Annual Report 2016

Dandenong Ranges Community Finance Limited

ABN 28 084 480 035

Upwey **Community Bank**® Branch
Belgrave **Community Bank**® Branch
Cockatoo/Gembrook **Community Bank**® Branch

Contents

Chairman’s report

For year ending 30 June 2016

It is my pleasure to present this report for the 2015/16 financial year.

As you may be aware, I took over as Chairman in April 2016, from Peter Marke, after his 18 years as the company’s inaugural Chairman. I have mentioned in previous correspondence the enormous gratitude and debt the company and the local communities owe Peter. He has done, and continues to do, a magnificent job for the company and the community at large.

Business achievements

The past year has again been challenging, with record low interest rates and the competition within the finance sector remaining intense. Whilst our business footing (total loans and deposits) increased by over $28.6 million, our income was actually less than the previous year, emphasising the spread of our footing between deposits and loans and the returns for each. The continual increase in our footings is a demonstration of the outstanding commitment of our management and staff, who continue to operate at the highest levels.

During the year, the very difficult decision was made to close our Olinda-Mt Dandenong sub branch. While we had very loyal and valuable customers in the Olinda-Mt Dandenong area, we just didn’t have enough of them. Every effort was made to generate new relationships through personal visits to non-customers / businesses, leads through our existing customers, sponsorships / Club Rewards programs, specific advertising in the area, the new business did not eventuate. I would like to thank Mike Fleming, our Senior Group Manager, the Branch Manager Bruce McConnell, staff member Lisa Hurrey and the relief staff from Upwey, who did a fantastic job in explaining and speaking with the customers affected by the closure and ensuring that the vast majority of these customers remained with our group. The assistance and cooperation of the Bendigo and Adelaide Bank’s Yarra Ranges regional staff during this period was also of great assistance.

Our staff

Once again we are in the enviable position of having a stable, professional and committed staff who continue to provide excellent service to our customers. During the past year, staff from all of our branches have received very positive feedback from customers, via the Bendigo Bank feedback channels. The Directors really appreciate the efforts of our staff to ensure that our branches are truly **Community Bank**® branches, where customers can have a face-to-face conversation with someone who understands their particular circumstances.

In the Senior Group Manager’s report, Mike Fleming provides an indication of the staff changes during the last 12 months.

I would like to also express my thanks and gratitude to our Executive Officer, Melisa Hepworth, who has been of excellent assistance to me in my transition into the role of Chairman. Melisa has continued to play a vital role in the day to day running of the company and the assistance provided to all Directors, management and staff is greatly appreciated. Our Community Liaison Officer, Suzan Prass has also continued to provide great support to Melisa, management and the Board whilst also providing us with expertise in the many facets of marketing and social media.

Our management team

Our Senior Group Manager, Mike Fleming, has again led our management team with distinction. Mike’s professionalism and banking nous are an ongoing benefit to our Group. We are very fortunate to have a management team who are so service and customer focused, which continues on down into the branches they manage. Thank you to our Managers, Luan Hanlen at Upwey, Charmaine Jeffery at Belgrave and Bruce McConnell at Cockatoo / Gembrook (formerly Olinda-Mt Dandenong), we really appreciate the contribution you have made to the business. I would also like to thank Kristy Sumner who did a great job at Cockatoo / Gembrook before taking up a role with the Bendigo Bank, Yarra Ranges Regional office.

Chairman's report (continued)

Our Board

As mentioned earlier in this report, Peter Marke has stepped down as Chairman, but has agreed to remain a Director of the company. I am probably repeating myself, but Peter's contribution to the company and the community cannot be overstated. We all owe Peter a great debt. I welcome Peter's continued guidance and advice.

Our Company Secretary, Naren Popat with support from his business partner Bimal Sekhon, continue to provide excellent, professional service as our Company Secretary and Accountants.

I would like to thank our Deputy Chair, Deb Weber, for her valuable support and counsel to me as Chair and her willingness to assist whenever possible. Deb is also Chair of the Human Resources Committee and a member of the Audit and Governance Committee.

Director Shane Miller, took over as Chair of our Business Development Committee in November 2015 and provides drive and enthusiasm to this most important function. The time and effort Shane contributes is certainly appreciated.

Directors Karel Coxhill and John Faull each have diverse business backgrounds and are 'community champions' who provide valuable contributions to the Board. Karel is a member of the Audit and Governance Committee as well as the Business Development Committee.

In December 2015, Les Stevenson joined the Board as a Director. Les has many year of experience running his own accountancy practice in Belgrave and has bought some fresh ideas as well as his business expertise to the Board. Les has recently taken on the role of Chairman of the Audit and Governance Committee and is also a member of the Human Resources Committee.

During the last 12 months, two Directors, Tony Thompson and Craig Dennis, resigned from the Board in October 2015 due to their own increased work commitments. Tony had been a Director since the company was formed in 1998 and his commitment to the Group, particularly since moving his business to Marysville has been outstanding. Craig was on the Board for approximately five years and during that time played a vital role as Chair of the Business Development Committee. Both Tony and Craig continue to promote our business in a less official capacity, for which we thank them.

To all Directors, I express my personal thanks and appreciation for the many hours you spend guiding the company through these more difficult times. Your contribution is highly appreciated.

Our community support initiatives

The company contributed to many events and projects over the past 12 months. Even small contributions make a big difference to many of the groups, schools and clubs. Season sponsorship for football and cricket clubs are received annually along with ad hoc requests for support for school fundraisers like trivia nights and fetes.

It is great to see some of the major projects progressing. Emerald Sporting Club are currently putting the finishing touches on their new club rooms to which we have contributed $50,000. The South Belgrave Community Sporting Project is commencing shortly and it is anticipated that it will be completed early next year. The Upwey Tecoma CRASH project has also progressed and this project will go to tender in the coming months. These projects will benefit thousands within our communities and we are very appreciative of the many hours, by many individuals, towards the successful planning of these new facilities.

Your investment

It has been decided to allocate a dividend of 5 cents per share this year. This is the same dividend as the last few years. We remain confident that we will be able to consider increased dividends in future years as our business continually grows and our margin income increases.

Chairman's report (continued)

Bendigo and Adelaide Bank support

Over the last 12 months or more we have been in discussion and negotiation with our partners, the Bendigo and Adelaide Bank over the renewal of our Franchise Agreement and proposed changes to the financial model. At present we are still operating under our old Agreement. We are working with other **Community Bank®** companies to ensure that the new Franchise Agreement and financial model, proposed by Bendigo and Adelaide Bank, does not have a negative impact on our business and / or financial situation.

On a day to day basis, the ongoing support provided by Bendigo Bank staff has been excellent. Over the last 12 months, we have received assistance from two Regional Managers, namely Natalie Goold and Mark Nolan and now two Senior Managers, Gabriella Butler, Senior Manager Community Relationships and Marisa Dickins, Senior Manager Strategy & Performance. We thank each of these Bendigo Bank staff members for their assistance and guidance during the last 12 months.

Business development

We have continued to remain pro-active in developing our business through various channels including local media, social media and promotional opportunities such as local community events, sponsorships, etc. We are continuing to use and emphasis the benefits of our very successful 'Club Rewards' program within the many community groups and clubs that bank with us. This rewards program provides valuable funds to the groups and clubs in return for their support of us, a win/win situation.

Governance

Our Audit and Governance Committee provides vital assistance to the Board with our financial and governance responsibilities. All policies and procedures are reviewed by this committee, including all of our risk management responsibilities and arrangements. Additionally, our Human Resources Committee provides valuable support to the Board, in the areas of its charter, such as staff structures, management support, resources planning and industrial relations issues such as the Enterprise Bargaining Agreement.

Thank you for the opportunity to present this report to you.

John Waters AAICD
Chairman

Senior Group Manager's report

For year ending 30 June 2016

The 2015/16 financial year was certainly a busy one for our Group. I would particularly like to thank our Directors and all staff who have adapted to the changes that have been made throughout the year. Without the positive support of these people we would find things a lot harder. The closure of the Olinda-Mt Dandenong sub branch was unfortunate, however necessary.

Staff changes through the year have included the following staff leaving our Group: Lisa Tsolakidis (CSO Olinda), Kristy Sumner (Manager Cockatoo Branch). We welcomed: Maria Simitsis (CRO Belgrave), Susan Snyder (CSO Belgrave), Kylie Jansen (CSO Cockatoo) and the appointment of Bruce McConnell to the role of Manager of Cockatoo/Gembrook **Community Bank**® Branch (previously Manager of our Olinda-Mt Dandenong sub branch).

We continue to deliver great service and competitive products even though the market is a challenging one given the current low interest rates. The staff are continuing to assist customers meet their financial goals and we are fortunate to have such a dedicated team.

Our Managers are also continually looking for ways to increase business and therefore the growth of our company and I personally would like to thank them for their efforts this past year. Luan Hanlen, Charmaine Jeffery, Bruce McConnell and Kristy Sumner have all been important components to the success of our business.

The Board of Directors are also meeting the challenges set by Bendigo and Adelaide Bank and have spent many hours digesting the complex issues of FTP, Franchise Agreements and other company issues. Thank you to the volunteer Directors for their time and effort this year.

I would also like to thank the staff at the Regional Office, in particular Natalie Goold, who was our Acting Regional Manager for most of the past year and is now the People Operations Manager for the Region. I would also like to thank outgoing Regional Manager Mark Nolan and welcome the new State Support Team for the Yarra Ranges Region. We look forward to working with you all for the benefit of our company and our communities.

We continue to try and engage with our communities through our sponsorship programs and major grants. Our 'Club Rewards' program has also provided many clubs and schools with funds, a direct result of their banking giving back to their chosen organisation. We would encourage shareholders who don't have their banking with our Group to discuss their banking needs with one of our Managers or friendly staff. The benefits to our communities along with our personal service are something that is not always offered by other financial institutions. Our partner, Bendigo and Adelaide Bank, is the fifth largest bank in Australia and that puts us in a unique position.

The difference with the **Community Bank**® model is that every time people bank with their local **Community Bank**® branch, the bottom line increases and as such, community contributions and dividends increase as well. We have contributed to hundreds of community organisations over the past 18 years and if you are a shareholder, make sure that the community group close to your heart isn't missing out on sponsorship dollars. Shareholders can play an important role advocating on our behalf to potential customers.

Footings increased in the 2015/16 financial year by $28.6 million. Total footings $363.2 million. Current accounts stand at 17,925.

Mike Fleming
Senior Group Manager

Secretary's report

For year ending 30 June 2016

Financial result

The Group reported a net profit before tax, sponsorships and grants of $102,707 for the year ended 30 June 2016, compared to $266,535 in the previous year. The decrease of $163,828 in the net profit for the current year is due to a downturn in the general economic climate and the low interest rate environment in which the bank operates. The Upwey and Belgrave **Community Bank**® branches have continued to show profits before tax, sponsorships and grants. The Cockatoo-Gembrook **Community Bank**® Branch has improved its results over the previous year and we expect this branch to be profitable in a few years.

It was unfortunate that the Olinda-Mt Dandenong sub branch had to be closed during the year.

The Group reported a net profit after tax of $25,433 (2015: net loss of $34,018).

Financial position

The financial position of the Group continues to remain strong with total assets of $3.508 million and total liabilities of $512,204 resulting in a net equity position of $2.996 million at 30 June 2016.

The cash balances and financial assets at 30 June 2016 amounted to $2.372 million.

Managers and staff

Our Senior Manager, Mike Fleming continued his role in overseeing and assisting Branch Managers and growing the business of the Group. We thank Mike Fleming and the Branch Managers; Luan Hanlen, Charmaine Jeffery, Bruce McConnell and Kristy Sumner and all the staff for their excellent performance at Upwey, Belgrave and Cockatoo-Gembrook **Community Bank**® branches.

Dividends

The Board recommended a fully franked dividend of 5 cents per share that was paid out during the year. A fully franked dividend of 5 cents per share is to be paid in December 2016.

Shareholder information

The administration of the share registry is being managed by Melisa Hepworth, our Executive Officer, who we thank for her outstanding contribution. 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, all shareholders receiving their dividends by direct credit must please ensure that Melisa is informed of any changes to their banking details. Melisa can be contacted on 9754 6540 or 0400 110 385.

Naren Popat
B.Acc, CA, MTax

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Dandenong Ranges Community Finance Limited during or since the end of the financial year up to the date of this report:

John Spencer Waters, AAICD, Int. Dip. AML, Chairman (Appointed Chairman from 31/03/2016)

Experience and expertise	Director for 2 years, 40 years' experience in Financial Services industry.
Other current Directorships	Grange Risk Pty Ltd, Initialism Pty Ltd
Former Directorships in last 3 years	N/A
Special responsibilities	Company Chair, member of Human Resources and Audit & Governance Committees

Deborah Jayne Weber, Chartered Accountant, Deputy Chairperson

Experience and expertise	Worked in public practice for nearly 25 years as an employee and as a sole practitioner.
Other current Directorships	DJ Weber Super Pty Ltd
Former Directorships in last 3 years	Brenna Pty Limited
Special responsibilities	Committee Chair Human Resources Committee and member of the Audit & Governance Committee.

Karel Leslie Coxhill, Licence Real Estate Agent

Experience and expertise	Real Estate Agent for 30 years, Lions Club Member for 8 years which involved volunteer work, Councillor for Shire of Sherbrooke for 3 years.
Other current Directorships	Coxhill Family Trust, Amocet Pty Ltd
Former Directorships in last 3 years	N/A
Special responsibilities	Member of Audit & Governance Committee and Business Development Committee

Peter Gordon Marke (Resigned as Chairman on 31/03/2016)

Experience and expertise	Past Inaugural Chair - DRCBG (18 Years); Past Board Member - Country Fire Authority (3 years), Past Director - Bendigo Bank Strategic Advisory Board (4 years); Past Presenter - AICD and Bendigo Bank Director Education Courses; Past Member AICD; Justice of the Peace (20 years); Past **Community Bank®** Mentor - Bendigo Bank (18 years); Past Chair - Board Business Development, Audit and HR Committees. (Current member of these Committtees).
Other current Directorships	Fire & Recovery Planning Pty Ltd - Marke Family Super Fund
Former Directorships in last 3 years	Principal Director - Fire & Recovery Planning Pty Ltd
Special responsibilities	Committee member: Business Development, Human Resources and Audit & Governance Committees.

Directors (continued)

John Ronald Faull, Certificate 3 in Aged Care; Horticulturalist

Experience and expertise	50 years' experience in CFA as a volunteer; 11 years' experience in Aged Care and Manager of Management Company operating Rhodoglades Retirement Village; Owner and Manager of Cut Flower Farm.
Other current Directorships	Coller Pty Ltd
Former Directorships in last 3 years	N/A
Special responsibilities	N/A

Shane Andrew Miller

Experience and expertise	Business Owner.
Other current Directorships	Security Response Pty Ltd
Former Directorships in last 3 years	N/A
Special responsibilities	Committee Chair - Business Development Committee

Leslie Thomas Stevenson, B Eco FCA (Appointed 10/12/2015)

Experience and expertise	Semi retired Chartered Accountant, 30 years Accounting, 23 years as a Sole practitioner in a tax practice.
Other current Directorships	N/A
Former Directorships in last 3 years	N/A
Special responsibilities	Committee Chair - Audit & Governance Committee, Committee member of Human Resources Committee

Anthony James Thompson (Resigned on 01/10/2015)

Experience and expertise	N/A
Other current Directorships	Chair - Lake Mountain Alpine Resort, Chair - DEPI-Long Term Contracts, Chair - Gallipoli Park Committee of Management, Director - Regional Development Australia
Former Directorships in last 3 years	N/A
Special responsibilities	N/A

Craig John Dennis (Resigned on 01/10/2015)

Experience and expertise	N/A
Other current Directorships	Director of Left Hand Side Investment Pty Ltd
Former Directorships in last 3 years	N/A
Special responsibilities	N/A

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

No Directors have material interests in contracts or proposed contracts with the company.

Directors' report (continued)

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit committee meetings	
Director	**A**	**B**	**A**	**B**
John Spencer Waters	12	12	4	4
Peter Gordon Marke	12	12	4	3
John Ronald Faull	12	11	N/A	N/A
Anthony James Thompson (Resigned 01/10/2015)	2	1	2	1
Shane Andrew Miller	12	11	N/A	N/A
Les Stevenson (Appointed 10/12/2015)	7	5	2	2
Deborah Jayne Weber	12	11	4	4
Karel Leslie Coxhill	12	11	4	4
Craig John Dennis (Resigned 01/10/2015)	2	0	N/A	N/A

A - The number of meetings eligible to attend.
B - The number of meetings attended.
N/A - not a member of that committee.

Company Secretary

Naren Popat has been the Company Secretary of Dandenong Ranges Community Finance Limited since 2013.

Naren Popat's qualifications and experience include a Bachelor of Commerce and Masters of Tax and over 25 years of experience as a practising Chartered Accountant.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $25,433 (2015 loss : $34,018), which is a 175% increase as compared with the previous year.

Dividends

Dividends paid or declared since the start of the financial year.

A fully franked final dividend of 5 cents per share was declared and paid during the year for the year ended 30 June 2015. A fully franked final dividend of 5 cents per share has been declared for the year ended 30 June 2016 on 25 August 2016.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect 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.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 11 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Upwey on 27 September 2016

John Spencer Waters
Director

Auditor's independence declaration

RSD
Chartered Accountants

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Dandenong Ranges Community Finance Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 27 September 2016

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	2	2,775,999	2,825,254
Expenses			
Employee benefits expense	3	(1,789,113)	(1,680,962)
Depreciation and amortisation	3	(92,505)	(98,749)
Bad and doubtful debts expense	3	(1,657)	(1,307)
IT costs		(90,903)	(97,323)
Other expenses		(699,114)	(680,378)
Operating profit before charitable donations and sponsorships		**102,707**	**266,535**
Charitable donations and sponsorships		(138,552)	(315,064)
Loss before income tax		**(35,845)**	**(48,529)**
Income tax benefit	4	(61,278)	(14,511)
Profit/(loss) for the year		**25,433**	**(34,018)**
Other comprehensive income		-	-
Total comprehensive income for the year		**25,433**	**(34,018)**
Profit attributable to members of the company		25,433	(34,018)
Total comprehensive income / (loss) attributable to members of the company		**25,433**	**(34,018)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	16	1.14	(1.53)

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	572,293	2,317,841
Trade and other receivables	6	222,054	206,442
Financial assets	7	1,799,881	-
Current tax asset	4	23,031	91,974
Other assets	8	28,971	-
Total current assets		**2,646,230**	**2,616,257**
Non-current assets			
Property, plant and equipment	9	623,853	700,006
Intangible assets	10	158,055	-
Deferred tax assets	4	79,683	14,511
Total non-current assets		**861,591**	**714,517**
Total assets		**3,507,821**	**3,330,774**
Liabilities			
Current liabilities			
Trade and other payables	11	315,908	87,152
Provisions	12	182,396	149,555
Total current liabilities		**498,304**	**236,707**
Non-current liabilities			
Provisions	12	13,900	12,782
Total non-current liabilities		**13,900**	**12,782**
Total liabilities		**512,204**	**249,489**
Net assets		**2,995,617**	**3,081,285**
Equity			
Issued capital	13	701,300	701,300
Retained earnings	14	2,294,317	2,379,985
Total equity		**2,995,617**	**3,081,285**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2016

	Note	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2014		701,300	2,525,105	3,226,405
Loss for the year		-	(34,018)	(34,018)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(34,018)**	**(34,018)**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23		(111,102)	(111,102)
Balance at 30 June 2015		**701,300**	**2,379,985**	**3,081,285**
Balance at 1 July 2015		701,300	2,379,985	3,081,285
Profit for the year		-	25,433	25,433
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**25,433**	**25,433**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	(111,102)	(111,102)
Balance at 30 June 2016		**701,300**	**2,294,317**	**2,995,617**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		2,956,156	2,492,576
Payments to suppliers and employees		(2,901,343)	(2,512,728)
Interest received		62,070	74,403
Income tax paid		65,051	(82,910)
Net cash provided by / (used in) operating activities	**15b**	**181,934**	**(28,659)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(16,499)	(2,995)
Purchase of investments		(1,799,881)	-
Net cash flows used in investing activities		**(1,816,380)**	**(2,995)**
Cash flows from financing activities			
Dividends paid		(111,102)	(111,102)
Net cash used in financing activities		**(111,102)**	**(111,102)**
Net decrease in cash held		**(1,745,548)**	**(142,756)**
Cash and cash equivalents at beginning of financial year		2,317,841	2,460,597
Cash and cash equivalents at end of financial year	**15a**	**572,293**	**2,317,841**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These financial statements and notes represent those of Dandenong Ranges Community Finance Limited.

Dandenong Ranges Community Finance Limited (‘the company’) is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 27 September 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

<u>Economic dependency</u>

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

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank”, the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

(b) Income tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Note 1. Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

Property

Freehold land and buildings are measured at cost and therefore are carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of land and buildings is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of land and buildings is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	**Rate**	**Method**
Buildings	2.5%	SL
Leasehold improvements	2.5-6.67%	SL
Plant and equipment	10-100%	SL / DV

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

Note 1. Summary of significant accounting policies (continued)

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

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 (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

Short-term employee benefits

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Intangible assets

Establishment costs and franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest revenue is recognised on a time proportional basis that takes into account the effective yield on the financial asset.

Other revenue is recognised when the right to the income has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(i) Classification (continued)

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment (continued)

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Note 1. Summary of significant accounting policies (continued)

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance sheet date.

(s) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(t) Comparative figures

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

(v) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

   (i) the objective of the entity's business model for managing the financial assets; and

   (ii) the characteristics of the contractual cash flows.

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018). (continued)

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018). (continued)

In May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(w) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

<u>Fair value assessment of non-current physical assets</u>

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Note 1. Summary of significant accounting policies (continued)

(w) Critical accounting estimates and judgements (continued)

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

	2016 $	2015 $

Note 2. Revenue

Revenue		
- services commissions	2,700,897	2,749,881
	2,700,897	**2,749,881**
Other revenue		
- interest received	74,309	74,403
- other revenue	793	970
	75,102	**75,373**
Total revenue	**2,775,999**	**2,825,254**

Note 3. Expenses

Profit before income tax includes the following specific expenses:

Employee benefits expense		
- wages and salaries	1,543,833	1,437,647
- superannuation costs	145,339	133,620
- other costs	99,941	109,695
	1,789,113	**1,680,962**

Notes to the financial statements (continued)

	2016 $	2015 $

Note 3. Expenses (continued)

Depreciation and amortisation

Depreciation		
- plant and equipment	45,554	57,088
- leasehold improvements	3,908	3,721
- buildings	10,174	10,174
	59,636	**70,983**
Amortisation		
- franchise fees	32,869	27,766
	32,869	**27,766**
Total depreciation and amortisation	**92,505**	**98,749**
Bad and doubtful debts expenses	1,657	1,307
Loss on disposal of property, plant & equipment	33,015	-
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,750	4,430
	4,750	**4,430**

Note 4. Income tax

a. The components of tax benefit comprise:

Current tax expense / (income)	3,892	-
Deferred tax expense / (income)	(13,560)	-
Recoupment of prior year tax losses	-	(14,511)
Under / (over) provision of prior years	(51,610)	-
	(61,278)	**(14,511)**

b. Prima facie tax payable

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

Prima facie tax on loss before income tax at 30% (2015: 30%)	(10,754)	(14,559)

	2016 $	2015 $
Note 4. Income tax (continued)		
Add tax effect of:		
- Utilisation of previously unrecognised carried forward tax losses	1,086	-
- Prior year under/(over) provision	(51,610)	-
- Non-deductible expenses	-	48
Income tax attributable to the entity	**(61,278)**	**(14,511)**
The applicable weighted average effective tax rate is:	170.95%	29.90%
c. Current tax assets		
Current tax relates to the following:		
Current tax assets		
Opening balance	(91,974)	(9,064)
Income tax paid	65,051	(82,910)
Current tax	3,892	-
	(23,031)	**(91,974)**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Property, plant & Equipment	23,147	-
Accruals	2,902	-
Employee provisions	61,237	-
Unused tax losses	-	14,511
	87,286	**14,511**
Deferred tax liabilities balance comprises:		
Accrued income	3,672	-
Prepayments	3,931	-
	7,603	**-**
Net deferred tax asset	**79,683**	**14,511**
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(21,165)	(14,511)
(Decrease) / increase in deferred tax liabilities	7,603	-
Prior year under/(over) provision	(51,610)	
	(65,172)	**(14,511)**

	2016 $	2015 $

Note 5. Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	231,630	159,754
Short-term bank deposits	340,663	2,158,088
	572,293	**2,317,841**

The effective interest rate on short-term bank deposits was 2.55% (2015: 2.60% - 3.35%); these deposits are considered to be at call.

Note 6. Trade and other receivables

	2016 $	2015 $
Current		
Trade receivables	222,054	206,442
	222,054	**206,442**

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

			Past due but not impaired			
	Gross amount $	Past due and impaired $	< 30 days $	31-60 days $	> 60 days $	Not past due $
2016						
Trade receivables	222,054	-	-	-	-	222,054
Total	**222,054**	**-**	**-**	**-**	**-**	**222,054**
2015						
Trade receivables	206,442	-	-	-	-	206,442
Total	**206,442**	**-**	**-**	**-**	**-**	**206,442**

	2016 $	2015 $

Note 7. Financial assets

Held to maturity financial assets

Term deposits	1,799,881	-
	1,799,881	**-**

Note 8. Other assets

Prepayments	16,732	-
Accrued interest	12,239	-
	28,971	**-**

Note 9. Property, plant and equipment

Land		
At cost	**136,909**	**136,909**
Buildings		
At cost	406,960	406,960
Less accumulated depreciation	(102,836)	(92,662)
	304,124	**314,298**
Leasehold improvements		
At cost	76,642	61,776
Less accumulated depreciation	(38,375)	(34,488)
	38,267	**27,288**
Plant and equipment		
At cost	944,177	1,079,426
Less accumulated depreciation	(799,624)	(857,915)
	144,553	**221,511**
Total property, plant and equipment	**623,853**	**700,006**
a) Movements in carrying amounts		
Land		
Balance at the beginning of the reporting period	136,909	136,909
Balance at the end of the reporting period	**136,909**	**136,909**
Buildings		
Balance at the beginning of the reporting period	314,298	324,468
Depreciation expense	(10,174)	(10,170)
Balance at the end of the reporting period	**304,124**	**314,298**

	2016 $	2015 $

Note 9. Property, plant and equipment (continued)

	2016 $	2015 $
Leasehold improvements		
Balance at the beginning of the reporting period	27,292	31,013
Additions	16,321	-
Disposals	(1,434)	-
Depreciation expense	(3,908)	(3,721)
Balance at the end of the reporting period	**38,271**	**27,292**
Plant and equipment		
Balance at the beginning of the reporting period	221,507	275,600
Additions	177	2,995
Disposals	(31,581)	-
Depreciation expense	(45,554)	(57,088)
Balance at the end of the reporting period	**144,549**	**221,507**
Total property, plant and equipment		
Balance at the beginning of the reporting period	700,006	767,990
Additions	16,498	2,995
Disposals	(33,015)	-
Depreciation expense	(59,636)	(70,979)
Balance at the end of the reporting period	**623,853**	**700,006**

Note 10. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	190,924	180,471
Less accumulated amortisation	(32,869)	(180,471)
	158,055	**-**
a) Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	-	27,766
Additions	190,924	-
Amortisation expense	(32,869)	(27,766)
Balance at the end of the reporting period	**158,055**	**-**

	2016 $	2015 $

Note 11. Trade and other payables

	2016 $	2015 $
Current		
Unsecured liabilities:		
Trade creditors	17,022	10,398
Franchise fee payable	190,924	-
Other creditors and accruals	107,962	76,754
	315,908	**87,152**

The average credit period on trade and other payables is one month.

Note 12. Provisions

	2016 $	2015 $
Current		
Employee benefits	182,396	149,555
Non-current		
Employee benefits	13,900	12,782
Total provisions	**196,296**	**162,337**

Note 13. Share capital

	2016 $	2015 $
701,300 Ordinary shares fully paid	701,300	701,300
1,520,739 Bonus shares issued for no consideration	-	-
	701,300	**701,300**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	2,222,039	2,222,039
Shares issued during the year	-	-
At the end of the reporting period	**2,222,039**	**2,222,039**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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.

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

Note 13. Share capital (continued)

Capital management (continued)

(i) the Distribution Limit is the greater of:

(a) 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and"

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and"

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

	2016 $	2015 $
Note 14. Retained earnings		
Balance at the beginning of the reporting period	2,379,985	2,525,105
Profit/(loss) after income tax	25,433	(34,018)
Dividends paid (Note 23)	(111,102)	(111,102)
Balance at the end of the reporting period	**2,294,317**	**2,379,985**

Note 15. Statement of cash flows

	2016 $	2015 $
(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:		
Cash and cash equivalents (Note 5)	572,293	2,317,841
As per the Statement of Cash Flow	**572,293**	**2,317,841**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	25,433	(34,018)
Non-cash flows in profit		
- Depreciation	59,636	70,983
- Amortisation	32,869	27,766
- Net loss on disposal of property, plant & equipment	33,015	-

	2016 $	2015 $

Note 15. Statement of cash flows (continued)

Changes in assets and liabilities

	2016 $	2015 $
- (Increase) / decrease in trade and other receivables	(27,851)	16,756
- (increase) / decrease in prepayments and other assets	(16,732)	
- (Increase) / decrease in deferred tax asset	(65,172)	(14,511)
- Increase / (decrease) in trade and other payables	37,834	(1,402)
- (Increase) / decrease in current tax asset	68,943	(82,910)
- Increase / (decrease) in provisions	33,959	(11,323)
Net cash flows from / (used in) operating activities	**181,934**	**(28,659)**

Note 16. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	1.14	(1.53)
Earnings used in calculating basic and diluted earnings per share	25,433	(34,018)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	2,222,039	2,222,039

Note 17. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

The totals of remuneration paid to key management personnel of the company during the year was NIL.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No Directors fees have been paid as the positions are held on a voluntary basis.

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods/services	Value $
Peter Gordon Marke (Fire & Recovery Planning Pty Ltd)	Administration Fee	11,250
John Spencer Waters (Grange Risk Pty Ltd)	Administration Fee	2,500

Note 17. Key management personnel and related party disclosures (continued)

(c) Transactions with key management personnel and related parties (continued)

The Dandenong Ranges Community Finance Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be NIL for the year ended 30 June 2016.

(d) Key management personnel shareholdings

The number of ordinary shares in Dandenong Ranges Community Finance Limited held by each key management personnel of the company during the financial year is as follows:

	2016	2015
Peter Gordon Marke	133,255	133,255
Karel Leslie Coxhill	51,435	51,435
Anthony James Thompson (Resigned 01/10/2015)	32,500	32,500
Craig John Dennis (Resigned (01/10/2015)	-	-
John Ronald Faull	-	-
Shane Andrew Miller	-	-
Deborah Jayne Weber	-	-
John Spencer Waters	-	-
Les Stevenson (Appointed 10/12/2015)	-	-

There was no movement in key management personnel shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 18. Events after the reporting period

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

Note 19. Contingent liabilities and contingent assets

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

Note 20. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Dandenong Ranges, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

	2016 $	2015 $
Note 21. Commitments		
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	59,119	58,218
- between 12 months and five years	136,948	191,413
- greater than five years	-	-
Minimum lease payments	**196,067**	**249,631**

The property lease is a non-cancellable lease with a five year term, with rent payable monthly in advance and with CPI increases each year.

Note 22. Company details

The registered office and principle place of business is: 30 Main Street, Upwey VIC 3158.

	2016 $	2015 $
Note 23. Dividends paid or provided for on ordinary shares		
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 5 cents per share for the year ended 30 June 2015.	111,102	111,102

Note 24. Financial risk management

Financial risk management policies

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.

Note 24. Financial risk management (continued)

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	572,293	2,317,841
Trade and other receivables	6	222,054	206,442
Financial assets	7	1,799,881	-
Total financial assets		**2,594,228**	**2,524,283**
Financial liabilities			
Trade and other payables	11	315,908	87,152
Total financial liabilities		**315,908**	**87,152**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2015: 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 Limited and therefore credit risk is considered minimal.

(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.

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

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.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis:

30 June 2016	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents		572,293	572,293	-	-
Trade and other receivables		222,054	222,054	-	-
Financial assets		1,799,881	1,799,881	-	-
Total anticipated inflows		**2,594,228**	**2,594,228**	**-**	**-**
Financial liabilities					
Trade and other payables		315,908	315,908	-	-
Total expected outflows		**315,908**	**315,908**	**-**	**-**
Net inflow / (outflow) on financial instruments		**2,278,320**	**2,278,320**	**-**	**-**

30 June 2015	Note	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents		2,317,841	2,317,841	-	-
Trade and other receivables		206,442	206,442	-	-
Total anticipated inflows		**2,524,283**	**2,524,283**	**-**	**-**
Financial liabilities					
Trade and other payables		87,152	87,152	-	-
Total expected outflows		**87,152**	**87,152**	**-**	**-**
Net inflow / (outflow) on financial instruments		**2,437,131**	**2,437,131**	**-**	**-**

(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.

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

The financial instruments that primarily expose the company to interest rate risk are fixed interest securities, and cash and cash equivalents.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	**Equity $**
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	23,722	23,722
	23,722	**23,722**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	23,178	23,178
	23,178	**23,178**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

Note 24. Financial risk management (continued)

(c) Market risk (continued)

Fair values (continued)

	2016		2015	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair Value $**
Financial assets				
Cash and cash equivalents (i)	572,293	572,293	2,317,841	2,317,841
Trade and other receivables (i)	222,054	222,054	206,442	206,442
Financial assets (i)	1,799,881	1,799,881	-	-
Total financial assets	**2,594,228**	**2,594,228**	**2,524,283**	**2,524,283**
Financial liabilities				
Trade and other payables (i)	315,908	315,908	87,152	87,152
Total financial liabilities	**315,908**	**315,908**	**87,152**	**87,152**

(i) Cash and cash equivalents, trade and other receivables, financial assets and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

Directors' declaration

In accordance with a resolution of the Directors of Dandenong Ranges Community Finance Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 41 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1(a) to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2016 and of the performance for the year ended on that date;

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.

This resolution is made in accordance with a resolution of the Board of Directors.

John Spencer Waters
Director

Signed at Upwey, Victoria on 27 September 2016.

Independent audit report

Richmond Sinnott & Delahunty
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INDEPENDENT AUDITOR'S OPINION

To the directors of Dandenong Ranges Community Finance Limited

Report on the Annual Financial Report

We have audited the accompanying financial report of Dandenong Ranges Community Finance Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 and the *Corporations Act 2001* and for such internal control as the directors' determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 company's preparation 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 company'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

Independent audit report (continued)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

a) the financial report of Dandenong Ranges Community Finance Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1.

Richmond Sinnott & Delahunty
Chartered Accountants

Kathie Teasdale
Partner

Dated: 27 September 2016

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