

Annual Report 2018

COMMUNITY 20 years BANKING

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 2018

It is again my pleasure to present the Dandenong Ranges Community Finance Limited Annual Report for 2017/18.

Business achievements

Once again, the year has been challenging, with the continuation of record low interest rates and the competition between banks remaining intense. Whilst taking these circumstances into consideration, we have again produced a very healthy operating profit, before charitable donations, sponsorships and income tax of $687,801, an increase of 27.7% on the 2016/17 operating profit of $538,729.

Our Senior Group Manager, Mike Fleming, will provide more detail on our increased business in his report.

Our staff and management team

Our staff are our point of difference, our link to our customers and the community. We are extremely fortunate to have a great team of employees, who work together to ensure our customers receive the service they require and deserve.

We are fortunate that the staff at our three branches are willing to assist each other when we may be short staffed for a period of time due to sickness or holiday leave. We must thank our Managers, ably lead by Mike Fleming as the Senior Group Manager, Abigael Jamieson at Upwey, Bruce McConnell at Cockatoo/Gembrook and more recently Teresa Spruhan, as Customer Relationship Manager at Belgrave/Upwey, for the tremendous effort they have contributed over the last year.

Melisa Hepworth, our Executive Officer, once again has provided excellent assistance to me, the Board and to the staff, during the last year, with her ability to organise and coordinate without any fuss. Also, thanks to Suzan Prass, our Community Liaison Officer, who continues to provide great assistance to the company.

Our Board

The Board has worked hard in advancing the company throughout the community and in providing oversight and governance over our operations.

The Board, Deb Weber (Deputy Board Chair & Chair of the Human Resources sub-committee), Shane Miller (Chair of the Business Development sub-committee), Les Stevenson (Chair of the Audit and Governance sub-committee), Peter Marke, John Faull, Karel Coxhill and Naren Popat, (Company Secretary) continue to contribute countless volunteer hours towards guiding the company forward. We appreciate your contributions.

Our community support initiatives

The company has now provided $4.5 million back to the community in sponsorships, grants, dividends and pledges to major projects.

Earlier this year the new facility at the Upwey Recreation Reserve – the Upwey–Tecoma Community Recreation and Sporting Hub (UT CRASH) facility opened. Our company provided the 'seed funding' of $250,000 to get this project underway and the community now have a facility costing approximately $3.6 million. In fact, the five major projects we have provided $900,000 in 'seed funding' to, will benefit the community with facilities to the value of almost $16 million. Something to be proud of!

20th birthday

As you may be aware, the company in celebrating it's 20th anniversary in October this year. In conjunction with Project Upwey and others, there are events planned for the weekend 19–21 October. Please look out for further information on our celebrations.

Chairman's report (continued)

For year ending 30 June 2018

To mark our 20th Anniversary, the Board nominated for the Bendigo and Adelaide Bank's "Hall of Fame," highlighting our contributions to the community over the last 20 years. We were one of three companies to reach the final, and the winners were announced at the Bendigo Bank's National Conference in September 2018.

We were successful and became the 18th **Community Bank**® company to be inducted into the "Hall of Fame". This is an acknowledgement of the foresight, drive and hard work of the community members who banded together to form a steering committee and then a Board to ensure banking remained in our community. To those people we say thank you, in particular to Peter Marke, who as the original convenor and then Chairman of the Board for almost 18 years, demonstrated a strength and determination ensuring our company success.

Bendigo and Adelaide Bank support

We would like to thank our two Bendigo and Adelaide Bank representatives, Gab Butler (Regional Community Manager) and Marisa Dickens (Regional Manager) for their continued support during the last 12 months. Other Bendigo Bank staff have been of particular assistance with finalising our EBA with our staff and the union, as well as other assistance with the Fair Work Commission.

Your investment

The Board has decided to allocate a fully franked dividend of 10 cents per share to be paid out in December 2018.

On behalf of the Board, I thank you for your ongoing support.

John Waters AAICD
Chairman

Senior Group Manager's report

For year ending 30 June 2018

What a great year for the company and a very busy year for the group, in particular Upwey. Lending approvals totalled $75.3 million for the group with Upwey at $60 million covering the bulk of the figure, followed by Cockatoo, then Belgrave.

Net growth for the company was $40 million and we now have a total of just under 2,000 loan accounts.

Deposits saw a growth of $18 million and held in 16,600 accounts.

Footings at June 30 were $440 million which is a net increase of $40 million for the financial year.

Staff movements in the last 12 months saw the departure of Nadim Saad and Paula Bell and the arrival of Faye Axford (Relief Customer Service Officer – Upwey), Rebecca Browne (Relief Customer Service Officer – Belgrave), Lisa Parsonage (Customer Service Officer – Cockatoo) and Teresa Spruhan (Customer Relationship Manager – Belgrave/Upwey). Teresa will be the 'face of Belgrave' following our restructure when the previous manager left.

Thanks to John and the Board for their leadership and assistance and contributing to another successful year.

Mike Fleming
Senior Group Manager

Secretary's report

For year ending 30 June 2018

Financial result

The group reported a net profit before tax, sponsorships and grants of $687,801 for the year ended 30 June 2018, compared to $538,729 in the previous year. The increase of $149,072 in the net profit for the current year is due to an increase in lending and deposits. The Upwey **Community Bank**® branch has continued to show profits before tax, sponsorships and grants. The net profit for the Belgrave branch decreased during the current financial year. However, we expect the net profit to increase in 2019. The Cockatoo/Gembrook branch has improved its results over the previous year and we expect this branch to be profitable from 2019.

The Group reported a net profit after tax of $187,773 (2017: net profit of $349,618).

Financial position

The financial position of the group continues to remain strong with total assets of $3.527 million (2017: $3.804 million) and total liabilities of $327,943 (2017: $570,247) resulting in a net equity position of $3.199 million at 30 June 2018 (2017: $3.234 million).

The cash balances and financial assets at 30 June 2018 amounted to $2.527 million (2017: $2.760 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, branch managers 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 10 cents per share that was paid out during the year. A fully franked dividend of 10 cents per share is to be paid in December 2018.

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
Secretary

Directors' report

For year ending 30 June 2018

The Directors present their report of the company for the financial year ended 30 June 2018.

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

Position: Chairman, Member of Human Resources and Audit & Governance Committees

Professional qualifications: AAICD, Int. Dip. AML

Experience and expertise: Director for four years, 40 years' experience in the financial services industry. Business owner and Company Director.

Deborah Jayne Weber

Position: Deputy Chairperson; Committee Chair Human Resources Committee and member of the Audit & Governance Committee.

Professional qualifications: Chartered Accountant

Experience and expertise: Worked in public practice for nearly 25 years – as an employee and as a sole practitioner.

Karel Leslie Coxhill

Position: Member of Audit & Governance Committee and Business Development Committee

Professional qualifications: Licenced Real Estate Agent

Experience and expertise: Real estate agent for 30 years, now retired; past Lions Club Member for eight years which involved volunteer work; past Councillor for Shire of Sherbrooke for three years.

Peter Gordon Marke

Position: Committee member: Business Development, Human Resources and Audit & Governance Committee

Professional qualifications: N/A

Experience and expertise: Past Inaugural Chair – DRCBG (18 Years); past Board Member – Country Fire Authority (three years), past Director – Bendigo Bank Strategic Advisory Board (four 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 (19 years); past Chair – Board Business Development, Audit and HR Committee. (and a current member of these committees).

John Ronald Faull

Position: Director

Professional qualifications: Certificate 3 in Aged Care; Horticulturalist

Experience and expertise: 50 years' experience in CFA as a volunteer; 19 years' experience in aged care and Manager of a company operating Rhodoglades Retirement Village; Owner and Manager of a cut flower farm.

Shane Andrew Miller

Position: Committee Chair – Business Development Committee

Professional qualifications: N/A

Experience and expertise: Business owner

Leslie Thomas Stevenson

Position: Committee Chair – Audit & Governance Committee, Committee member of Human Resources Committee

Professional qualifications: B Eco FCA

Experience and expertise: Semi-retired Chartered Accountant, 30 years Accounting, 24 years as a sole practitioner in a tax practice.

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' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings		Audit Committee meetings	
	Eligible	Attended	Eligible	Attended
John Spencer Waters – Chairman	13	12	4	2
Deborah Jayne Weber	13	10	4	4
Karel Leslie Coxhill	13	12	4	4
Peter Gordon Marke	13	11	4	3
John Ronald Faull*	13	2	N/A	N/A
Shane Andrew Miller	13	12	N/A	N/A
Leslie Thomas Stevenson	13	11	4	4
Naren Popat – Secretary (non-director)	13	13	4	4

N/A - not a member of that committee.

* Leave of absence

Company Secretary

Naren Popat has been the Company Secretary of Dandenong Ranges Community Finance Limited since 2013. Naren's qualifications and experience include a Bachelor of Commerce and Masters of Tax and over 29 years of experience as a practicing 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 $187,773 (2017 profit: $349,618), which is a 46.3% decrease as compared with the previous year.

Dividends

A fully franked final dividend of 10 cents per share was declared and paid during the year for the year ended 30 June 2017. No dividend has been declared or paid for the year ended 30 June 2018 as yet.

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 9 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 23 August 2018.

John Waters AAICD
Chairman

Auditor's independence declaration

rsd Audit

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Auditors 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 2018 there have been no contraventions of:

(i) The auditor independence requirements set out in the *Corporations Act 2001* in relation to the review; and

(ii) Any applicable code of professional conduct in relation to the review.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated 23 August 2018

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Profit or Loss and Other Comprehensive Income
For year ending 30 June 2018

	Notes	2018 $	2017 $
Revenue	2	3,048,834	2,854,512
Expenses			
Employee benefits expense	3	(1,552,743)	(1,552,454)
Depreciation and amortisation	3	(86,650)	(79,452)
Bad and doubtful debts expense	3	(2,016)	(1,371)
Administration and general costs		(457,358)	(369,789)
Occupancy expenses		(144,913)	(130,560)
IT expenses		(69,664)	(59,864)
Other expenses		(47,689)	(122,293)
		(2,361,033)	**(2,315,783)**
Operating profit before charitable donations & sponsorship		**687,801**	**538,729**
Charitable donations and sponsorships		(425,048)	(45,702)
Profit before income tax		**262,753**	**493,027**
Income tax expense	4	(74,980)	(143,409)
Profit for the year after income tax		**187,773**	**349,618**
Other comprehensive income		–	–
Total comprehensive income for the year		**187,773**	**349,618**
Profit attributable to members of the company		187,773	349,618
Total comprehensive income attributable to members of the company		**187,773**	**349,618**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- Basic earnings per share	17	8.45	15.73

The accompanying notes form part of these financial statements.

Balance Sheet
As at 30 June 2018

	Notes	2018 $	2017 $
ASSETS			
Current assets			
Cash and cash equivalents	5	2,027,473	1,478,976
Trade and other receivables	6	251,633	228,625
Financial assets	7	500,000	1,280,590
Other assets	8	26,265	29,843
Total current assets		**2,805,371**	**3,018,034**
Non-current assets			
Property, plant and equipment	9	576,576	594,994
Intangible assets	10	94,195	134,667
Deferred tax assets	4	51,503	56,685
Total non-current assets		**722,274**	**786,346**
Total assets		**3,527,645**	**3,804,380**
LIABILITIES			
Current liabilities			
Trade and other payables	12	144,888	326,101
Current tax liability	4	28,077	63,136
Provisions	13	148,215	172,108
Total current liabilities		**321,180**	**561,345**
Non-current liabilities			
Provisions	13	6,763	8,902
Total non-current liabilities		**6,763**	**8,902**
Total liabilities		**327,943**	**570,247**
Net assets		**3,199,702**	**3,234,133**
EQUITY			
Issued capital	14	701,300	701,300
Retained earnings	15	2,498,402	2,532,833
Total equity		**3,199,702**	**3,234,133**

The accompanying notes form part of these financial statements.

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

	Notes	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2017		701,300	2,532,833	3,234,133
Comprehensive income for the year				
Profit for the year		–	187,773	187,773
		–	**187,773**	**187,773**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	–	(222,204)	(222,204)
Balance at 30 June 2018		**701,300**	**2,498,402**	**3,199,702**
Balance at 1 July 2016		701,300	2,294,317	2,995,617
Comprehensive income for the year				
Profit for the year		–	349,618	349,618
		–	**349,618**	**349,618**
Transactions with owners in their capacity as owners				
Dividends paid or provided	16	–	(111,102)	(111,102)
Balance at 30 June 2017		**701,300**	**2,532,833**	**3,234,133**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 $	2017 $
Cash flows from operating activities			
Receipts from customers		3,273,110	3,069,600
Payments to suppliers and employees		(2,969,406)	(2,579,340)
Dividends received		–	–
Interest received		54,461	58,247
Income tax paid		(104,859)	(34,245)
Net cash flows provided by operating activities	18b	**253,306**	**514,262**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		12,727	–
Proceeds from sale of investments		780,590	519,290
Purchase of property, plant and equipment		(41,324)	(15,767)
Payments for Purchase of Intangibles		(234,598)	–
Net cash flows provided by investing activities		**517,395**	**503,523**
Cash flows from financing activities			
Dividends paid		(222,204)	(111,102)
Net cash flows used in financing activities		**(222,204)**	**(111,102)**
Net increase in cash held		**548,497**	**906,683**
Cash and cash equivalents at beginning of financial year		1,478,976	572,293
Cash and cash equivalents at end of financial year	18a	**2,027,473**	**1,478,976**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2018

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 23 August 2018.

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, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

Economic dependency

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

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**® branches franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branches;
- training for the Branch 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;
- the formulation and implementation of advertising and promotional programs; and
- sale techniques and proper customer relations.

Note 1. Summary of significant accounting policies (continued)

(b) 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.

(c) 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.

(d) Comparative figures

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

(e) 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:

Estimation of useful lives of assets

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.

Fair value assessment of non-current physical assets

The AASB 13 Fair Value standard requires fair value assessments that may involve 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.

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.

Note 1. Summary of significant accounting policies (continued)
(e) Critical accounting estimates and judgements (continued)

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.

(f) New and revised standards that are effective for these financial statements

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

(g) 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 out 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.
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.

Note 1. Summary of significant accounting policies (continued)
(g) New accounting standards for application in future periods (continued)

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.

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.

Note 1. Summary of significant accounting policies (continued)
(g) New accounting standards for application in future periods (continued)

(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.

Note 2. Revenue

	2018 $	2017 $
Revenue		
– service commissions	2,970,773	2,777,228
	2,970,773	**2,777,228**
Other revenue		
– interest received	53,822	57,973
– other revenue	24,239	19,311
	78,061	**77,284**
Total revenue	**3,048,834**	**2,854,512**

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

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest, dividend and other income

Interest income is recognised on an accrual basis using the effective interest rate method.

Dividend and 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).

	2018 $	2017 $

Note 3. Expenses

Profit before income tax includes the following specific expenses:		
Employee benefits expense		
– wages and salaries	1,341,903	1,359,204
– superannuation costs	123,175	125,617
– other costs	87,665	67,633
	1,552,743	**1,552,454**
Depreciation and amortisation		
Depreciation		
– buildings	10,174	10,174
– leasehold improvements	4,093	4,097
– office furniture and equipment	22,295	25,733
– motor vehicles	9,616	4,622
	46,178	**44,626**
Amortisation		
– franchise fees	40,472	34,826
	40,472	**34,826**
Total depreciation and amortisation	**86,650**	**79,452**
Finance costs		
– Interest paid	1	–
Bad and doubtful debts expenses	2,016	1,371
(Gain)/Loss on disposal of property, plant and equipment	842	–
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for audit or review of the financial report	5,700	6,000
	5,700	**6,000**

Operating expenses

Operating expenses are recognised in profit or loss on an accurals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Note 3. Expenses (continued)

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%	Straight line
Leasehold improvements	2.5% – 6.67%	Straight line
Plant and equipment	10% – 100%	Diminishing value
Motor vehicles	25%	Diminishing value

Gains/losses upon disposal of non-current assets

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 4. Income tax

	2018 $	2017 $
a. The components of tax expense comprise:		
Current tax expense	69,800	120,412
Deferred tax expense	5,180	22,997
	74,980	**143,409**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2017: 27.5%)	72,257	135,582
Add tax effect of:		
– Non-deductible expenses	2,723	1,187
– Change in company tax rates	–	6,640
Income tax attributable to the entity	**74,980**	**143,409**
The applicable weighted average effective tax rate is:	28.54%	29.09%

Note 4. Income tax (continued)

	2018 $	2017 $
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities/(assets)		
Opening balance	63,136	(23,031)
Income tax paid	(104,859)	(34,245)
Current tax	69,800	120,412
Under/(over) provision prior years	–	–
	28,077	**63,136**
d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Property, plant & equipment	8,869	9,092
Accruals	6,766	4,214
Employee provisions	42,619	51,586
	58,254	**64,892**
Deferred tax liabilities comprise:		
Accrued income	2,642	3,290
Property, plant & equipment	4,109	4,917
	6,751	**8,207**
Net deferred tax asset	**51,503**	**56,685**
e. Deferred income tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(6,636)	22,393
(Decrease)/increase in deferred tax liabilities	1,456	604
	(5,180)	**22,997**

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

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 used.

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.

	2018 $	2017 $

Note 5. Cash and cash equivalents

Cash at bank and on hand	322,493	145,774
Short-term bank deposits	1,704,980	1,333,202
	2,027,473	**1,478,976**

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.

The effective interest rate on short-term bank deposits was 1.00% (2017: 1.90%); these deposits have an average maturity of 91 days.

Note 6. Trade and other receivables

Current		
Trade receivables	251,633	228,625
	251,633	**228,625**

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 on profit or loss.

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.

Note 6. Trade and other receivables (continued)

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 $	Not past due $	< 30 days $	31–60 days $	> 60 days $	Past due and impaired $
2018						
Trade receivables	251,633	251,633	–	–	–	–
Total	**251,633**	**251,633**	**–**	**–**	**–**	**–**
2017						
Trade receivables	228,625	228,625	–	–	–	–
Total	**228,625**	**228,625**	–	–	–	–

Note 7. Financial assets

	2018 $	2017 $
Held to maturity financial assets		
Term deposits	500,000	1,280,590
	500,000	**1,280,590**

The effective interest rate on the bank deposit was 2.3% (2017: 2.0%). This deposit has a term of 3 months, maturing on 23 Sepember 2018.

(a) Classification of financial assets

The company classifies its financial assets as held to maturity investments.

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.

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 entity classifies investments as held-to-maturity if:

- they have fixed or determinable payments and fixed maturities
- the entity intends to, and is able to, hold them to maturity.

	2018 $	2017 $

Note 7. Financial assets (continued)

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.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost 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.

(b) 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.

Note 8. Other assets

	2018 $	2017 $
Prepayments	14,940	17,878
Other	11,325	11,965
	26,265	**29,843**

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

Note 9. Property, plant and equipment

	2018 $			2017 $		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Land	136,909	–	136,909	136,909	–	136,909
Buildings	406,960	(123,184)	283,776	406,960	(113,010)	293,950
Leasehold improvements	76,642	(46,560)	30,082	76,642	(42,468)	34,174
Office Furniture and equipment	919,834	(825,325)	94,509	919,113	(803,030)	116,083
Motor vehicles	40,847	(9,547)	31,300	40,831	(26,953)	13,878
Total property, plant and equipment	**1,581,192**	**(1,004,616)**	**576,576**	**1,580,455**	**(985,461)**	**594,994**

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.

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.

Note 9. Property, plant and equipment (continued)

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2018 (2017: None)

(b) Movements in carrying amounts of PP&E

2018	Opening written down value	Additions	Disposals	Depreciation	Closing written down value
Land	136,909	–	–	–	136,909
Buildings	293,950	–	–	(10,174)	283,776
Leasehold improvements	34,174	–	–	(4,093)	30,081
Office Furniture and equipment	116,083	718	–	(22,294)	94,507
Motor vehicles	13,878	40,606	(13,569)	(9,616)	31,299
Total property, plant & equipment	**594,994**	**41,324**	**(13,569)**	**(46,177)**	**576,572**
2017					
Land	136,909	–	–	–	136,909
Buildings	304,124	–	–	(10,174)	293,950
Leasehold improvements	38,271	–	–	(4,097)	34,174
Office furniture and equipment	126,049	15,767	–	(25,733)	116,083
Motor vehicles	18,500	–	–	(4,622)	13,878
Total property, plant & equipment	**623,853**	**15,767**	–	**(44,626)**	**594,994**

Note 10. Intangible assets

	2018 $			2017 $		
	At cost	**Accumulated amortisation**	**Written down value**	**At cost**	**Accumulated amortisation**	**Written down value**
Franchise fees	202,362	(108,167)	94,195	202,362	(67,695)	134,667

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.

Movements in carrying amounts

	Opening written down value	Amortisation	Closing written down value
2018			
Franchise fees	134,667	(40,472)	94,195
Total intangible assets	**134,667**	**(40,472)**	**94,195**
2017			
Franchise fees	169,493	(34,826)	134,667
Total intangible assets	**169,493**	**(34,826)**	**134,667**

	2018 $	2017 $

Note 11. Financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are 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.

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as “fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Note 12. Trade and other payables

	2018 $	2017 $
Current		
Unsecured liabilities:		
Trade creditors	8,951	14,023
Other creditors and accruals	135,937	312,078
	144,888	**326,101**

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.

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

Note 13. Provisions

	2018 $	2017 $
Current		
Employee benefits	148,215	172,108
Non-current		
Employee benefits	6,763	8,902
Total provisions	**154,978**	**181,010**

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.

	2018 $	2017 $

Note 13. Provisions (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.

Note 14. Share capital

701,300 Ordinary shares fully paid	701,300	701,300
1,520,739 Bonus shares issued for no consideration	–	–
	701,300	**701,300**

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.

(a) 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.

(b) 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.

	2018 $	2017 $

Note 14. Share capital (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.

Note 15. Retained earnings

Balance at the beginning of the reporting period	2,532,833	2,294,317
Profit for the year after income tax	187,773	349,618
Dividends paid	(222,204)	(111,102)
Balance at the end of the reporting period	**2,498,402**	**2,532,833**

Note 16. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

Final fully franked ordinary dividend of 10 cents per share (2017: 5 cents) franked at the tax rate of 27.5% (2017: 27.5%).	222,204	111,102

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

Note 17. Earnings per share

Basic earnings per share (cents)	8.45	15.73
Earnings used in calculating basic earnings per share	187,773	349,618
Weighted average number of ordinary shares used in calculating basic earnings per share.	2,222,039	2,222,039

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.

Note 18. Statement of cash flows

	2018 $	2017 $
(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)	2,027,473	1,478,976
As per the Statement of Cash Flow	**2,027,473**	**1,478,976**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	187,773	349,618
Non-cash flows in profit		
– Depreciation and amortisation	86,650	79,452
– Bad debts		1,371
– Net loss on disposal of property, plant & equipment	842	–
Changes in assets and liabilities		
– (Increase)/decrease in trade and other receivables	(23,010)	(7,668)
– (increase)/decrease in prepayments and other assets	3,578	(1,146)
– (Increase)/decrease in deferred tax asset	5,180	22,998
– Increase/(decrease) in trade and other payables	53,383	(1,244)
– Increase/(decrease) in current tax liability	(35,059)	86,167
– Increase/(decrease) in provisions	(26,031)	(15,286)
Net cash flows from operating activities	**253,306**	**514,262**

Note 19. Key management personnel and related party disclosures

(a) Key management personnel

Key management personnel includes any person 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.

No remuneration was paid to key management personnel of the company during the year.

Remuneration includes:

Short-term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive Directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to Executive Directors and other key management personnel.

Post-employment benefits

These amounts are the current year's estimated cost of providing the company's defined benefits scheme post-retirement, superannuation contributions made during the year and post-employment life insurance benefits.

Note 19. Key management personnel and related party disclosures (continued)

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefits schemes as measured by the fair value of the options, rights and shares granted on grant date.

(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 Director 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 provided	Value $
John Spencer Waters (Grange Risk Pty Ltd)	Administration Fee	10,000

The Dandenong Ranges Community Finance Limited have not 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.

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 2018.

(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:

	2018	2017
John Spencer Waters – Chairman	–	–
Deborah Jayne Weber	–	–
Karel Leslie Coxhill	51,435	51,435
Peter Gordon Marke	132,255	132,255
John Ronald Faull	–	–
Shane Andrew Miller	–	–
Leslie Thomas Stevenson	5,000	5,000
	188,690	**188,690**

Note 19. Key management personnel and related party disclosures (continued)

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 key management or related parties other than those described above.

Note 20. 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 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in three area being Upwey, Belgrave and Cockatoo, VIC. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 100% of the revenue (2017: 100%).

Note 23. Commitments

Operating lease commitments

	2018 $	**2017 $**
Payable:		
– no later than 12 months	75,200	72,740
– between 12 months and five years	44,794	105,385
Minimum lease payments	**119,994**	**178,125**

Include the details of the operating lease commitments. i.e. 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.

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

Note 24. Company details

The registered office and principle place of business is 30 Main Street, UPWEY, VIC, 3158

	Notes	2018 $	2017 $

Note 25. Financial instrument risk

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.

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, bank overdraft and loans. 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:

	Notes	2018 $	2017 $
Financial assets			
Cash and cash equivalents	5	2,027,473	1,478,976
Trade and other receivables	6	251,633	228,625
Financial assets	7	500,000	1,280,590
Total financial assets		**2,779,106**	**2,988,191**
Financial liabilities			
Trade and other payables	12	144,888	326,101
Total financial liabilities		**144,888**	**326,101**

(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 (2017: 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.

Note 25. Financial instrument risk (continued)

(b) Liquidity risk

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

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

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

	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2018					
Financial assets					
Cash and cash equivalents	1.00%	2,027,473	2,027,473	–	–
Trade and other receivables		251,633	251,633	–	–
Financial assets	2.30%	500,000	500,000	–	–
Total anticipated inflows		**2,779,106**	**2,779,106**	–	–
Financial liabilities					
Trade and other payables		144,888	144,888	–	–
Total expected outflows		**144,888**	**144,888**	–	–
Net inflow/(outflow) on financial instruments		**2,634,218**	**2,634,218**	–	–
30 June 2017					
Financial assets					
Cash and cash equivalents	1.90%	1,478,976	1,478,976	–	–
Trade and other receivables		228,625	228,625	–	–
Financial assets	1.95%	1,280,590	1,280,590	–	–
Total anticipated inflows		2,988,191	2,988,191	–	–
Financial liabilities					
Trade and other payables		326,101	326,101	–	–
Total expected outflows		326,101	326,101	–	–
Net inflow/(outflow) on financial instruments		**2,662,090**	**2,662,090**	–	–

Note 25. Financial instrument risk (continued)

(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.

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 company has no exposure to fluctuations in foreign currency, or any exposure to a material price risk.

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.

	2018		**2017**	
	Profit $	**Equity $**	**Profit $**	**Equity $**
+/– 1% in interest rates (interest income)	25,275	25,275	27,596	27,596
	25,275	**25,275**	**27,596**	**27,596**

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

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 10 to 35 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 2018 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 Waters AAICD
Chairman

Signed at Upwey, VIC on 23 August 2018

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DANDENONG RANGES COMMUNITY FINANCE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Dandenong Ranges Community Finance Limited, which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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 2018 and of its performance for the year then ended; 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.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309

rsd Audit

Director's 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the rsd Audit

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

Kathie Teasdale
Partner
Bendigo
Dated: 23 August 2018

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