	166,198,672	6,827,860	4.11
Loans and Advances	140,764,968	6,902,443	4.90
	<u>308,100,735</u>	<u>13,730,372</u>	<u>4.46</u>
<b><i>Financial Liabilities</i></b>			
Client Investments	251,349,051	7,628,786	3.04
	<u>251,349,051</u>	<u>7,628,786</u>	<u>3.04</u>
<b>2014</b>			
<b><i>Financial Assets</i></b>			
Cash and liquid assets	1,360,800	7,539	0.55
Investments with other financial institutions	154,969,513	6,982,194	4.51
Loans and Advances	125,357,996	6,763,912	5.40
	<u>281,688,309</u>	<u>13,753,645</u>	<u>4.88</u>
<b><i>Financial Liabilities</i></b>			
Client Investments	233,791,211	8,077,236	3.45
	<u>233,791,211</u>	<u>8,077,236</u>	<u>3.45</u>

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

**NOTE 14 RISK MANAGEMENT (Continued)**

***Interest Revenue and Interest Expense***

***Credit Risk***

The maximum exposure to credit risk at balance date in relation to loans and advances is the carrying amount.

At balance date this amounted to \$147,823,437 (2014 \$127,145,734). Loans and advances primarily comprise commercial loans to Baptist and other Christian entities secured by mortgage over freehold property, offset arrangements or an interest in property. The loan portfolio comprises a mix of loan to value ratios, ranging from conservative to high.

Financial assets that have been individually determined to be impaired as at the reporting date and the factors the company considered in determining that they are impaired are as follows:

The company had no impaired unsecured loans and no provision for impairment of unsecured loans.

The factors taken into account in determining that certain loans are impaired result from the company's due diligence on borrowers who are in default of the terms of their loan contract. This typically leads to ensuring that sound management of the borrower's operations and cash flows are in place and that there is an expectation of the borrower being able to meet renegotiated loan terms.

The total of loans past due not including loans referred to above stood at \$1,199,697 at year end (last year \$4,939,980).

The total risk exposure for all unimpaired loans exceeding \$2 million at balance date was \$70,637,439 representing 21 borrowers (last year 15 totalling \$51,058,684). Each of these loans is fully secured by mortgage over freehold property, offset arrangements or an interest in property.

The carrying amount of a loan that would otherwise be past due or impaired and whose terms have been renegotiated are as follows:

At 31st December 2015 the Company had loans with a carrying value totalling \$6,854,739 (2014 \$7,147,949) with a client representing a significant concentration of credit risk exposure. BFS has security by way of first mortgage and an equitable charge over the client's assets which fully secure the loans made by BFS to the client. A contingent liability may exist in respect of an assurance of funding given by BFS for the approved cashflows and liabilities of the client until at least 31 December 2016. BFS has also indemnified each Director of this client in the event of a claim being made against them for insolvent trading where the liability for such claim is due to the failure of BFS to perform its obligations under the funding agreement.

Apart from the above, Baptist Financial Services Australia Ltd does not have any other material credit risk exposure to any single borrower or group of borrowers under financial instruments entered into by it.

***Net Fair Values***

The net fair values of receivables and fixed interest investments are determined by discounting cash flows, at the market interest rates of similar investments, to their present value.

For other assets and other liabilities the net fair value approximates their carrying value.

No financial assets or financial liabilities are readily traded on organised markets in standardised form.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

**NOTE 14 RISK MANAGEMENT (Continued)**

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term investments and fixed interest rate loans) or after due notice is given by the Company (variable loans and savings investments).

The Company was exposed to price risk in relation to 1 (last year 1) debt instrument investment with a maturity value of \$1,000,000 and a carrying value at balance date of \$841,287 (last year \$Nil after provision for impairment of \$1million). Since balance date this investment has been realised at the carrying value.

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 15 OTHER REVENUE</b>		
Sundry revenue	<u>80,781</u>	<u>87,795</u>
	<u><b>80,781</b></u>	<u><b>87,795</b></u>
<b>NOTE 16 OTHER EXPENSES</b>		
Employee Benefits and Costs	<b>1,047,841</b>	955,198
Website, Software and Computer Systems	<b>350,780</b>	296,948
Occupancy	<b>108,613</b>	123,769
Sponsorships	<b>87,000</b>	92,690
Depreciation and Amortisation	<b>110,629</b>	117,192
Other General Administration Expenses	<b>593,668</b>	621,752
General administration	<u><b>2,298,532</b></u>	<u>2,207,549</u>
<b>NOTE 17 OPERATING SURPLUS</b>		
Operating surplus	<b>3,883,766</b>	3,549,115
<i>is arrived at after including as revenue:</i>		
Interest received	<b>13,730,303</b>	13,746,106
<i>and after charging as expenses:</i>		
Auditor's remuneration		
- Audit fees	<b>24,000</b>	24,175
(No other benefits were received by the auditor)		
Amortisation of leasehold improvements	<b>7,920</b>	7,920
Amortisation of Other Intangible Assets	<b>74,421</b>	62,783
Interest paid	<b>7,628,786</b>	8,077,236
Depreciation of furniture & equipment and software	<b>28,288</b>	46,489
Employee Benefits	<b>4,009</b>	(48,269)
Allowance for impairment of loans	-	-
<i>and after payment of Grants shown in the Statement of Changes in Accumulated Funds and Reserves:</i>		
Grants paid from current year result	<b>(1,116,090)</b>	(1,164,634)
Grants paid from Future Grants Reserve	<b>(710,829)</b>	(519,946)

The total number of employees at balance date was - 12 (2014 - 12).

**NOTE 18 SEGMENT REPORTING**

The company is a National Baptist Ministry, being a Delegated Body of the Baptist Union of Australia Inc, and provides the facilitation of the financing of Baptist entities affiliated with participating Baptist Unions, Baptist Associations and other Christian Churches & organisations.

The Company is an Affiliated Group of the Baptist Union of New South Wales.



**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

**NOTE 19 SUBSEQUENT EVENTS**

On 19 April 2013 the Australian Prudential Regulation Authority (APRA) issued a Discussion Paper on the continuing terms of the exemption given to Church funds under the Banking Act 1959, with responses required by 24 May 2013. On 20 May 2013 the Australian Securities & Investments Commission issued a public Consultation Paper 207 seeking feedback by 15 July 2013 on two options for amending exemptions currently available to charitable investment fundraisers under Regulatory Guide 87. After considering the responses received, in August 2013 APRA provided a Response to Submissions paper outlining their revised proposals on the continuing terms of the exemption given to Church funds under the Banking Act 1959. In December 2015, APRA released revised proposals for the exemption to Church Funds under the Banking Act 1959 which are expected to apply from 1 January 2017 and operate for at least 10 years, when they may be subject to further review.

**NOTE 20 NOTES TO THE STATEMENT OF CASHFLOWS**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>(1) Reconciliation of Cash</b>		
Cash at bank	1,260,367	1,481,525
Investments	25,985,611	22,963,437
	<u>27,245,978</u>	<u>24,444,962</u>

Cash includes cash at bank and on hand and investments at call or maturity within 90 days. It is noted that cash and investments which, if required, are readily realisable within 5 business days amounted to \$125,920,209 (last year \$151,055,019) at balance date.

**(2) Reconciliation of Surplus to net cash from operating activities**

Operating surplus	3,883,766	3,549,115
Amortisation	7,920	7,920
Depreciation	102,709	109,272
(Decrease)/Increase in allowance for Impairment of Investments	-	-
(Decrease)/Increase in accrued term investment interest	(510,546)	236,676
Decrease/(Increase) in sundry debtors and accrued income	344,688	236,004
(Increase)/Decrease in prepayments	2,254	6,730
(Decrease)/Increase in allowance for Impairment of loans	-	-
(Decrease)/Increase in employee benefits	4,009	(48,269)
	<u>3,834,801</u>	<u>4,097,447</u>

**(3) Cash flows (used in)/from investing activities**

Loans advanced and Loan payments received include the inflows and outflows of Overdraft Loans and Instalment Loans.

**NOTE 21 RELATED PARTIES**

The Baptist Union of Australia appoints up to 12 Directors of the Company.

The Baptist Union of Australia invites each of the Baptist Union of New South Wales, Baptist Union of Victoria, Baptist Churches of South Australia Inc, the Baptist Union of Tasmania & The Baptist Union of Western Australia Inc to nominate one Director for each 12% or part thereof of client funds held on investment at 31 December each year for appointment as a Director of the Company.

The Baptist Union of NSW, Baptist Churches of South Australia Inc, the Baptist Union of Victoria, the Baptist Union of Tasmania and The Baptist Union of Western Australia Inc provided office accommodation facilities for the Company during the year and were compensated for this as follows:

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Baptist Union of NSW	91,933	103,327
Baptist Union of Victoria	6,960	5,980
The Baptist Union of Western Australia Inc	5,103	5,103

Payment is made to a company associated with a former Director for rent for the storage of records and other equipment.

<b>3,600</b>	1,200
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**BAPTIST FINANCIAL SERVICES AUSTRALIA LIMITED**  
 ABN 56 002 861 789

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

**NOTE 21 RELATED PARTIES (continued)**

Baptist Financial Services Australia Ltd holds monies on investment from various ministries of the Baptist Union of New South Wales, Baptist Union of Victoria, Baptist Churches of South Australia Inc, the Baptist Union of Tasmania, The Baptist Union of Western Australia Inc and the Baptist Union of Australia Inc, all of whom are considered to be related entities. Some of these monies are special purpose funds and some are monies which are held on investment until applied to general purposes. All investments held and loans and advances made are on normal terms and conditions no more favourable than those available to other persons unless otherwise specified below.

	<b>2015 Principal</b>	<b>2014 Principal</b>
<i>New South Wales</i>		
Investments held:	<b>32,453,702</b>	34,129,940
Loans and Advances:	<b>7,521,111</b>	9,076,732
<i>Victoria</i>		
Investments held:	<b>17,181,485</b>	13,139,456
Loans and Advances:	<b>15,107</b>	30,006
<i>South Australia</i>		
Investments held:	<b>23,391,708</b>	17,093,219
Loans and Advances:	-	-
<i>Tasmania</i>		
Investments held:	<b>1,353,339</b>	939,715
Loans and Advances:	-	-
<i>Western Australia</i>		
Investments held:	<b>13,707,588</b>	7,904,479
Loans and Advances:	<b>391,860</b>	1,432,484
<i>Baptist Union of Australia Inc</i>		
Investments held:	<b>2,970,766</b>	5,188,431
Loans and Advances:	-	-
<b>Totals</b>		
Investments held:	<b>91,058,588</b>	78,395,240
Loans and Advances:	<b>7,928,077</b>	10,539,222

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

**NOTE 21 RELATED PARTIES (continued)**

**Disclosures on Key Management Personnel (KMP)**

**Remuneration of KMP**

The *key management personnel* are those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any Director of the company. Control is the power to govern the financial and operating policies of the company so as to obtain benefits from its activities.

Key management personnel (KMP) comprise the 9 (2014: 9) Directors of the Company, the Chief Executive Officer and Operations & Loans Manager. The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for, but excluding out of pocket expense reimbursements, was as follows:

	2015	2014
	\$	\$
<b>Key Management Personnel Compensation</b>	<b>470,902</b>	541,141

All remuneration to Directors was approved by the Baptist Union of Australia Inc and by the members at the last Annual General Meeting of the company.

**Loans to Key Management Personnel (KMP)**

	2015	2014
	\$	\$
Aggregate value of 5 year term loans to KMP at beginning of year	<u>4,084</u>	<u>11,127</u>
Aggregate value of 5 year term loans to KMP at balance date	<u>36,121</u>	<u>4,085</u>
Aggregate value of 5 year term loans disbursed to KMP during the year	<u>35,000</u>	<u>-</u>
Aggregate value of highest indebtedness of 5 year term loans to KMP during the year	<u>39,098</u>	<u>11,127</u>
Aggregate of interest earned on 5 year term loans to KMP during the year	<u>756</u>	<u>437</u>
Aggregate of interest earned if 5 year term loans to KMP were made on an arms length basis	<u>808</u>	<u>503</u>
Number of KMP in the group	<u>2</u>	<u>2</u>

There are no loans which are impaired in relation to the 5 year term loan balances with KMP.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP. There are no loans which are impaired in relation to the loan balances with close family relatives of the KMP.

**Other Transactions Between Related Parties include Investments from KMP**

	2015	2014
	\$	\$
Total value of term and savings investments from KMP	<u>19,935</u>	<u>31,200</u>
Total interest paid on investments to KMP	<u>128</u>	<u>389</u>

**Loans to Directors and Key Management Personnel**

BFS staff, the CEO and other Key Management Personnel may receive concessional rates of interest on their loans and facilities. There are no loans that are impaired in relation to the loan balances with staff, the CEO or other Key Management Personnel. Directors may have received interest on investments with BFS during the financial year in relation to personal or related entity investment accounts held with BFS. Interest has been paid on terms and conditions no more favourable than those ordinarily available on similar accounts to clients of BFS. BFS policy for receiving investments from other related parties and in respect of other related party transactions, is that all transactions are approved and investments accepted on the same terms and conditions that apply to client investors for each type of investment. There are no service contracts to which Key Management Personnel or their close family members are an interested party, except as otherwise disclosed in this report.

**NOTES TO AND FORMING PART OF THE ACCOUNTS**  
**For the year ended 31 December 2015**

**NOTE 22 ECONOMIC DEPENDENCY**

The Company has an operational dependency on three suppliers of services:

The first supplier is an Approved Deposit Taking Institution registered under the Corporations Act 2001 and the Banking Act 1959 and:

- facilitates settlement arrangements for the Company with bankers for direct entry and cheque transactions;
- provides computer bureau services for the hosting of software and the maintenance of database records.

The second supplier provides and maintains the application software for client account and transaction records, internet account access, BPay and general ledger services used by the Company.

The third supplier provides the application software for the imaging and retrieval of client and Company records.

**NOTE 23 CONTINGENT LIABILITIES**

Apart from the contingent liability arising from an indemnity set out in Note 14, there are no other contingent and unrecorded obligations of a material amount for which provision has not been made.