Annual Report 2020

Dandenong Ranges Community Finance Limited

Community Bank
Upwey, Belgrave and
Cockatoo-Gembrook

ABN 28 084 480 035

Contents

Chairman’s report

For year ending 30 June 2020

What a year it has been. We began the year with record low interest rates and ended the year with interest rates even lower. During the 12 months to June 2020 the Reserve Bank reduced the cash rate on four occasions by 0.25% each time, bringing the cash rate down to 0.25%. These reductions in the cash rate have had a serious adverse impact upon our margin income.

Over the last 12 months our funds under management, total lending and deposits, increased by $13 million however our revenue reduced by approximately $110,000 or 3.34%. We wrote approximately $50 million in new loans but because of the low interest rate on deposits, many customers paid down or paid out the loans.

Even with this reduction in revenue, the company was able to deliver a profit before charitable donations and sponsorships of $836,682 compared with $866,607 for the 2018/19 financial year. This is a reduction of $29,925 or 3.45%.

The next 12 months will again be difficult for the company as the full impact of the 0.5% interest rate reductions in March 2020 take effect on our income.

In addition to the financial impact of the lower margins, we have all been dealing with the impact of the COVID-19 pandemic for the last six months of the financial year. This has been uncharted waters for all of us, but as a community we will continue to assist each other and work our way through these most difficult times. During this time, our staff have been magnificent by continuing to be on site and providing their excellent service to the customers who still need to attend our branches. To our customers – we are there to assist.

Our community support initiatives

During the last 12 months we have been able to continue to support our communities through our sponsorships and donations programs. These programs are there to support those organisations within the community who provide valuable services and opportunities to the community members. There is also an expectation that these organisations promote our branches to their members, officials, etc. for their banking. This is the ‘win-win’ scenario that allows us to provide the donations and sponsorships to these organisations.

We have made donations and sponsorship payments of $372,736 during the last 12 months and our total payments back to the community in sponsorships, grants, dividends, and pledges to major projects since 1998 is now almost $5.5 million.

Our staff and management team

As I have said in the past, our staff are our greatest asset and we are grateful for their commitment and contribution to the business. During these most difficult and trying times they have continued to provide our customers with the excellent service they have learnt to expect from our branches.

Our Management team of Abigael Jamieson at Upwey, Teresa Spruhan at Belgrave, Bruce McConnell at Cockatoo-Gembrook, all ably lead by our Senior Group Manager Mike Fleming have continued to produce excellent results for the company.

During the year, the Board were delighted to appoint Mick Spruhan as our Senior Business Development Manager. Mick is a local, living in Belgrave for many years, and has many years’ experience with the Community Bank model. One of Mick’s many roles is to develop new business through the many organisations and clubs we have supported for many years.

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 efficiently and professionally. Also, thanks to Suzan Prass, our Community Liaison Officer, who continues to provide great assistance to the company.

To all staff and Managers, we thank you for your contribution during the last 12 months.

Our Board

Once again, our Board have given up their time to volunteer as Directors of the Dandenong Ranges Community Finance Limited. This year has been particularly difficult, but the Board have been able to meet at short notice on occasion and resolve any issues that have arisen, in a balanced, logical way. Added to this the Board have had to hold virtual meetings, via various digital channels because of the COVID-19 pandemic, which at times has necessitated a sharp learning curve for us all.

To all the members of the Board, thank you.

Your investment

The Board has agreed to maintain a fully franked dividend of 10 cents per share to be paid out in December 2020.

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

John Waters AAICD
Chairman

Senior Group Manager’s report

For year ending 30 June 2020

All budgets were set for what was expected to be another normal year of growth albeit with much lower interest rates.

We never expected to see our branches limiting the number of customers entering to two people. Nor did we foresee additional screens popping up in the branch and staff wearing masks instead of the bandits.

However, despite all the upheaval, the Group has grown funds under management by $13 million for the year and this was done in an era of record low rates.

Deposit funds grew by $12 million which confirms that our clients want to support us rather than ‘shop around’.

The loan book grew by $1 million net although loan approvals for the year were $50 million. Many customers chose to paydown/payout loans instead of leaving their savings in low rate accounts. There was also a large number of Bridging Finance approvals (short term lending) processed.

Total number of accounts held now is 19,230 with the bulk being at Upwey – 10,633 with Belgrave and Cockatoo 4,565 and 4,032 respectively.

In January we appointed Mick Spruhan as our Senior Business Development Manager to groom him to eventually take over my role. Succession planning plays a big part in the continuing success of our three branches. With Mick’s experience of 20 years in the Community Bank model as well as 22 years at another banking institution, he was too good an opportunity to miss out on.

All three branches had a successful year despite reduced margins caused by low interest rates.

Cockatoo-Gembrook continued their previous years improvement performing well above budget thanks to some good lending by Bruce.

Teresa took over the Branch Manager’s role at Belgrave and has helped the branch grow.

Upwey, under Abi’s watch – with Mel’s assistance, had loan approvals of $35 million – another good effort in a difficult year.

Staff numbers have remained stable with no change in actual numbers which will remain for some time.

As usual, we are backed up by the Board who give us every assistance to grow the business. Thanks to John and all the Board members.

Mike Fleming
Senior Group Manager

Secretary's report

For year ending 30 June 2020

Financial result

The Group reported a net profit before tax, sponsorships and grants of $836,682 for the year ended 30 June 2020, compared to $866,607 in the previous year. Community Bank Upwey has continued to show profits before tax, sponsorships and grants. The net loss for Community Bank Belgrave has decreased significantly during the current financial year. Community Bank Cockatoo-Gembrook has improved its results over the previous year and is now trading profitably.

The Group reported a net profit after tax of $351,953 (2019: net profit of $504,949). This is due to the increase of $205,838 in charitable grants and sponsorship over the previous year and the reduced tax expense for the year.

Financial position

The financial position of the Group continues to remain strong with total assets of $4.706 million (2019: $3.914 million) and total liabilities of $800,248 (2019: $431,891) resulting in a net equity position of $3.905 million on 30 June 2020 (2019: $3.482 million).

The cash balances and financial assets on 30 June 2020 amounted to $2.999 million (2019: $2.953 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, Mick Spruhan, the Branch Managers and all the staff for their excellent performance at Community Bank Upwey, Belgrave and Cockatoo-Gembrook.

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 2020.

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

The Directors present their report of the company for the financial year ended 30 June 2020.

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:

Directors	Details
John Spencer Waters - Chairman	Chairman, Member of Human Resources and Audit & Governance Committees. AAICD, Int. Dip. AML. Experience and expertise: Company Director, over 40 years' experience in Financial Services industry.
Deborah Jayne Weber	Deputy Chairperson; Committee Chair Human Resources Committee and member of the Audit & Governance Committee. Chartered Accountant, worked in public practice for nearly 25 years as an employee and as a sole practitioner.
Karel Leslie Coxhill	Member of Audit & Governance Committee and Business Development Committee. Licenced Real Estate Agent. Past real estate agent for 30 years, now retired; Past Lions Club Member for 8 years which involved volunteer work; Past Councillor for Shire of Sherbrooke for 3 years.
John Ronald Faull	Certificate 3 in Aged Care; Horticulturalist. 50 years' experience in CFA as a volunteer; 19 years' experience in Aged Care and Manager of Management Company operating Rhodoglades Retirement Village; Owner and Manager of Cut Flower Farm.
Shane Andrew Miller	Committee Chair - Business Development Committee.
Leslie Thomas Stevenson	Committee Chair - Audit & Governance Committee, Committee member of Human Resources Committee. B Eco FCA. Semi retired Chartered Accountant, 30 years Accounting, 24 years as a sole practitioner in a tax practice.
Jacqueline Nicole Buckland	Certificate in Small Business Practices; Bachelor Business (Human Resource Management/Arts (Phycology)(2yrs); Bachelor of Education (2 yrs); 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 (Resigned 24 Oct 2019)	Bachelor of Fine Arts; Post Graduate Certificate in Marketing (Consumer Behavior, International Marketing, Strategic Marketing & Market Research); General Assembly Course in Digital Marketing. 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 this entire year unless otherwise stated.

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

Directors' meetings

Attendances by each Director during the year were as follows:

	Board meetings		Audit Committee meetings	
Director	**A**	**B**	**A**	**B**
John Spencer Waters - Chairman	13	12	4	2
Deborah Jayne Weber	13	12	4	4
Karel Leslie Coxhill	13	11	4	4
John Ronald Faull	13	12	N/A	N/A
Shane Andrew Miller	13	13	N/A	N/A
Leslie Thomas Stevenson	13	12	4	4
Jacqueline Nicole Buckland	13	10	N/A	N/A
Helena Ella Eva Fern (Resigned 24 Oct 2019)	3	1	N/A	N/A

A - The number of meetings eligible to attend.

B - The number of meetings attended.

N/A - not a member of that committee.

Company Secretary

Naren Popat has been the Company Secretary of Dandenong Ranges Community Finance Limited since 2013. Naren's qualifications and experience include a Bachelor of Commerce and Masters of Tax and over 30 years of experience as a practising Chartered Accountant.

Principal activities

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

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

Review of operations

The profit of the company for the financial year after provision for income tax was $645,637 (2019 profit: $504,949), which is a 27.9% increase as compared with the previous year.

New Accounting Standards Implemented

The Company has implemented a new accounting standard that is applicable for the current reporting period.

AASB 16: *Leases* has been applied retrospectively using the modified cumulative approach, with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases* .

COVID-19 Impact on Operations

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary interventions to stabilise economic conditions. The company's financial position remains steady although it has been impacted by reduced foot traffic into its branches, but it has been able to maintain its opening hours and staff numbers.

The Company has determined that these events have not required any specific adjustments within the financial report. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as any impact on the financial position and results of the Company for future periods.

Dividends

A fully franked dividend of 10 cents per share was paid during the 2020 financial year for the year ended 30 June 2019. A fully franked dividend of 10 cents per share is declared to be paid in December 2020 for the 2020 financial year.

Options

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

Significant changes in the state of affairs

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

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

Indemnifying Officers or Auditor

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Proceedings on behalf of company

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

Auditor independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set at page 9 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Upwey on 07 September 2020

John Waters
Director

Auditor’s independence declaration

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Auditors Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Dandenong Ranges Community Finance Limited

In accordance with Section 307C of the *Corporations Act 2001,* I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

(i) The auditor independence requirements of 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: 8 September 2020

Financial statements

Dandenong Ranges Community Finance Limited
ABN 28 084 480 035
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2020

	Note	2020 $	2019 $
Revenue	2	3,178,603	3,288,627
Expenses			
Employee benefits expense	3	(1,609,588)	(1,627,147)
Depreciation and amortisation	3	(98,358)	(86,852)
Finance costs	3	(14,978)	-
Bad and doubtful debts expense	3	(3,069)	(2,939)
Administration and general costs		(402,595)	(450,111)
Occupancy expenses		(96,777)	(131,734)
IT expenses		(68,677)	(66,556)
Other expenses		(47,879)	(56,681)
		(2,341,921)	(2,422,020)
Operating profit before charitable donations and sponsorship		**836,682**	**866,607**
Charitable donations and sponsorship		(372,736)	(167,898)
Profit before income tax		**463,946**	**698,709**
Income tax expense	4	(111,993)	(193,760)
Profit for the year after income tax		**351,953**	**504,949**
Other comprehensive income			
Revaluation of land & building		405,082	-
Income tax on revaluation		(111,398)	-
Net other comprehensive income		293,684	-
Total comprehensive income for the year		**645,637**	**504,949**
Profit attributable to members of the company		645,637	504,949
Total comprehensive income attributable to members of the company		**645,637**	**504,949**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	19	29.06	22.72

The accompanying notes form part of these financial statements

Dandenong Ranges Community Finance Limited
ABN 28 084 480 035
Statement of Financial Position
As at 30 June 2020

	Note	2020 $	2019 $
Assets			
Current assets			
Cash and cash equivalents	5	2,478,961	2,442,389
Trade and other receivables	6	244,923	267,667
Financial assets	7	521,892	511,047
Current tax asset	4	18,424	-
Other assets	8	31,568	34,350
Total current assets		**3,295,768**	**3,255,453**
Non-current assets			
Property, plant and equipment	9	1,204,642	546,461
Intangible assets	10	205,719	53,722
Deferred tax assets	4	-	58,703
Total non-current assets		**1,410,361**	**658,886**
Total assets		**4,706,129**	**3,914,339**
Liabilities			
Current liabilities			
Trade and other payables	12	267,426	118,929
Current tax liability	4	-	128,521
Leases	13	26,703	-
Provisions	14	178,523	169,910
Total current liabilities		**472,652**	**417,360**
Non-current liabilities			
Leases	13	237,353	-
Provisions	14	18,380	14,531
Deferred tax liability	4	71,863	-
Total non-current liabilities		**327,596**	**14,531**
Total liabilities		**800,248**	**431,891**
Net assets		**3,905,881**	**3,482,448**
Equity			
Issued capital	15	701,300	701,300
Retained earnings	16	2,910,897	2,781,148
Reserves	18	293,684	-
Total equity		**3,905,881**	**3,482,448**

The accompanying notes form part of these financial statements

Dandenong Ranges Community Finance Limited
ABN 28 084 480 035
Statement of Changes in Equity
for the year ended 30 June 2020

	Note	Issued capital $	Retained earnings $	Reserves $	Total equity $
Balance at 1 July 2019		**701,300**	**2,781,148**	**-**	**3,482,448**
Comprehensive income for the year					
Profit for the year		-	351,953	-	351,953
Other comprehensive income for the year		-	-	293,684	293,684
		-	**351,953**	**293,684**	**645,637**
Transactions with owners in their capacity as owners					
Dividends paid or provided	17	-	(222,204)	-	(222,204)
Balance at 30 June 2020		701,300	2,910,897	293,684	3,905,881
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
Other comprehensive income for the year		-	-	-	-
		-	**504,949**	**-**	**504,949**
Transactions with owners in their capacity as owners					
Dividends paid or provided	17	-	(222,204)	-	(222,204)
Balance at 30 June 2019		701,300	2,781,148	-	3,482,448

The accompanying notes form part of these financial statements

Dandenong Ranges Community Finance Limited
ABN 28 084 480 035
Statement of Cash Flows
For the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts from customers		3,468,243	3,536,341
Payments to suppliers and employees		(2,880,950)	(2,823,137)
Interest paid		(14,978)	-
Interest received		33,931	53,566
Income tax paid		(239,771)	(100,516)
Net cash flows provided by operating activities	20b	**366,475**	**666,254**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		13,636	-
Purchase of property, plant and equipment		(50,223)	(18,087)
Purchase of investments		(10,846)	(11,047)
Purchase of intangible assets		(34,959)	-
Net cash flows used in investing activities		**(82,392)**	**(29,134)**
Cash flows from financing activities			
Repayment of lease liabilities		(25,307)	-
Dividends paid		(222,204)	(222,204)
Net cash flows used in financing activities		**(247,511)**	**(222,204)**
Net increase in cash held		**36,572**	**414,916**
Cash and cash equivalents at beginning of financial year		2,442,389	2,027,473
Cash and cash equivalents at end of financial year	20a	**2,478,961**	**2,442,389**

The accompanying notes form part of these financial statements

Notes to the financial statements

For year ended 30 June 2020

These financial statements and notes represent those of Dandenong Ranges Community Finance Limited (the Company) as an individual entity.

Dandenong Ranges Community Finance Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 27 August 2020.

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. The amounts presented in the financial statements have been rounded to the nearest dollar.

Economic dependency

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

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

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

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

- Advice and assistance in relation to the design, layout and fit out of the Community Bank branches;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;
- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

1. Summary of significant accounting policies (continued)

(b) Impairment of assets

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

(c) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

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

(d) Comparative figures

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

(e) Critical accounting estimates and judgements

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

Estimation of useful lives of assets

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

Fair value assessment of non-current physical assets

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

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.

1. Summary of significant accounting policies (continued)

(e) Critical accounting estimates and judgements (continued)

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 2019. 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 2019 are the relevant policies for the purposes of comparatives.

AASB 16 *Leases* became mandatorily effective on 1 January 2019. 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 16 *Leases*

AASB 16 Leases replaces AASB 117 Leases and three associated Interpretations. The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated, as permitted under the specific transition provisions in the standard.

For contracts in place at the date of initial application, as permitted under the specific transition provisions in the standard, the Company has elected to apply the definition of a lease from AASB 117 and relevant associated interpretations, and has not applied AASB 16 to arrangements that were previously not identified as a lease under AASB 117 and associated interpretations. This means that any contracts that were deemed to not contain a lease under AASB 117 have not been reassessed under AASB 16.

The Company has also elected to not include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of AASB 16, being 1 July 2019. Furthermore, at this date, the Company has elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition as allowed under the transition provisions.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of AASB 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value-assets (less than $10,000) the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under AASB 117 immediately before the date of initial application.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 5.39%

The Company has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

1. Summary of significant accounting policies (continued)

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

The following is a reconciliation of total operating lease commitments at 30 June 2019 to the lease liabilities recognised at 1 July 2019.

Total operating lease commitments disclosed at 30 June 2019	44,971
Recognition exemptions:	
• leases of low value assets	-
• leases with remaining lease terms of less than 12 months	-
Variable lease payments not recognised	-
Other minor adjustments relating to commitment disclosures	326,149
Operating lease liabilities before discounting	**371,120**
Lease liability discounted using incremental borrowing rate at date of initial application (1 July 19)	289,363

	$
Lease liability as at 1 July 2019	289,363
Represented by:	
Current lease liabilities	25,308
Non-current lease liabilities	264,055
	289,363

Adjustments recognised in the balance sheet on 1 July 2019

The recognised right-of-use assets relate to the following types of assets:

	30 June 2020	1 July 2019
	$	$
Properties	273,500	289,363
Total right-of-use assets	**273,500**	**289,363**

The change in accounting policy affected the following items in the balance sheet on 1 July 2019:

Balance sheet item	Effect	Amount
Property, plant and equipment	Increase/Decrease	289,363
Lease liabilities	Increase/Decrease	289,363

1. Summary of significant accounting policies (continued)

(g) Change in accounting policies

Accounting policy applicable from 1 July 2019

The Company as a lessee

For any new contracts entered into on or after 1 July 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net any incentives received).

The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or to the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the right-of-use assets have been included in property, plant and equipment (except those meeting the definition of investment property) and lease liabilities have been included in borrowings.

1. Summary of significant accounting policies (continued)

(g) Change in accounting policies (continued)

Accounting policy applicable before 1 July 2019
The Company as a lessee
Finance leases
Management applies judgement in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term.

For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life.

See the accounting policy note in the year-end financial statements for the depreciation methods and useful lives for assets held under finance leases. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases
All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Impact of standards issued but not yet applied by the entity

AASB 17 Insurance Contracts
AASB 17 was issued in July 2017 as replacement for AASB 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under AASB 9.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. As the company does not issue any insurance contracts or investment contracts with discretionary participation features, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

AASB 1059 Service Concession Arrangements: Grantors
The standard applies to both not-for-profit and for-profit public sector entities that are grantors in a service concession arrangement. These are arrangements that involve an operator providing public services related to a service concession asset on behalf of a public sector entity for a specified period of time and managing at least some of those services.

As the company is not a grantor in a service concession arrangement, the directors have determined this standard will not affect the company when adopted.

The company does not intend to adopt the standard before its effective date.

2. Revenue

	2020 $	2019 $
Revenue		
- service commissions	3,047,712	3,208,758
	3,047,712	3,208,758
Other revenue		
- interest received	33,931	53,566
- other revenue	96,960	26,303
	130,891	79,869
Total revenue	**3,178,603**	**3,288,627**

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.

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

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. The core banking products, as at the end of the financial year included: Deposits & Loans

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.

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.

3. Expenses

	2020 $	2019 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	1,403,036	1,360,510
- superannuation costs	127,320	128,839
- other costs	79,232	137,798
	1,609,588	1,627,147
Depreciation and amortisation		
Depreciation		
- buildings	10,417	10,267
- leasehold improvements	4,093	4,093
- office furniture and fittings	15,330	24,195
- motor vehicles	6,750	7,824
- lease (AASB 16)	31,640	-
	68,230	46,379

3. Expenses (continued)

	2020 $	2019 $
Amortisation		
- franchise fees	30,128	40,473
	30,128	40,473
Total depreciation and amortisation	98,358	86,852
Finance costs		
- Interest paid	14,978	-
Bad and doubtful debts expenses	3,069	2,939
(Gain) / Loss on disposal of property, plant and equipment	4,621	1,823
Auditors' remuneration		
Remuneration of the Auditor, RSD Audit, for:		
- Audit or review of the financial report	6,150	5,850
	6,150	5,850

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

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.

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 & Staright line
Motor vehicles	25%	Diminishing value
Franchise Fee	20%	Straight line
Right-of-Use Assets	5% - 20%	Straight line

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

Gains/losses upon disposal of non-current assets

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

4. Income tax

	2020	2019
	$	$
a. The components of tax expense comprise:		
Current tax expense	92,825	200,960
Deferred tax expense	19,168	(7,200)
	111,993	193,760
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% (2019: 27.5%)	127,585	192,145
Add tax effect of:		
- Non-deductible expenses	1,672	1,615
- Non-assessable income	(17,264)	-
Income tax attributable to the entity	111,993	193,760
The applicable weighted average effective tax rate is:	-24.14%	-27.73%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	128,521	28,077
Income tax paid	(239,770)	(100,516)
Current tax	92,825	200,960
Under / (over) provision prior years	-	-
	(18,424)	128,521
d. Deferred tax Asset / liability		
Deferred tax relates to the following:		
Deferred tax assets comprise:		
Right of Use assets and lease liabilities from AASB 16	1,741	-
Property, plant & equipment	-	9,231
Accruals	11,866	7,716
Employee provisions	54,149	50,721
	67,756	**67,668**
Deferred tax liabilities comprise:		
Accrued income	4,578	3,388
Property, plant & equipment	122,222	5,577
Prepayments	12,818	-
	139,618	8,965
Net deferred tax asset / liability	(71,863)	58,703
e. Deferred income tax included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	(88)	(9,413)
Increase in deferred tax liabilities	(130,653)	2,213
	(130,741)	(7,200)

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

4. Income tax (continued)

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. 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.

A deferred tax liability shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:
- the initial recognition of goodwill; and
- the initial recognition of an asset or liability in a transaction which:
    • is not a business combination; and
    • at the time of the transaction, affects nether accounting profit nor taxable profit (tax loss).

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.

Current tax assets and liabilities are offset where a legally enforceable right of off-set exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (i) a legally enforceable right of set-off exists; and (ii) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity.

5. Cash and cash equivalents

	2020	**2019**
	$	**$**
Cash at bank and on hand	2,478,961	2,442,389
	2,478,961	**2,442,389**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

The effective interest rate on the bank deposit was 1.35% (2019: 2.4%). This deposit has a term of 6 months, maturing on 30 September 2020.

6. Trade and other receivables

	2020	**2019**
	$	**$**
Current		
Trade receivables	244,923	267,667
	244,923	**267,667**

Trade and other receivables are initially measured at the transaction price. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

The Company's main debtor relates to the Bendigo & Adelaide Bank monthly profit share distribution, which is deposited 14 days post month end, there is no items that require the application of the lifetime expected credit loss model.

6. Trade and other receivables (continued)

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 Company always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current and forecast directions of conditions at the reporting date.

There has been change in the estimation techniques or significant assumptions made during the current reporting period.

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	
2020	**$**	**$**	**$**	**$**	**$**	**$**
Trade receivables	244,923	244,923	-	-	-	-
Total	**244,923**	**244,923**	**-**	**-**	**-**	**-**
2019						
Trade receivables	267,667	267,667	-	-	-	-
Total	**267,667**	**267,667**	**-**	**-**	**-**	**-**

7. Financial assets

	2020 $	2019 $
Amortised cost		
Term deposits	521,892	511,047
	521,892	511,047

The effective interest rate on the bank deposit was 1.35% (2019: 2.4%). This deposit has a term of 6 months, maturing on 30 September 2020.

(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 asset
- 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):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- 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.

7. **Financial assets (continued)**

(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.

(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.

8. **Other assets**

	2020 $	2019 $
Prepayments	14,920	20,278
Other	16,648	14,072
	31,568	**34,350**

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.

9. Property, plant and equipment

	2020 $ At cost/Value	2020 $ Accumulated depreciation	2020 $ Written down value	2019 $ At cost	2019 $ Accumulated depreciation	2019 $ Written down value
Land - at fair value	541,991	-	541,991	136,909	-	136,909
Buildings - at fair value	416,696	(143,868)	272,828	416,696	(133,450)	283,246
Leasehold improvements - at cost	76,646	(54,745)	21,901	76,646	(50,653)	25,993
Office furniture and fittings - at cost	902,149	(836,251)	65,898	897,768	(820,922)	76,846
Motor vehicles - at cost	45,842	(1,541)	44,301	40,606	(17,139)	23,467
Right-of- use Assets	289,363	(31,640)	257,723	-	-	-
Total property, plant and equipment	**2,272,687**	**(1,068,045)**	**1,204,642**	**1,568,625**	**(1,022,164)**	**546,461**

Land and buildings

Freehold land and buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less accumulated depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the Directors conduct Director's valuations to ensure the land and buildings' carrying amount is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

Plant and equipment

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

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

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.

Leased assets
As described in Note 1(h), the Company has applied AASB 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under AASB 17.

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 2020 (2019: None)

(b) Movements in carrying amounts of PP&E

2020	Land $	Buildings $	Leasehold Improvements $	Office Furniture & Fittings $	Motor Vehicles $	Right-of-Use Assets $	Total $
Opening carrying value	136,909	283,246	25,993	76,846	23,467	-	546,461
Adjustment for adoption of AASB 16	-	-	-	-	-	289,363	289,363
Restated opening net book amount	136,909	283,246	25,993	76,846	23,467	289,363	835,824
Additions	-	-	-	4,382	45,841	-	50,223
Disposals	-	-	-	-	(18,257)	-	(18,257)
Revaluations	405,082	-	-	-	-	-	405,082
Depreciation	-	(10,417)	(4,093)	(15,330)	(6,750)	(31,640)	(68,230)
Closing carrying value	**541,991**	**272,829**	**21,900**	**65,898**	**44,301**	**257,723**	**1,204,642**

9. Property, plant and equipment (continued)

(b) Movements in carrying amounts of PP&E (continued)

2019	Land $	Buildings $	Leasehold Improvements $	Office Furniture & Fittings $	Motor Vehicles $	Right-of-Use Assets $	Total $
Opening carrying value	136,909	283,776	30,082	94,509	31,300	-	576,576
Additions	-	9,740	-	8,347	-	-	18,087
Disposals	-	(3)	4	(1,815)	(9)	-	(1,823)
Transfers	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-
Depreciation	-	(10,267)	(4,093)	(24,195)	(7,824)		(46,379)
Closing carrying value	**136,909**	**283,246**	**25,993**	**76,846**	**23,467**		**546,461**

Included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	2020 $
Properties	257,723
Total right-of-use assets	**257,723**

(c) Historical cost

If land and buildings were stated at historical cost, amounts would be as follows:

	2019 $	2020 $
Cost	553,605	553,605
Accumulated Depreciation	(133,450)	(143,868)
Net book value	420,155	409,737

(d) Right of use assets

The Company's lease portfolio includes buildings.

Options to extend or terminate

The option to extend or terminate are contained in the property leases of the Company. All extension or termination options are only exercisable by the Company. The extension options or termination options which were probable to be exercised have been included in the calculation of the Right of use asset.

9. Property, plant and equipment (continued)

(d) Right of use assets (continued)

(i) AASB 16 related amounts recognised in the statement of financial position

	Leased Building $	Total Right of use asset $
Leased Asset	289,363	289,363
Accumulated depreciation	(31,640)	(31,640)
	257,723	**257,723**

Movements in carrying amounts:

	Leased Building $	Total Right of use asset $
Recognised on initial application of AASB 16		
- previously classified as operating leases	289,363	289,363
- transferred from property, plant & equipment	-	-
Additions	-	-
Depreciation expense	(31,640)	(31,640)
Net carrying amount	**257,723**	**257,723**

(ii) AASB 16 related amounts recognised in the statement of profit or loss

	2020 $
Depreciation charge related to right-of-use assets	**31,640**
Interest expense on lease liabilities	**14,978**
Total cash outflows for leases	**25,307**

10. Intangible assets

	2020 $ At cost	2020 $ Accumulated amortisation	2020 $ Written down value	2019 $ At cost	2019 $ Accumulated amortisation	2019 $ Written down value
Franchise fees	316,431	(110,712)	205,719	202,362	(148,640)	53,722
Total intangible assets	**316,431**	**(110,712)**	**205,719**	**202,362**	**(148,640)**	**53,722**

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.

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

Movements in carrying amounts

2020	Opening written down value $	Additions $	Amortisation $	Closing written down value $
Franchise fees	53,722	182,125	(30,128)	205,719
Total intangible assets	**53,722**	**182,125**	**(30,128)**	**205,719**

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

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. Where available, quoted prices in an active market are used to determine fair value. 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.

A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

12. Trade and other payables

	2020 $	2019 $
Current		
Unsecured liabilities:		
Trade creditors	5,394	5,094
Other creditors and accruals	262,032	113,835
	267,426	**118,929**

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.

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

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

13. Leases

	2020 $	2019 $
Current		
Property Leases	26,703	-
	26,703	-
Non-current		
Property Leases	237,353	-
	237,353	-
Total leases	**264,056**	-

The Company has leases for properties. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as a lease payments based on a percentage of Group sales) are excluded from the initial measurement of the lease liability and asset. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 9)

13. Leases (continued)

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying asset outright at the end of the lease, or to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must insure items of property, plant & equipment and incur maintenance fees on such items in accordance with the lease contracts.

There is no lease liabilities secured by the related underlying assets. Future minimum lease payments at 30 June 2020 were NIL.

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognised as lease liabilities and are expensed as incurred.

The expense relating to payments not included in the measurement of the lease liability is NIL

At 30 June 2020, the Company was not committed to short-term leases.

Variable lease payments expensed on the basis that they are not recognised as a lease liability include rentals based on revenue from the use of the underlying asset and excess use charges on office equipment. Variable payment terms are used for a variety of reasons, including minimising costs for IT equipment with infrequent use. Variable lease payments are expensed in the period they are incurred.

Total cash outflows for leases for the year ended 30 June 2020 was $ 25,307 (2019: NIL).

Additional information on the right-of-use assets by class of assets is as follows:

	Carrying amount (Note 9)	Depreciation Expense	Impairment
Property Leases	257,723	(31,640)	-
	257,723	**(31,640)**	-

14. Provisions

	2020 $	2019 $
Current		
Employee benefits	178,523	169,910
Non-current		
Employee benefits	18,380	14,531
Total provisions	**196,903**	**184,441**

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

14. Provisions (continued)

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

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

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.

15. Share capital

	2020 $	2019 $
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.

(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.

15. Share capital (continued)

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.

16. Retained earnings

	2020 $	2019 $
Balance at the beginning of the reporting period	2,781,148	2,498,403
Profit for the year after income tax	351,953	504,949
Dividends paid	(222,204)	(222,204)
Balance at the end of the reporting period	**2,910,897**	**2,781,148**

17. Dividends paid or provided for on ordinary shares

	2020 $	2019 $
Dividends paid or provided for during the year		
Interim and/or final fully franked ordinary dividend of 10 cents per share (2019:10 cents) franked at the tax rate of 27.5% (2019: 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.

18. Reserves

	2020 $	2019 $
Asset revaluation reserve		
Balance at the beginning of the reporting period	-	-
Fair value movements during the period	293,684	-
Balance at the end of the reporting period	**293,684**	**-**

The reserves represent undistributable gains recognised on the revaluation of non-current assets.

19. Earnings per share

	2020 $	2019 $
Basic earnings per share (cents)	29.06	22.72
Earnings used in calculating basic earnings per share	645,637	504,949
Weighted average number of ordinary shares used in calculating basic earnings per share	2,222,039	2,222,039

19. Earnings per share (continued)

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.

20. Statement of cash flows

	2020 $	2019 $
(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)	2,478,961	2,442,389
As per the Statement of Cash Flow	**2,478,961**	**2,442,389**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit for the year after income tax	351,953	504,949
Non-cash flows in profit		
- Depreciation and amortisation	98,358	86,852
- Bad debts	3,069	-
- Net loss on disposal of property, plant & equipment	4,621	1,823
- Tax on revaluation of land & buildings	(111,398)	
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	19,675	(16,034)
- (increase) / decrease in prepayments and other assets	2,782	(8,084)
- (Increase) / decrease in deferred tax asset	130,566	(7,200)
- Increase / (decrease) in trade and other payables	1,331	(25,959)
- Increase / (decrease) in current tax liability	(146,945)	100,444
- Increase / (decrease) in provisions	12,463	29,463
Net cash flows from operating activities	**366,475**	**666,254**

21. 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.

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

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

Name of related party	Description of goods / services provided	Value $
John Spencer Waters (Grange Risk Pty Ltd)	Administration Fee	10,000

The Dandenong Ranges Community Finance Limited have not accepted the Bendigo and Adelaide Bank Limited's Community Bank Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch.

(c) 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:

	2020	2019
John Spencer Waters - Chairman	-	-
Deborah Jayne Weber	-	-
Karel Leslie Coxhill	51,435	51,435
Peter Gordon Marke (Resigned 22/11/2018)	-	112,255
John Ronald Faull	-	-
Shane Andrew Miller	-	-
Leslie Thomas Stevenson	5,000	5,000
Jacqueline Nicole Buckland	-	-
	56,435	168,690

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

(d) Other key management transactions

There has been no other transactions key management or related parties other than those described above.

22. Community Enterprise Foundation™

The Community Enterprise Foundation™ (CEF) is the philanthropic arm of the Bendigo and Adelaide Bank Group to which Community Bank branches can make financial contributions. These contributions made by the company are included in the charitable donations and sponsorship expenditure in the Statement of Profit or Loss and Other Comprehensive Income.

During the current financial year, the company contributed funds to the Community Enterprise Foundation™ (CEF), as detailed below. These funds are held in trust by the CEF on behalf of the company and are available for distribution by grants to eligible applicants.

	2020 $	2019 $
Opening Balance	20,126	19,728
Contributions	275,000	
Grants Paid	(280,000)	
Interest	416	398
GST	-	
Management fees	(12,499)	-
Balance available for distribution in future periods	**3,043**	**20,126**

23. Events after the reporting period

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

24. Contingent liabilities and contingent assets

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

25. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in three area being Upwey, Belgrave and Cockatoo, VIC. The company has a franchise agreement in place with Bendigo and Adelaide Bank Limited who account for 96% of the revenue (2019: 98%).

26. Commitments

(a) Operating lease commitments

	2020 $	2019 $
Payable:		
- no later than 12 months	-	44,971
- between 12 months and five years	-	-
- greater than five years	-	-
Minimum lease payments	-	44,971

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.
The property lease is non-cancellable lease with a 5 - 15 year term, with rent payable monthly in advance and with CPI increase each year.

27. Company details

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

28. 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	2020 $	2019 $
Financial assets			
Financial assets at amortised cost:			
- Cash and cash equivalents	5	2,478,961	2,442,389
- Trade and other receivables	6	244,923	267,667
- Financial assets	7	521,892	511,047
		3,245,776	3,221,103
Total financial assets		**3,245,776**	**3,221,103**
Financial liabilities			
Financial liabilities at amortised cost:			
- Trade and other payables	12	267,426	118,929
- Lease Liabilities	13	264,056	-
Total financial liabilities		**531,482**	**118,929**

(a) Credit risk

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

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

Credit risk exposures

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

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

Trade and other receivables that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 6.

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.

28. Financial instrument risk (continued)

(b) Liquidity risk

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

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

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

Financial liability and financial asset maturity analysis:

30 June 2020	**Weighted average interest rate %**	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial assets					
- Cash and cash equivalents	0.73%	2,478,961	2,478,961	-	-
- Trade and other receivables		244,923	244,923	-	-
- Financial assets	1.35%	521,892	521,892	-	-
Total anticipated inflows		6,491,552	3,245,776	-	-
Financial liabilities					
- Trade and other payables		267,426	267,426	-	-
- Lease Liabilities		264,056	26,703	237,353	
Total expected outflows		531,482	294,129	237,353	-
Net inflow / (outflow) on financial instruments		**5,960,070**	**2,951,647**	**(237,353)**	**-**

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	-	-
- Lease Liabilities		-	-	-	-
Total expected outflows		118,929	118,929	-	-
Net inflow / (outflow) on financial instruments		**3,102,174**	**3,102,174**	**-**	**-**

28. 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.

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 a 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 and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

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

	2020		2019	
	Profit	Equity	Profit	Equity
	$	$	$	$
+/- 1% in interest rates (interest income)	24,790	24,790	24,424	24,424
	24,790	24,790	24,424	24,424

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

29. Fair value measurements

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

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

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

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

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

The company measures and recognises the following assets at fair value on a recurring basis after initial recognition:

- freehold land and buildings
- listed investments

The company does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair value hierarchy

AASB 13: *Fair value measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1 - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Measurements based on unobservable inputs for the asset or liability.

Fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

29. Fair value measurements (continued)

(a) Fair value hierarchy (continued)

The following tables provide the fair values of the company's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	30 June 2020			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Non-financial assets				
Freehold land Buildings	-	541,991	-	541,991
Total non-financial assets recognised at fair value	-	541,991	-	541,991

	30 June 2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Recurring fair value measurements				
Non-financial assets				
Freehold land Buildings	-	-	-	-
Total non-financial assets recognised at fair value	-	-	-	-

There were no transfers between Levels for assets measured at fair value on a recurring basis during the reporting period (2019: no transfers).

(b) Valuation techniques

The company selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the company are consistent with one or more of the following valuation approaches:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the company gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

29. Fair value measurements (continued)

Valuation techniques and inputs used to measure Level 2 fair values

Description	Fair value at 30 June 2020 $	Description of valuation techniques	Inputs used
Land & Buildings - 30-32 Main Street Upwey	541,991	Market approach	Market Rent, Capital Adjustments

The fair value of freehold land and buildings is determined at least every three years based on valuations by an independent valuer. At the end of each intervening period, the Directors review the independent valuation and, when appropriate, update the fair value measurement to reflect current market conditions using a range of valuation techniques, including recent observable market data and discounted cash flow methodologies.

There were no changes during the period in the valuation techniques used by the company to determine Level 2 fair values.

(c) Reconciliation of recurring Level 2 Fair value measurements

Level 2	Freehold land Buildings $
Balance at the beginning of the year	420,155
Additions during the year	-
Gains/(losses) recognised in equity during the year	405,082
Settlements during the year	-
Balance at the end of the year	825,237

Directors' declaration

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

1. The financial statements and notes, as set out on pages 10 to 45 are in accordance with the Corporations Act 2001 and:

    (i) comply with Australian Accounting Standards which, as stated in accounting policy Note 1 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 2020 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 07 September 2020.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF Dandenong Ranges Community Finance Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Dandenong Ranges Community Finance Limited (the Company), which comprises the statement of financial position as at 30 June 2020, 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 other explanatory information, and the directors' declaration.

In our opinion the accompanying 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 2020 and of its performance for the year then ended; and

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

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 Company 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 Company 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 for the Audit of the Financial Report

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.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

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 2020, 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. In connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD Audit
Chartered Accountants

Kathie Teasdale

Partner
Bendigo
Dated: 8 September 2020

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