

Dandenong Ranges
Community Finance Limited

ABN 28 084 480 035

annual report 2011



Upwey **Community Bank**[®] Branch

Belgrave **Community Bank**[®] Branch

Cockatoo/Gembrook **Community Bank**[®] Branch

Olinda-Mt Dandenong branch

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Chairman's report

For year ending 30 June 2011

I can again report on another successful year and associated significant milestones.

Business achievements

As will be detailed in other reports below, we have seen (albeit limited) growth with our Belgrave and Cockatoo/Gembrook **Community Bank**[®] branches. The Upwey **Community Bank**[®] Branch continues to grow despite an increased number of redomiciled accounts and as mentioned in last years report, a "natural" reduction due to matured loans and investments. Nevertheless, an outstanding effort by our management team and staff.

It is significant that the Belgrave **Community Bank**[®] Branch is now operating in surplus as will Cockatoo in the near future. Congratulations to all concerned.

Your Board continues to be most confident that we will see increased business opportunities in the Emerald-Cockatoo-Gembrook corridor in the longer term, which will further enhance the growth of the Cockatoo/Gembrook **Community Bank**[®] Branch. To this end, we continue to focus on the Emerald area and strengthen our relationship and support to the Emerald Agency as a vehicle to complement our business development efforts.

We continue to strengthen our presence in Marysville through our Senior Group Manager's strong involvement in the local community along with Director Tony Thompson's great support. Tony has a prominent community leadership position in the town and has been of great assistance in facilitating opportunities for Mike to develop.

The Olinda/Mount Dandenong branch continues to show slow but encouraging growth and we remain confident that this venture will be a long term success.

Our staff

It is extremely beneficial that we are fortunate to have a great team of staff committed to maintaining our outstanding customer relations record and who have obviously been the key to our growth. I convey our Boards sincere appreciation to all for their continued excellent effort.

We have also welcomed the following new staff over the past year and thank them for their commitment to our Company:-

Tina Dean – Customer Relationship Officer – Belgrave **Community Bank**[®] Branch

Maurneen McBain – Customer Service Officer – Belgrave **Community Bank**[®] Branch

Donna Howard – Customer Service Officer – Cockatoo/Gembrook **Community Bank**[®] Branch

Kristen Carroll – Customer Service Officer – Cockatoo/Gembrook **Community Bank**[®] Branch

Lisa Tsolakidis – Relief Customer Service Officer – Cockatoo/Gembrook **Community Bank**[®] Branch

Glynis Watson – Customer Service Officer – Olinda–Mt Dandenong branch

As I reported last year our Executive Officer Melisa Hepworth is now "on staff". I must again record my personal appreciation and that of our Board to Melisa for her outstanding work. We are extremely fortunate to have such a skilled, experienced and committed person for this role.

Chairman's report continued

We have also contracted Suzan Prass as our Community Liaison Officer to assist Melisa with the considerable workload relative to our grants and sponsorship programmes and as an adjunct to our Managers' further developing relationships with prominent community groups in our catchment.

Suzan has a Bachelor of Commerce (Accounting and Finance) from La Trobe University and has worked in the marketing, insurance and banking industries and spent four years living and working in Sydney before returning home to the hills. She now resides in Monbulk with her husband and three children.

Our management team

We continue to benefit from the excellent leadership of our Senior Group Manager, Mike Fleming.

Mike continues to provide strong leadership to his team and has been able to develop his major business development role, including excellent progress with the Marysville area.

We also extend our sincere appreciation to Luan Hanlen, Charmaine Jeffrey and Elise Turnedge for their ongoing excellent achievements at our Upwey, Belgrave and Cockatoo/Gembrook **Community Bank**[®] branches and Olinda-Mt Dandenong branch.

Our Board

It is with great pride that I can again report on the ongoing outstanding contribution of our Board.

All Directors continue to demonstrate a commitment to our team culture on the Board and display an impressive commitment to their roles and responsibilities. I extend my sincere appreciation to them all for their outstanding effort.

I make special mention of our Deputy Chairman Jean McLennan for her support to me and in her role as Chair of our Audit Committee. Jean is always willing to assist with attending to representative commitments which is greatly appreciated and most capably filled in for me whilst I was on leave for 10 weeks.

We also welcomed Rob Fredericks as a new Director during the past year.

Rob adds much to the Board including a younger profile which we hope will benefit our succession planning strategy.

Rob holds a Bachelor of Business (Accounting and Marketing) from Swinburne University and is a practicing CPA and is currently employed by Fonterra a global dairy co-operative based in Mt Waverley.

Bendigo and Adelaide Bank Ltd

In February, members of our Board met with senior staff and Executives from Bendigo and Adelaide Bank Ltd to hear about the findings of a review it conducted of the **Community Bank**[®] financial model.

The review examined how the model has performed since its inception in 1998 and reaffirmed the success, strength and potential of the banking initiative. It also assessed how relevant the mechanics of the model are given all the structural change that has occurred over time, including the impact of the Global Financial Crisis.

The internal review was conducted with the oversight of a representative Board of Australia's 270 **Community Bank**[®] branches. They concluded that while the GFC had no impact on the responsibilities of each of the partners in the **Community Bank**[®] branch network, it did result in a lasting change to margins on two core banking products (fixed rate home loans and term deposits greater than 90 days).

Chairman's report continued

This has resulted in the income share being tilted in favour of us, the community partners, and following discussions with the **Community Bank**[®] Strategic Advisory Board, and an independent review of the income sharing arrangements, we are moving to restore the income share back to the 50/50 principle which has always underpinned the model.

This means some commission payments to **Community Bank**[®] Companies, including our own, were reduced from 1 April 2011, in an effort to rebalance the income over the next two years. The cost of this change will be around \$90,000 per year.

The alteration will have no impact on our customers and a relatively minor effect on our Company as we have a plan to meet growth targets which will counter any reduction in commissions earned on these two products.

Our community support initiatives

Our major community strengthening project in the form of conducting four community consultative forums throughout the Dandenong's to identify local projects that we could financially support has been most successful to date. The Forums have been conducted at Olinda, Emerald, Belgrave and Upwey. The Upwey, Olinda and Emerald Forums produced commitment to major community facilities in each of these areas. A Consultative Committee of interested parties is being formed to further progress a proposed project for the Belgrave area.

Our Board is most grateful to the National Manager – Community Strengthening of Bendigo and Adelaide Bank Ltd, Collin Brady, for his support and guidance relative to this project and facilitating the Forums in such a professional manner.

We proudly report that we have donated \$56,736 in grants and sponsorships in this years grant programme. The overall total of our community support initiatives is now more than \$1.28 million with a commitment of up to \$1 million for the four major community projects discussed above.

Your investment

Due to financial pressures in the global economy and the large capital investments in establishing the Olinda-Mt Dandenong branch, your Board will be considering a reduction to last year's Dividend payment of seven cents to five cents per share this year. As has been our custom, this dividend payment will take place in March 2012.

We remain confident that we will be able to continue to consider increased dividends commensurate with the continued growth of the new sites and associated increased profits.

Bendigo and Adelaide Bank Ltd support

I am pleased to report on continued excellent relations and support from Bendigo and Adelaide Bank Ltd.

We make special mention of our Regional Manager, Mark Nolan, for his personal support and co-operation along with a number of support staff who also provide great assistance. Particular thanks goes to Cara Meynell and Kimberly Dean of the Regional Office and Jacinta Middleton who is currently on maternity leave.

Business development

We continue to pro-actively and prominently market our business via local media and promotional events such as local events, Seminars, sponsorships etc which appear to be productive and are being extended.

We are also planning a Business Coaching programme for both customers and some non customers which was proven to be a successful business incubator for other **Community Bank**[®] branches.

Chairman's report continued

Governance

Our Audit Committee continues to assist us with our Governance and fiduciary responsibilities. All policies and procedures are reviewed by this Committee, including our OH&S procedures and other risk management arrangements.

A handwritten signature in black ink, appearing to read 'Peter Marke', with a horizontal line extending to the right.

Peter Marke JP MAICD
Chairman

Senior Group Manager's report

For year ending 30 June 2011

Our group of four branches increased our business held by \$27 million.

Our newest branch at Olinda continues to grow as more Hills residents become aware of what benefits flow to the local community when they bank with us.

Our total staff has settled at 23 which include three relievers to cope with holidays, sick leave etc.

Total business held is now \$280 million which includes Marysville and Emerald agency areas. Accounts held now number in excess of 16,000.

Thanks to those staff who have attended many community functions after hours and on weekends to help grow our relationships and attract new business.

Cockatoo/Gembrook Manager, Cory Sullivan, resigned to take another role outside the Bank but has been replaced by another "home grown" Manager. Elise Turnedge took over the reins of the branch after being 2IC at Belgrave **Community Bank**[®] Branch. Elise is a Cockatoo resident and keen to show her skills to the Board and her community. We are extremely pleased that Elise is the second staff member to gain a promotion to one of our Manager positions. Our Belgrave Manager Charmaine Jeffrey is an original employee.

It was sad to hear one of our very early customers, Jim Patterson, passed away during the year.



Mike Fleming
Senior Group Manager

Secretary's and Treasurer's report

For year ending 30 June 2011

In the year ended 30 June 2011, the group reported a net profit before tax and before sponsorships and grants of \$622,302 compared to \$602,436 in the previous year. The modest growth during the GFC is a remarkable achievement despite the continued losses resulting from the new branch in Olinda. It may take the Olinda-Mt Dandenong branch about four to five years to reach break-even position. Cockatoo/Gembrook **Community Bank**[®] Branch is now showing a profit before tax and before sponsorships and grants. The Upwey and Belgrave **Community Bank**[®] branches both continued to show profits before tax, sponsorships and grants.

As a group, the net profit after tax has decreased from \$221,224 in 2010 to \$219,052 in 2011. However, \$9,888 additional sponsorships and grants had been made in the tax year.

Senior Group Manager, Mike Fleming, continued his role in overseeing and assisting the Branch Managers and growing the business of the group. A tremendous effort had been put in by Luan, Manager at the Upwey **Community Bank**[®] Branch, and staff also operating the Olinda-Mt Dandenong branch.

Your Board recommended a fully franked dividend of 7 cents per share that was paid out to shareholders during the year. Fully franked dividends to be paid in March 2012 will be finalised by the Board in January 2012.

The financial position of your bank continues to remain strong with cash assets of \$1,459,710 and a total liability amounting to \$212,303. This leaves a net cash surplus of \$ 1,247,407 at 30 June 2011. The total equity of the group increased by \$63,509.

During the year, Robert John Fredericks was appointed as a Director. There were no other changes in Directors during the year.

The administration of the Share Registry is being handled by Melisa Hepworth, our Executive Officer. All shareholders are advised that they must inform Melisa of a change of address to ensure that all correspondence and dividend payments are received by them. Also, for those shareholders receiving their dividends by direct credit, please ensure that Melisa is informed of any changes to their banking details. Melisa can be contacted on 9754 6540 or 0400 110 385.



Devendra Desai B.Com, C.A. (S.A.), FPNA

Directors' report

For the financial year ended 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Peter Gordon Marke

Chairman
Occupation: Consultant

Peter James Jones

Director
Occupation: Builder

Jean Marie McLennan

Director
Occupation: Legal Accountant

Craig John Dennis (Appointed 22 July 2010)

Director
Occupation: IT Project Manager

John Ronald Faulk

Director
Occupation: Proprietor of Retirement Village

Devendra Kantilal Desai

Treasurer/Secretary
Occupation: Public Accountant

Karel Leslie Coxhill

Director
Occupation: Real Estate Agent

Anthony James Thompson

Director
Occupation: B & B Operator

Dorothy Joan Griffin

Director
Occupation: Home Duties

Robert John Fredericks (Appointed 23 June 2011)

Director
Occupation: Finance Manager - Consumer Operations

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

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

There has been no significant changes in the nature of these activities during the year.

Review of operations

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$219,052 (2010: \$221,224).

Directors' report continued

Dividends	Year ended 30 June 2011	
	Cents per share	\$'000
Dividends paid in the year (final dividend):	7	155,543

Significant changes in the state of affairs

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

Significant events after the balance date

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Likely developments

The Company will continue its policy of providing banking services to the community.

Remuneration report

Other than detailed below 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. 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.

Accounting services were provided by Desai Popat & Associates Pty Ltd, a Company of which Devendra Desai is a Director. The fees paid during the year to Desai Popat & Associates Pty Ltd amounted to \$72,000 (2010: \$56,000).

Administration fees, for the reimbursement of expenses, were paid during the year to Peter Marke amounting to \$15,000 (2010: \$9,000).

During the 2010 financial year \$4,712 (2011: Nil) was paid to Maryton Park Pty Ltd on normal commercial terms as part of the Company annual conference. Anthony Thompson is a Director of Maryton Park Pty Ltd.

During the 2010 financial year building extensions and repair at the Upwey branch costing \$117,328 (2011: Nil) was undertaken by P X J Constructions Pty Ltd. Peter Jones is a Director of P X J Constructions Pty Ltd.

During the 2010 financial year the Company paid Maryton Park Pty Ltd an administration fee of \$4,000 (2011: Nil). Anthony Thompson is a Director of Maryton Park Pty Ltd.

Directors' report continued

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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 during the year were:

Director	Board meetings #	Audit committee meetings #
Peter Gordon Marke	12 (13)	3 (4)
Devendra Kantilal Desai	12 (13)	4 (4)
Karel Leslie Coxhill	13 (13)	4 (4)
Anthony James Thompson	9 (13)	N/A
Peter James Jones	9 (13)	N/A
Dorothy Joan Griffin	10 (13)	N/A
Jean Marie McLennan	13 (13)	3 (4)
Craig John Dennis (Appointed 22 July 2010)	12 (13)	N/A
John Ronald Faull	9 (13)	N/A
Robert John Fredericks (Appointed 23 June 2011)	0 (1)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

Company Secretary

Devendra Desai has been the Company Secretary of Dandenong Ranges Community Finance Limited since 1999. Devendra Desai's qualifications and experience include a Bachelor Of Commerce qualification and over 30 years experience as a practising accountant.

Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are Peter Marke, Jean McLennan, Karel Coxhill & Devendra Desai.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;

Directors' report continued

Corporate governance (continued)

- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Auditor Independence Declaration

The Directors received the following declaration from the Auditor of the Company:



Chartered Accountants

6 September 2011

The Directors
Dandenong Ranges Community Finance Limited
PO BOX 399
FERNTREE GULLY VIC 3156

Dear Sirs

Auditor's Independence Declaration

In relation to our audit of the financial report of Dandenong Ranges Community Finance Limited for the year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Upwey, Victoria on 6 September 2011.



Peter Marke, Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenues from continuing operations	2	3,038,663	2,678,063
Employee benefits expense	3	(1,455,922)	(1,234,513)
Depreciation and amortisation expense	3	(169,087)	(130,674)
Finance costs	3	-	(12)
Charitable donations and sponsorship		(280,165)	(270,278)
Other expenses		(791,354)	(710,427)
Profit before income tax expense		342,135	332,159
Income tax expense	4	123,083	110,935
Profit after income tax expense		219,052	221,224
Other comprehensive income		-	-
Total comprehensive income		219,052	221,224
Earnings per share (cents per share)			
- basic for profit for the year	21	9.86	9.96
- diluted for profit for the year	21	9.86	9.96

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	6	1,459,710	1,317,253
Current tax refundable	4	-	28,956
Receivables	7	233,061	216,674
Total current assets		1,692,771	1,562,883
Non-current assets			
Property, plant and equipment	8	968,459	1,094,180
Intangible assets	9	136,051	33,300
Total non-current assets		1,104,510	1,127,480
Total assets		2,797,281	2,690,363
Current liabilities			
Payables	10	68,693	59,528
Current tax liability	4	11,129	-
Provisions	11	132,481	109,366
Total current liabilities		212,303	168,894
Total liabilities		212,303	168,894
Net assets		2,584,978	2,521,469
Equity			
Share capital	12	701,300	701,300
Retained earnings	13	1,883,678	1,820,169
Total equity		2,584,978	2,521,469

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Cash receipts in the course of operations		3,265,194	2,860,416
Cash payments in the course of operations		(2,791,162)	(2,552,416)
Interest paid and other costs of finance		-	(12)
Interest received		53,083	70,391
Income tax paid		(82,998)	(146,349)
Net cash flows from/(used in) operating activities	14b	444,117	232,030
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		-	8,822
Payments for property, plant and equipment		(7,270)	(399,551)
Payments for intangible assets		(138,847)	(41,625)
Net cash flows from/(used in) investing activities		(146,117)	(432,354)
Cash flows from financing activities			
Dividends paid		(155,543)	(111,102)
Net cash flows from/(used in) financing activities		(155,543)	(111,102)
Net increase/(decrease) in cash held		142,457	(311,426)
Cash and cash equivalents at start of year		1,317,253	1,628,679
Cash and cash equivalents at end of year	14a	1,459,710	1,317,253

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Share capital			
Balance at start of year		701,300	701,300
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		701,300	701,300
Retained earnings			
Balance at start of year		1,820,169	1,710,047
Profit after income tax expense		219,052	221,224
Dividends paid	15	(155,543)	(111,102)
Balance at end of year		1,883,678	1,820,169

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Dandenong Ranges Community Finance Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**[®] services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 6 September 2011.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report. These changes are not expected to have a material impact on the Company's financial statements.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Buildings	2.5%
Plant & Equipment	10.0 - 100%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Cash (continued)

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.

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 Statement of Financial Position. 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 ATO are classified as operating cash flows.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Loans and borrowings

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

Share capital

Issued and paid up capital is 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.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Provisions

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

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

Comparative figures

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

	2011	2010
	\$	\$

Note 2. Revenue from continuing operations

Operating activities

- services commissions	2,984,488	2,603,889
- other revenue	1,092	3,783
	2,985,580	2,607,672

Non-operating activities:

- interest received	53,083	70,391
	53,083	70,391
	3,038,663	2,678,063

Note 3. Expenses

Employee benefits expense

- wages and salaries	1,217,233	1,036,580
- superannuation costs	127,850	112,359
- workers' compensation costs	3,459	3,302
- other costs	107,380	82,272
	1,455,922	1,234,513

Notes to the financial statements continued

	2011 \$	2010 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	112,298	76,671
- motor vehicles	7,038	9,391
- buildings	10,174	8,806
- leasehold improvements	3,481	3,481
Amortisation of non-current assets:		
- intangibles	36,096	32,325
	169,087	130,674
Finance costs:		
- Interest paid	-	12
Bad debts	2,915	3,346

Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit before tax at 30%	102,641	99,647
Add tax effect of:		
- Non-deductible expenses	20,442	16,007
Less tax effect of:		
- Other deductible expenses	-	(4,719)
Current income tax expense	123,083	110,935
Income tax expense	123,083	110,935
Tax liabilities		
Current tax payable / (refundable)	11,129	(28,956)

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,900	3,900
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Notes to the financial statements continued

	2011 \$	2010 \$
Note 6. Cash and cash equivalents		
Cash at bank and on hand	1,459,710	1,317,253
Note 7. Receivables		
Trade debtors	233,061	216,674
Note 8. Property, plant and equipment		
Land		
Freehold land at cost	136,909	136,909
Buildings		
At cost	406,960	406,960
Less accumulated depreciation	(51,966)	(41,792)
	354,994	365,168
Plant, equipment and leasehold improvements		
At cost	1,042,337	1,035,067
Less accumulated depreciation	(586,865)	(471,086)
	455,472	563,981
Motor vehicles		
At cost	38,301	38,301
Less accumulated depreciation	(17,217)	(10,179)
	21,084	28,122
Total written down amount	968,459	1,094,180
Movements in carrying amounts		
Land		
Carrying amount at beginning of year	136,909	136,909
Additions	-	-
Carrying amount at end of year	136,909	136,909

Notes to the financial statements continued

	2011 \$	2010 \$
Note 8. Property, plant and equipment (continued)		
Buildings		
Carrying amount at beginning of year	365,168	382,796
Additions	-	-
Disposals	-	(8,822)
Depreciation expense	(10,174)	(8,806)
Carrying amount at end of year	354,994	365,168
Plant, equipment and leasehold improvements		
Carrying amount at beginning of year	563,981	244,582
Additions	7,270	399,551
Disposals	-	-
Depreciation expense	(115,779)	(80,152)
Carrying amount at end of year	455,472	563,981
Motor vehicles		
Carrying amount at beginning of year	28,122	37,513
Additions	-	-
Disposals	-	-
Depreciation expense	(7,038)	(9,391)
Carrying amount at end of year	21,084	28,122

Note 9. Intangible assets

Franchise fee		
At cost	319,562	180,716
Less accumulated amortisation	(183,511)	(147,416)
	136,051	33,300

Note 10. Payables

GST payable	37,916	39,649
Trade creditors	30,777	19,879
	68,693	59,528

Notes to the financial statements continued

	2011 \$	2010 \$
Note 11. Provisions		
Employee benefits	129,581	106,466
Other	2,900	2,900
	132,481	109,366
Movement in employee benefits		
Opening balance	106,466	96,423
Additional provisions recognised	93,633	79,737
Amounts utilised during the year	(70,508)	(69,694)
Closing balance	129,591	106,466

Note 12. Share capital

701,300 Ordinary shares fully paid of \$1 each	701,300	701,300
1,520,739 Ordinary shares fully paid of \$1 each issued for no consideration as bonus shares on 27 April 2005	-	-
	701,300	701,300

Note 13. Retained earnings

Balance at the beginning of the financial year	1,820,169	1,710,047
Net profit after income tax	219,052	221,224
Dividends	(155,543)	(111,102)
Balance at the end of the financial year	1,883,678	1,820,169

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	1,459,710	1,317,253
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(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	219,052	221,224
Non cash items		
- Depreciation	132,991	98,349
- Amortisation	36,096	32,325

Notes to the financial statements continued

	2011 \$	2010 \$
Note 14. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(16,387)	(7,494)
- Increase (decrease) in payables	9,165	(87,203)
- Increase (decrease) in current tax liability / refundable	40,085	(35,414)
- Increase (decrease) in provisions	23,115	10,243
Net cash flows from / (used in) operating activities	444,117	232,030

Note 15. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year

(i) Current year final		
Franked dividends - 5 cents per share (2010: 5 cents per share)	155,543	111,102

(b) Franking credit balance

The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	980,387	964,049
- Franking credits / (debits) that will arise from the payment / (refund) of income tax payable as at the end of the financial year	11,129	(28,956)
	991,516	935,093

The tax rate at which dividends have been franked is 30% (2010: 30%).

Note 16. Director and related party disclosures

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

Peter Gordon Marke
Devendra Kantilal Desai
Karel Leslie Coxhill
Anthony James Thompson
Peter James Jones
Dorothy Joan Griffin
Jean Marie McLennan
Craig John Dennis (Appointed 22 July 2010)
John Ronald Faulk
Robert John Fredericks (Appointed 23 June 2011)

Notes to the financial statements continued

Note 16. Director and related party disclosures (continued)

The following related party transactions occurred during the financial year:

Accounting services were provided by Desai Papat & Associates Pty Ltd, a Company of which Devendra Desai is a Director. The fees paid during the year to Desai Papat & Associates Pty Ltd amounted to \$72,000 (2010: \$56,000).

Administration fees, for the reimbursement of expenses, were paid during the year to Peter Marke amounting to \$15,000 (2010: \$9,000).

During the 2010 financial year \$4,712 (2011: Nil) was paid to Maryton Park Pty Ltd on normal commercial terms as part of the Company annual conference. Anthony Thompson is a Director of Maryton Park Pty Ltd.

During the 2010 financial year building extensions and repair at the Upwey branch costing \$117,328 (2011: Nil) was undertaken by P X J Constructions Pty Ltd. Peter Jones is a Director of P X J Constructions Pty Ltd.

During the 2010 financial year the Company paid Maryton Park Pty Ltd an administration fee of \$4,000 (2011: Nil). Anthony Thompson is a Director of Maryton Park Pty Ltd.

No Director's fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	2011	2010
Peter Gordon Marke	133,255	133,255
Devendra Kantilal Desai	11,985	11,985
Karel Leslie Coxhill	51,435	51,435
Anthony James Thompson	32,500	32,500
Peter James Jones	90,010	90,010
Dorothy Joan Griffin	25,840	25,840
Jean Marie McLennan	9,135	9,135
Craig John Dennis (Appointed 22 July 2010)	-	-
John Ronald Faull	-	-
Robert John Fredericks (Appointed 23 June 2011)	-	-

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

Each share held has a paid up value of \$1 and is fully paid.

Note 17. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There have been no other events after the end of the financial year that would materially affect statements.

Notes to the financial statements continued

Note 18. Contingent liabilities and assets

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

Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Upwey, Victoria.

Note 20. Corporate information

Dandenong Ranges Community Finance Limited is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is: 30 Main Street
Upwey VIC 3158

	2011	2010
	\$	\$

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	219,052	221,224
Weighted average number of ordinary shares for basic and diluted earnings per share	2,222,039	2,222,039

Note 22. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2011 \$	2010 \$
Cash assets	1,459,710	1,317,253
Receivables	233,061	216,674
	1,692,771	1,533,927

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2011					
Payables	68,693	(68,693)	(68,693)	-	-
	68,693	(68,693)	(68,693)	-	-

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2010					
Payables	59,528	(59,528)	(59,528)	-	-
	59,528	(59,528)	(59,528)	-	-

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2011 \$	2010 \$
Fixed rate instruments		
Financial assets	1,012,316	886,685
Variable rate instruments		
Financial assets	447,094	430,268

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(e) 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 Statement of Financial Position.

There are no 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 2011 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In accordance with a resolution of the Directors of Dandenong Ranges Community Finance Limited, I 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 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; 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.



Peter Marke, Chairman

Signed at Upwey, Victoria on 6 September 2011.

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF DANENONG RANGES
COMMUNITY FINANCE LIMITED**

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Dandenong Ranges Community Finance Limited, for the year ended 30 June 2011.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Partners: Kenneth J Richmond • Warrea J Sinnott • Philip P Delahunty • Brett A Andrews
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Ph: 03 5443 1177 Fax: 03 5444 4344 Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309

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Independent audit report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Dandenong Ranges Community Finance Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 6 September 2011

Detailed profit and loss

Detailed profit loss statement for the year ended 30 June 2011

	2011 \$	2010 \$
Income		
Commissions received	2,961,872	2,604,851
Interest received	53,083	70,391
Rebates & refunds	22,647	1,826
Safe deposit fees	1,060	995
Total income	3,038,662	2,678,063
Expenses		
Accountancy	72,000	56,000
Administration fees	15,000	12,636
Advertising and promotion	48,030	47,758
Amortisation expense	36,095	32,325
ATM expenses	61,895	56,273
Audit fees	3,900	3,700
Audit fees provision		200
Bad debts	2,915	3,346
Bank fees and charges	1,129	854
Board expenses	5,605	8,300
Cash discrepancies	26,763	(803)
Cash management fees	1,311	2,063
Cleaning/rubbish removal	28,795	22,928
Commissions	89,739	38,444
Consultants fees	5,368	-
Credit checks	8,251	9,029
Delivery	6,800	6,812
Depreciation - buildings	10,174	8,806
Depreciation	122,817	89,543
Electricity	21,743	17,191
Employee benefits	23,115	10,043

Detailed profit and loss continued

	2011 \$	2010 \$
Expenses (continued)		
Entertainment	10,384	10,047
Feasibility study		2,013
Filing fees	1,029	1,105
Freight	35,193	27,626
Fringe benefits tax	9,273	9,807
Gas	212	294
Hire of plant & equipment	450	
Insurance	41,213	38,445
Interest	-	12
IT expenses	104,494	87,446
Legal fees	559	5,364
Low cost assets	2,918	4,208
Motor vehicle expenses	10,171	8,898
Payroll tax	39,844	30,592
Postage	9,463	7,599
Printing & stationery	46,618	48,761
Professional fees		1,680
Rates & land taxes	9,581	6,934
Refunds	6,824	6,697
Rent	53,204	49,021
Repairs & maintenance	11,958	40,561
Salaries - ordinary	1,217,233	1,036,580
Secretarial Fees	3,037	36,046
Security	11,240	6,280
Sponsorships, awards & grants	280,166	270,278
Staff amenities	3,149	5,376
Staff training	15,171	7,700
Subscriptions	935	1,309
Sundry	960	
Superannuation	127,850	112,359

Detailed profit and loss continued

	2011	2010
	\$	\$
Expenses (continued)		
Telephone	27,564	30,314
Travel, accommodation & conferences	10,227	10,957
Uniforms	6,761	9,856
Water rates & consumption	3,941	2,989
Workcover premiums	3,459	3,302
Total expenses	2,696,526	2,345,904
Operating profit	342,136	332,159

Dandenong Ranges **Community Bank**[®] Group

Upwey **Community Bank**[®] Branch
30-32 Main Street, Upwey VIC 3158
Phone: (03) 9754 1200
www.bendigobank.com.au/upwey

Belgrave **Community Bank**[®] Branch
1656 Burwood Highway, Belgrave VIC 3160
Phone: (03) 9752 6606
www.bendigobank.com.au/belgrave

Cockatoo/Gembrook **Community Bank**[®] Branch
Shop 3/50 McBride Street, Cockatoo VIC 3781
Phone: (03) 5968 8831
www.bendigobank.com.au/cockatoo_gembrook

Olinda–Mt Dandenong branch
232 Ridge Road, Olinda VIC 3158
Phone: (03) 9751 0744
www.bendigobank.com.au/olinda



Franchisee: Dandenong Ranges Community Finance Limited
30-32 Main Street, Upwey VIC 3158
ABN: 28 084 480 035

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Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
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