Annual Report 2019

Dandenong Ranges Community Finance Limited

Dandenong Ranges Community Finance Limited
ABN 28 084 480 035

Contents

Chairman's report

For the year ending 30 June 2019

It is again my pleasure to present the Dandenong Ranges Community Finance Limited Annual Report for 2018/19.

It is difficult to believe that what began 21 years ago, in October 1998, to bring banking services back to Upwey, and then Belgrave and Cockatoo, is now a network of people in our community. These people are not only taking greater control of their financial futures, they are investing something of themselves to strengthen the prosperity and sustainability of the place they call home.

As at 30 June 2019, our company made an operating profit of $866,607 before tax, charitable donations and sponsorships. Since the formation of our company, we have injected almost $5 million into our community, contributing to its social and economic sustainability. The Community Bank model requires partnerships with local people and enterprises. Working together, we provide quality banking services, employment opportunities, a local investment option for shareholders and importantly, a source of revenue for projects determined by local people.

Our success reflects the competitive banking products we offer, and the high level of service provided by our staff.

Our company has an active role in maintaining and enhancing the sustainability, liveability and resilience of our community by investing in initiatives that build social, economic and technological capital.

Highlights

Local Impact
11,946 Customers
333 Shareholders
8 Directors
21 Staff
$866,607 – 2018/19 Operating Profit before tax, charitable donations and sponsorships

Community Investment
395 - Groups sponsored since 1998
93 - Groups sponsored in 2019
$1,889,528 - Total return to Shareholders
$252,209 - Total community investments, pledged or paid in 2019
$3,096,133 - Total community investments, pledged or paid since 1998

Business Achievements

Once again, the year has been challenging, with the continuation of record low interest rates and the competition between banks remaining intense. The Royal Commission into the Banking and Finance sector also saw a restriction on lending practices.

Whilst taking these circumstances into consideration, we have again produced a very healthy operating profit, before charitable donations, sponsorships and income tax of $866,607, an increase of 26% on the 2017/18 operating profit of $687,801. Our after tax, charitable donations and sponsorships profit was $504,949, which is an increase of 168% over the 2017/18 profit.

These profits are largely due to another strong performance from the Upwey branch and a strong improvement from Cockatoo/Gembrook branch.

Our Board

Our Board has worked hard by giving up their time to advance the company throughout the community and in providing oversight and governance over our operations.

Chairman's report (continued)

During the year, our inaugural Chairman, Peter Marke resigned from the Board after over 20 years of outstanding service and commitment. Our company, as well as the whole community certainly owes Peter a great deal of thanks. During the year the Board also welcomed two new Directors, Jacqui Buckland and Helena Fern and we look forward to their enthusiasm and input to the future direction and activities of the Board.

Other Directors, 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), John Faull and Karel Coxhill continue to contribute countless volunteer hours towards guiding the company forward. Naren Popat, (Company Secretary) continues to diligently assist the Board. We really appreciate their contributions.

Our Staff and Management Team

As I said last year, 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 must thank our Managers, ably lead by Mike Fleming as the Senior Group Manager. Mike's ongoing commitment to our Company and to his expansive customer base, is something the Board certainly appreciate.

Also, our thanks go to Abigael Jamieson at Upwey for continuing to expand our lending book, to Bruce McConnell at Cockatoo/Gembrook for developing the business into a profit situation and to Teresa Spruhan, as Customer Relationship Manager at Belgrave in working to turn that branch around.

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.

Thank you to all Managers and staff – you are what makes us successful.

Our community support initiatives

Thanks to our customers we have now provided almost $5 million back to the community in sponsorships, grants, dividends and pledges to major projects since 1998.

During the 2018/19 financial year, we distributed or pledged over $250,000 in sponsorships, grants and donations.

One of these grants was to assist in providing 19 Defibrillators to local organisations, including the local CFA's. We also provided $55,000 to the Upwey Tecoma Football and Netball Club and the Upwey Tecoma Cricket Club for the construction of an electronic scoreboard at the Upwey recreation reserve. We have also committed $80,000 for the establishment of a Men's Shed in Upwey. This year there are also 93 clubs and organisation who have benefited from our support. This support is made possible because of our customers.

Chairman's report (continued)

Bendigo and Adelaide Bank support

We would like to thank the Bendigo and Adelaide Bank for their continued support during the last 12 months. Whilst our Franchise agreement with the Bendigo and Adelaide Bank is based on a partnership (share) arrangement, there are times when this arrangement becomes strained, but through open and honest communication all issues can be resolved.

Your investment

The Board has agreed to allocate a fully franked dividend of 10 cents per share to be paid out in December 2019.

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

John Waters AAICD
Chairman

Senior Group Manager's report

For the year ending 30 June 2019

Financial year of 2018/19 was somewhat subdued following the slowdown after the Royal Commission into Banking in late 2018. Tighter regulations on home loans and investment loans saw a dramatic drop in inquiries. These changed conditions made prospective buyers nervous with many choosing to pay down loans instead of selling and moving.

Reduction in enquiries was right across the Bendigo Bank network which saw loan growth just 3% for the year. All lending institutions saw the same trend which was also caused by APRA's policy change for all lenders to look a lot closer at applicants' personal spending habits.

Currently we hold $269 million in deposits, $48 million are in business accounts and $86 million in personal accounts at call. A further $95 million is held in term deposits with Sandhurst Deposits hitting $25 million.

Loans total $172 million of which $133 million are home loans. For the financial year the Group approved a total of $42 million in all types of lending facilities.

Marysville agency continues to build our business in the Triangle area with total holdings now at $25.5 million.

Total number of accounts across the group was 18,943 at June 30.

Cockatoo has performed well with an increase in total business of $6 million, its best result for some time. Bank staff numbers have remained the same for the year with the Company employing 19 between the three sites. There are now 4 staff at Upwey and 1 at Belgrave who have served over 10 years with our group, with 2 of those serving over 20 years.

John and the Board continue to provide great support for the branches and staff, so many thanks to them.

Mike Fleming
Senior Group Manager

Secretary's report

For the year ending 30 June 2019

Financial result

The Group reported a net profit before tax, sponsorships and grants of $866,607 for the year ended 30 June 2019, compared to $687,802 in the previous year. The increase of $178,805 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 loss for the Belgrave branch increased during the current financial year. However, we expect the net loss to decrease in 2020. The Cockatoo-Gembrook branch has improved its results over the previous year and is now trading profitably.

The Group reported a net profit after tax of $504,949 (2018: net profit of $187,774).

Financial position

The financial position of the Group continues to remain strong with total assets of $3.914 million (2018: $3.527 million) and total liabilities of $431,891 (2018: $327,943) resulting in a net equity position of $3.482 million at 30 June 2019 (2018: $3.199 million).

The cash balances and financial assets at 30 June 2019 amounted to $2.953 million (2018: $2.527 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 2019.

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 year ending 30 June 2019

The Directors present their report of the company for the financial year ended 30 June 2019.

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.Dep.AML
Experience and expertise	Director for five 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 more than 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	Licensed 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 – Resigned 22/11/2018

Position	Committee member: Business Development, Human Resources and Audit & Governance Committee
Professional qualifications	N/A
Experience and expertise	Past Inaugural Chair – DRCBG (20 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 – Business Development Committee, Audit and HR Committees (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; 20 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

Directors' report (continued)

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.

Jacqueline Nicole Buckland – Appointed 25/10/2018

Position	Director, committee member of the Business Development Committee
Professional qualifications	Certificate in Small Business Practices; Bachelor Business (Human Resource Management/Arts (Phycology))(2yrs); Bachelor of Education (2 yrs)
Experience and expertise	Management of small-mid size tourism and hospitality business incorporating Human Resources, Marketing, Communications, Events, founding member of startup not for profit group EPIC; GIA Board Governance Training.

Helena Ella Eva Fern – Appointed 25/10/2018

Position	Director, committee member of the Business Development Committee
Professional qualifications	Bachelor of Fine Art; Post Graduate Certificate in Marketing (Consumer Behavior, International Marketing, Strategic Marketing & Market Research); General Assembly Course in Digital Marketing.
Experience and expertise	10 years' experience working in Higher Education (UK and Australia); Six years working in marketing and communication; Seven years leading teams – hiring, development, strategy, four years working in environmental sustainability practices; seven years working across entrepreneurship and start-up including disruptive technologies, social enterprise, dep technology(space, AI Data and robotics) and consumer products; one year owning a small business.

Directors were in office for the 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 and AGM		Audit Committee meetings	
	A	B	A	B
John Spencer Waters – Chairman	13	12	4	3
Deborah Jayne Weber	13	12	4	4
Karel Leslie Coxhill	13	13	4	3
Peter Gordon Marke (resigned 22/11/2018)	6	4	2	2
John Ronald Faull	13	12	N/A	N/A
Shane Andrew Miller	13	13	N/A	N/A
Leslie Thomas Stevenson	13	11	4	4
Jacqueline Nicole Buckland (commenced 25/10/2018)	10	9	N/A	N/A
Helena Ella Eva Fern (commenced 25/10/2018)	10	8	N/A	N/A
Naren Popat – Secretary (non-director)	13	12	4	4

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

Directors' report (continued)

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 30 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 have 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 $504,949 (2018 profit: $187,774), which is a 168.9% increase as compared with the previous year. The increase in profits is largely due to adoption of FTP model.

Dividends

A fully franked dividend of 10 cents per share was declared and paid during the 2019 financial year for the year ended 30 June 2018. Subsequent to the end of the financial year, a fully franked dividend of 10 cents per share was declared in respect of the year ended 30 June 2019.

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 10 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 (Location) on 26 September 2019.

John Waters AAICD
Chair

Auditor's Independence Declaration

rsd Audit
41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC,
3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

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 2019 there have been no contraventions of:

(i) The auditor independence requirements 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.

RSD Audit

Kathie Teasdale
Partner
41A Breen Street
Bendigo VIC 3550

Dated: 21 September 2019

Financial Statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Notes	2019 $	2018 $
Revenue	2	3,288,627	3,048,834
Expenses			
Employee benefits expense	3	(1,627,147)	(1,552,743)
Depreciation and amortisation	3	(86,852)	(86,649)
Bad and doubtful debts expense	3	(2,939)	(2,016)
Administration and general costs		(450,111)	(457,358)
Occupancy expenses		(131,734)	(144,913)
IT expenses		(66,556)	(69,664)
Other expenses		(56,681)	(47,689)
		(2,422,020)	**(2,361,032)**
Operating profit before charitable donations & sponsorship		**866,607**	**687,802**
Charitable donations and sponsorships		(167,898)	(425,048)
Profit before income tax		**698,709**	**262,754**
Income tax expense	4	(193,760)	(74,980)
Profit for the year after income tax		**504,949**	**187,774**
Other comprehensive income		-	-
Total comprehensive income for the year		**504,949**	**187,774**
Profit attributable to members of the company		504,949	187,774
Total comprehensive income attributable to members of the company		**504,949**	**187,774**
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	22.72	8.45

The accompanying notes form part of these financial statements.

Financial Statements (Continued)

Balance Sheet
As at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Current assets			
Cash and cash equivalents	5	2,442,389	2,027,473
Trade and other receivables	6	267,667	251,633
Financial assets	7	511,047	500,000
Other assets	8	34,350	26,266
Total current assets		**3,255,453**	**2,805,372**
Non-current assets			
Property, plant and equipment	9	546,461	576,576
Intangible assets	10	53,722	94,195
Deferred tax assets	4	58,703	51,503
Total non-current assets		**658,886**	**722,274**
Total assets		**3,914,339**	**3,527,646**
Liabilities			
Current liabilities			
Trade and other payables	12	118,929	144,888
Current tax liability	4	128,521	28,077
Provisions	13	169,910	148,215
Total current liabilities		**417,360**	**321,180**
Non-current liabilities			
Provisions	13	14,531	6,763
Total non-current liabilities		**14,531**	**6,763**
Total liabilities		**431,891**	**327,943**
Net assets		**3,482,448**	**3,199,703**
Equity			
Issued capital	14	701,300	701,300
Retained earnings	15	2,781,148	2,498,403
Total equity		**3,482,448**	**3,199,703**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the year ended 30 June 2019

	Notes	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2018		**701,300**	**2,498,403**	**3,199,703**
Comprehensive income for the year				
Profit for the year		-	504,949	504,949
Transactions with owners in their capacity				
as owners				
Dividends paid or provided	16	-	(222,204)	(222,204)
Balance at 30 June 2019		**701,300**	**2,781,148**	**3,482,448**
Balance at 1 July 2017		701,300	2,532,833	3,234,133
Comprehensive income for the year				
Profit for the year		-	187,774	187,774
Transactions with owners in their capacity				
as owners				
Dividends paid or provided	16	-	(222,204)	(222,204)
Balance at 30 June 2018		**701,300**	**2,498,403**	**3,199,703**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers		3,536,341	3,273,110
Payments to suppliers and employees		(2,823,137)	(2,969,406)
Interest received		53,566	54,461
Income tax paid		(100,516)	(104,859)
Net cash flows provided by operating activities	18b	**666,254**	**253,306**
Cash flows investing activities			
Proceeds from sale of property, plant and equipment		-	12,727
Proceeds from sale of investments		-	780,590
Purchase of property, plant and equipment		(18,087)	(41,324)
Purchase of investments		(11,047)	
Purchase of intangible assets		-	(234,598)
Net cash flows from/(used in) investing activities		**(29,134)**	**517,395**
Cash flows from financing activities			
Dividends paid		(222,204)	(222,204)
Net cash flows used in financing activities		**(222,204)**	**(222,204)**
Net increase in cash held		**414,916**	**548,497**
Cash and cash equivalents at beginning of financial year		2,027,473	1,478,976
Cash and cash equivalents at end of financial year	18a	**2,442,389**	**2,027,473**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2019

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 26 September 2019.

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.

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.

Note 1. Summary of significant accounting policies (continued)
(a) Basis of preparation (continued)

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.

(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.

Note 1. Summary of significant accounting policies (continued)

(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.

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.

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

With the exception of the below, these financial statements have been prepared in accordance with the same accounting policies adopted in the entity's last annual financial statements for the year ended 30 June 2018. Note that the changes in accounting policies specified below ONLY apply to the current period. The accounting policies included in the company's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.

Note 1. Summary of significant accounting policies (continued)
(f) New and revised standards that are effective for these financial statements (continued)

AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments (2014) became mandatorily effective on 1 January 2018. Accordingly, these standards apply for the first time to this set of annual financial statements. The nature and effect of changes arising from these standards are summarised in the section below.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related interpretations. The new Standard has been applied as at 1 July 2018 using the modified retrospective approach. Under this method, the cumulative effect of initial application is recognised as an adjustment to the opening balances of retained earnings as at 1 July 2018 and comparatives are not restated.

Based on our assessment, there has not been any effect on the financial report from the adoption of this standard.

AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces AASB 139's 'Financial Instruments: Recognition and Measurement' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

When adopting AASB 9, the entity elected not to restate prior periods. Rather, differences arising from the adoption of AASB 9 in relation to classification, measurement, and impairment are recognised in opening retained earnings as at 1 July 2018.

Based on our assessment, other than changes in classification, there has not been any effect on the financial report from the adoption of this standard.

(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 on the proceeding pages.

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

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 standard will primarily affect the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of $44,971. It is expected the company will recognise a 'right of use asset' and 'lease liability' for approximately this value, with rent expense replaced with depreciation and interest expenses.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The company does not intend to adopt the standard before its effective date.

(h) Change in accounting policies

<u>Revenue</u>

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.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Given the nature of the agreement with Bendigo and Adelaide Bank Limited, there are no performance obligations, therefore the revenue is recognised at the earlier of:

a) when the entity has a right to receive the income and it can be reliably measured; or
b) upon receipt.

Note 1. Summary of significant accounting policies (continued)
(h) Change in accounting policies (continued)

Financial Instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, are classified as financial assets at amortised cost.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of ‘hold to collect’ contractual cash flows are accounted for at amortised cost using the effective interest method. The company's trade and most other receivables fall into this category of financial instruments as well as deposits that were previously classified as held-to-maturity under AASB 139.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)
(h) Change in accounting policies (continued)

Impairment of financial assets

AASB 9's new forward-looking impairment model applies to company's investments at amortised cost. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the company uses its historical experience, external indicators and forward-looking information to determine the expected credit losses on a case-by-case basis.

Financial Liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the company's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

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.

Classification and measurement of financial liabilities

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.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)
(h) Change in accounting policies (continued)

Reconciliation of financial instruments on adoption of AASB 9

The table below shows the classification of each class of financial asset and financial liability under AASB 139 and AASB 9 as at 1 July 2018:

	AASB 139 Classification	AASB 9 Classification	AASB 139 Carrying value ($)	AASB 9 Carrying value ($)
Financial Asset				
Trade and Other receivables	Loans and receivables	Amortised cost	251,633	251,633
Term deposits	Held to maturity	Amortised cost	500,000	500,000
Financial Liabilities				
Trade and other payables	Amortised cost	Amortised cost	144,888	144,888

The effect of classification changes arising from transitioning from AASB 139 to AASB 9 is $NIL.

Note 2. Revenue

	2019	2018
	$	$
Revenue		
- service commissions	3,208,758	2,970,773
	3,208,758	**2,970,773**
Other revenue		
- interest received	53,566	53,822
- other revenue	26,303	24,239
	79,869	**78,061**
Total revenue	**3,288,627**	**3,048,834**

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.

Note 2. Revenue (continued)

Interest and other income

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

Rendering of services

As detailed in the franchise agreement, companies earn three types of revenue - margin, commission and fee income. Bendigo and Adelaide Bank Limited decide the method of calculation of revenue the company earns on different types of products and services and this is dependent on the type of business the company generates also taking into account other factors including economic conditions, including interest rates.

Core Banking Products

Bendigo and Adelaide Bank Limited identify specific products and services as 'core banking products', however it also reserves the right to change the products and services identified as 'core banking products', providing 30 days' notice is given.

Margin

Margin is earned on all core banking products. A Funds Transfer Pricing (FTP) model is used for the method of calculation of the cost of funds, deposit return and margin. Margin is determined by taking the interest paid by customers on loans less interest paid to customers on deposits, plus any deposit returns, i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit, minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Commission

Commission is a fee earned on products and services sold. Depending on the product or services, it may be paid on the initial sale or on an ongoing basis.

Fee Income

Fee income is a share of 'bank fees and charges' charged to customers by Bendigo and Adelaide Bank Limited, including fees for loan applications and account transactions.

Note 2. Revenue (continued)

Discretionary Financial Contributions

Bendigo and Adelaide Bank Limited has made discretionary financial payments to the company, outside of the franchise agreement and in addition to margin, commission and fee income. This income received by the company is classified as "Market Development Fund" (MDF) income. The purpose of these payments is to assist the company with local market development activities, however, it is for the board to decide how to use the MDF. Due to their discretionary nature, Bendigo and Adelaide Bank Limited may change or stop these payments at any time.

Form and Amount of Financial Return

The franchise agreement stipulates that Bendigo and Adelaide Bank Limited may change the form, method of calculation or amount of financial return the company receives. The reasons behind making a change may include, but not limited to, changes in Bendigo and Adelaide Bank Limited's revenue streams/processes, economic factors or industry changes.

Bendigo and Adelaide Bank Limited may make any of the following changes to form, method of calculation or amount of financial returns:

- A change to the products and services identified as 'core banking products and services'.
- A change as to whether it pays the company margin, commission or fee income on any product or service.
- A change to the method of calculation of costs of funds, deposit return and margin and a change to the amount of any margin, commission and fee income.

These abovementioned changes may impact the revenue received by the company on a particular product or service, or a range of products and services.

However, if Bendigo and Adelaide Bank Limited make any of the above changes, per the franchise agreement, it must comply with the following constraints in doing so:

a) If margin or commission is paid on a core banking product or service, Bendigo and Adelaide Bank Limited cannot change it to fee income;
b) In changing a margin to a commission or a commission to a margin on a core banking product or service, OR changing the method of calculation of a cost of funds, deposit return or margin or amount of margin or commission on a core product or service, Bendigo and Adelaide Bank Limited must not reduce the company's share of Bendigo and Adelaide Bank Limited's margin on core banking product and services when aggregated to less than 50% of Bendigo and Adelaide Bank Limited's margin on core banking products attributed to the company's retail branch operation; and
c) Bendigo and Adelaide Bank Limited must publish the change at least 30 days before making the change.

Notes to the financial statements (continued)

Note 3. Expenses

	2019 $	2018 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	1,360,510	1,341,903
- superannuation costs	128,839	123,175
- other costs	137,798	87,665
	1,627,147	**1,552,743**
Depreciation and amortisation		
Depreciation		
Buildings	10,267	10,174
Leasehold improvements	4,093	4,093
Office furniture and fittings	24,195	22,294
Motor vehicles	7,824	9,616
	46,379	**46,177**
Amortisation		
- franchise fees	40,473	40,472
	40,473	**40,472**
Total depreciation and amortisation	**86,852**	**86,649**
Bad and doubtful debts expenses	2,939	2,016
Loss on disposal of property, plant and equipment	1,823	842
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	5,850	5,700

Operating expenses

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

Depreciation and amortisation

The depreciable amount of all fixed and intangible 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.

Note 3. Expenses (continued)
Depreciation and amortisation (continued)

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
Office furniture and fittings	10% - 100%	Diminishing value & Straight line
Motor vehicles	25%	Diminishing value
Franchise Fee	20%	Straight line

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.

Note 4. Income Tax

	2019 $	2018 $
a. The components of tax expense comprise:		
Current tax expense	200,960	69,800
Deferred tax expense	(7,200)	5,180
	193,760	**74,980**
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% (2018: 27.5%)	192,145	72,257
Add tax effect of:		
- Non-deductible expenses	1,615	2,723
Income tax attributable to the entity	**193,760**	**74,980**
The applicable weighted average effective tax rate is:	27.73%	28.54%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities		
Opening balance	28,077	63,136
Income tax paid	(100,516)	(104,859)
Current tax	200,960	69,800
	128,521	**28,077**

Notes to the financial statements (continued)

Note 4. Income tax (continued)

d. Deferred tax asset		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Property, plant & equipment	9,231	8,869
Accruals	7,716	6,766
Employee provisions	50,721	42,619
	67,668	**58,254**
Deferred tax liabilities comprise:		
Accrued income	3,388	2,642
Prepayments	5,577	4,109
	8,965	6,751
Net deferred tax asset	**58,703**	**51,503**
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(9,413)	(6,636)
(Decrease) / increase in deferred tax liabilities	2,213	1,456
	(7,200)	**(5,180)**

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 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.

Note 5. Cash and Cash Equivalents

	2019 $	2018 $
Cash at bank and on hand	2,442,389	2,027,473
	2,442,389	2,027,473

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.

Note 6. Trade and other receivables

	2019 $	2018 $
Current		
Trade receivables	267,667	251,633
	267,667	251,633

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 in accordance with the expected credit loss model or 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)
Credit risk (continued)

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

	Gross amount	Not past due	Past due but not impaired			Past due and impaired
			< 30 days	31-60 days	> 60 days	
2019	$	$	$	$	$	$
Trade receivables	267,667	267,667	-	-	-	-
Total	**267,667**	**267,667**	-	-	-	-
2018						
Trade receivables	251,633	251,633	-	-	-	-
Total	**251,633**	**251,633**	-	-	-	-

Note 7. Financial assets

	2019 $	2018 $
Amortised cost		
Term deposits	511,047	500,000

The effective interest rate on the bank deposit was 2.4% (2018: 2.3%). This deposit has a term of 6 months, maturing on 23 September 2019.

(a) Classification of financial assets

The company classifies its financial assets in the following categories:
- amortised cost

Classifications are determined by both:
- The entities business model for managing the financial assets; and
- The contractual cash flow characteristics of the financial assets.

(b) Measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

Note 7. Financial assets (continued)
(b) Measurement of financial assets (continued)

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. Cash and cash equivalents, trade and other receivables fall into this category of financial instruments as well as government bonds that were previously classified as held-to-maturity under AASB 139.

(c) Impairment of financial assets

AASB 9's impairment requirements use more forward-looking information to recognise expected credit losses - the 'expected credit losses (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVTOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').
- ('Stage 3') would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Note 7. Financial assets (continued)

(d) 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

	2019 $	2018 $
Prepayments	20,278	14,940
Other	14,072	11,326
	34,350	**26,266**

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

	2019 $			2018 $		
	At cost	Accumulated depreciation	Written down value	At cost	Accumulated depreciation	Written down value
Land	136,909	-	136,909	136,909	-	136,909
Buildings	416,696	(133,450)	283,246	406,960	(123,184)	283,776
Leasehold improvements	76,646	(50,653)	25,993	76,642	(46,560)	30,082
Office furniture and fittings	897,768	(820,922)	76,846	919,834	(825,325)	94,509
Motor vehicles	40,606	(17,139)	23,467	40,847	(9,547)	31,300
Total property, plant and equipment	**1,568,625**	**(1,022,164)**	**546,461**	**1,581,192**	**(1,004,616)**	**576,576**

Land and buildings

Freehold land and buildings are measured 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 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.

Note 9. Property, plant and equipment (continued)
Plant and equipment (continued)

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.

(a) Capital expenditure commitments

The entity does not have any capital expenditure commitments at 30 June 2019 (2018: none)

(b) Movements in carrying amounts of PP&E

2019	Opening written down value	Additions	Disposals	Depreciation	Closing written down value
Land	136,909	-	-	-	136,909
Buildings	283,776	9,740	(3)	(10,267)	283,246
Leasehold improvements	30,082	-	4	(4,093)	25,993
Office furniture and fittings	94,509	8,347	(1,815)	(24,195)	76,846
Motor vehicles	31,300	-	(9)	(7,824)	23,467
Total property, plant and equipment	**576,576**	**18,087**	**(1,823)**	**(46,379)**	**546,461**

Note 9. Property, plant and equipment (continued)

Capital expenditure commitments (continued)

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	34,175	-	-	(4,093)	30,082
Office furniture and fittings	116,082	721	-	(22,294)	94,509
Motor vehicles	13,878	40,607	(13,569)	(9,616)	31,300
Total property, plant and equipment	**594,994**	**41,329**	**(13,569)**	**(46,177)**	**576,576**

Note 10. Tangible assets

	2019 $			2018 $		
	At cost	Accumulated amortisation	Written down value	At cost	Accumulated amortisation	Written down value
Franchise fees	202,362	(148,640)	53,722	202,362	(108,167)	94,195
Total intangible assets	**202,362**	**(148,640)**	**53,722**	**202,362**	**(108,167)**	**94,195**

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

2019	Opening written down value	Amortisation	Closing written down value
Franchise fees	94,195	(40,473)	53,722
Total intangible assets	**94,195**	**(40,473)**	**53,722**

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

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

	2019 $	2018 $
Current		
Unsecured liabilities:		
Trade creditors	5,094	8,951
Other creditors and accruals	113,835	135,937
	118,929	**144,888**

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

	2019 $	2018 $
Current		
Employee benefits	169,910	148,215
Non-current		
Employee benefits	14,531	6,763
Total provisions	**184,441**	**154,978**

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.

Note 13. Provisions (continued)
Short-term employee benefits (continued)

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

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

	2019 $	2018 $
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
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.

Notes to the financial statements (continued)

Note 14. Share capital (continued)

(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.

(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

	2019 $	2018 $
Balance at the beginning of the reporting period	2,498,403	2,532,833
Profit for the year after income tax	504,949	187,774
Dividends paid	(222,204)	(222,204)
Balance at the end of the reporting period	**2,781,148**	**2,498,403**

Note 16. Dividends paid or provided for on ordinary shares

	2019 $	2018 $
Dividends paid or provided for during the year		
Final fully franked ordinary dividend of 10 cents per share (2018: 10 cents) franked at the tax rate of 27.5% (2018: 27.5%).	222,204	222,204

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.

Notes to the financial statements (continued)

Note 17. Earnings per share

	2019 $	2018 $
Basic earnings per share (cents)	22.72	8.45
Earnings used in calculating basic earnings per share	504,949	187,774
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 servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

Note 18. Statement of cash flows

	2019 $	2018 $
(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)	2,442,389	2,027,473
As per the Statement of Cash Flow	**2,442,389**	**2,027,473**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	504,949	187,774
Non-cash flows in profit		
- Depreciation and amortisation	86,852	86,649
- Net loss on disposal of property, plant & equipment	1,823	842
Changes in assets and liabilities		
- Increase in trade and other receivables	(16,034)	(23,010)
- (Increase) / decrease in prepayments and other assets	(8,084)	3,578
- (Increase) / decrease in deferred tax asset	(7,200)	5,180
- Increase / (decrease) in trade and other payables	(25,959)	53,383
- Increase / (decrease) in current tax liability	100,444	(35,059)
- Increase / (decrease) in provisions	29,463	(26,031)
Net cash flows from operating activities	**666,254**	**253,306**

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.

(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.

(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:

	2019	2018
John Spencer Waters - Chairman	-	-
Deborah Jayne Weber	-	-
Karel Leslie Coxhill	51,435	51,435
Peter Gordon Marke (Resigned 22/11/2018)	112,255	132,255
John Ronald Faull	-	-
Shane Andrew Miller	-	-
Leslie Thomas Stevenson	5,000	5,000
Jacqueline Nicole Buckland (Appointed - 25/10/2018)	-	-
Helena Ella Eva Fern (Appointed - 25/10/2018)	-	-
	168,690	188,690

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

See above table for movement in key management personnel shareholdings during the year. Each share has a paid-up value of $1 and is fully paid.

(e) Other key management transactions

There has been no other transactions with 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 areas being Upwey, Belgrave and Cockatoo, VIC. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 98% of the revenue (2018: 97%).

Note 23. Commitments

	2019 $	2018 $
Payable:		
- no later than 12 months	44,971	75,200
- between 12 months and five years	-	44,794
Minimum lease payments	44,971	119,994

The property leases are non-cancellable leases with five-year terms, with rent payable monthly in advance with CPI increases each year.

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

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

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 9 Financial Instruments as detailed in the accounting policies are as follows:

	Note	2019 $	2018 $
Financial assets			
Cash and cash equivalents	5	2,442,389	2,027,473
Trade and other receivables	6	267,667	251,633
Financial assets	7	511,047	500,000
Total financial assets		**3,221,103**	**2,779,106**
Financial liabilities			
Trade and other payables	12	118,929	144,888
Total financial liabilities		**118,929**	**144,888**

(a) Credit risk

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 (2018: 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.

Financial liability and financial asset maturity analysis:

30 June 2019	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.72%	2,442,389	2,442,389	-	-
Trade and other receivables		267,667	267,667	-	-
Financial assets	2.40%	511,047	511,047	-	-
Total anticipated inflows		3,221,103	3,221,103	-	-
Financial liabilities					
Trade and other payables		118,929	118,929	-	-
Total expected outflows		118,929	118,929	-	-
Net inflow / (outflow) on financial instruments		**3,102,174**	**3,102,174**	-	-

30 June 2018	%	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	1.92%	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 on financial instruments		**2,634,218**	**2,634,218**	-	-

Notes to the financial statements (continued)

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.

The primary risks the company is exposed to is interest rate risk and other price risk. The company has no exposure to fluctuations in foreign currency or other price risk.

Interest rate risk

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.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, management believes the following movements are 'reasonably possible' over the next 12 months:
-A parallel shift of +/- 1% in market interest rates from year-end rates.

These movements will not have material impact on the valuation of the company’s financial assets and liabilities, nor will they have a material impact on the results of the company’s operations.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates. 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.

	2019		2018	
	Profit $	Equity $	Profit $	Equity $
+/- 1% in interest rates (interest income)	29,534	29,534	25,275	25,275
	29,534	29,534	25,275	25,275

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 2 to 34 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 2019 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
Director

Signed at Upwey on 26 September 2019.

Independent audit report

41A Breen Street
Bendigo, Victoria
PO Box 448, Bendigo, VIC, 3552

Ph: (03) 4435 3550
admin@rsdaudit.com.au
www.rsdaudit.com.au

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 2019, 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 2019 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.

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 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.

Independent audit report (continued)

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 2019, 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

Kathie Teasdale
Partner
Bendigo
Dated: 21 September 2019

Upwey Community Bank Branch
30 Main Street, Upwey VIC 3158
Phone: 9754 1200 Fax: 9754 1244
Email: UpweyMailbox@bendigobank.com.au

Belgrave Community Bank Branch
1656 Burwood Highway, Belgrave VIC 3160
Phone: 9752 6606 Fax: 9752 6690
Email: BelgraveMailbox@bendigobank.com.au

Cockatoo/Gembrook Community Bank Branch
50 McBride Street, Cockatoo VIC 3781
Phone: 5968 8831 Fax: 5968 8806
Email: Cockatoo-GembrookMailbox@bendigobank.com.au

Franchisee: Dandenong Ranges Community Finance Limited
30 Main Street, Upwey VIC 3158
Phone: 9754 1200 Fax: 9754 1244
ABN: 28 084 480 035
Email: admin@drcbg.com.au

Share Registry:
Contact the Company Executive Officer Phone: 9754 6540 or Email: admin@drcbg.com.au

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