

North Ryde Community Finance Limited

Financial Statements

as at

30 June 2016

Chairman's Report FY2015/16

North Ryde Community Finance Limited has had another year of adjustment to an ever-changing banking environment. All in all, we have had a successful year; our financial results show a decrease in Total Revenues and a reduced Profit (after tax). Our customer base is supportive and we have engaged in pleasing community support.

Financial results summary (AUD \$'000)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Revenue	1,022	940	835	840
Profit (after tax)	303	211	174	139
Cash held	1,303	1,346	1,395	1,397
Net Assets	1,609	1,735	1,824	1,879
Total Equity	1,609	1,735	1,824	1,879
<hr/>				
Earnings per share (cents)	28.66	19.91	16.46	13.12
Net Tangible Asset Backing per Share (\$)	1.50	1.70	1.64	1.85
Dividend per Share (fully franked- cents)	8.0	8.0	8.0	**

** Not declared at the time of this report

It should be noted our income is affected by the changes in the market value of our equity portfolio. This year the folio value is \$364,133.67 (still over the purchase prices), which is \$67,161.55 below the value at the end of June 2016. During the year our portfolio brought is \$16,464.62 in fully franked dividends.

The continued impact of 'Restoring the Balance' by the franchisor, together with impact of low interest rates, has continued to make changes to our earnings. As yet we have not changed to the Funds Transfer (FTP) and the branch is continuing to operate on the profit share model on which we have operated since the opening of the Franchise. By our calculations we would not be significantly disadvantaged, however the Board has decided not to change at this time.

Remuneration report

This report is a requirement of Corporation Law and reporting to ASIC to annual accounts of a listed company. This report is outlined in the financial statements. As no Director or Secretary received payment, no disclosure is required.

Dividend announcement

As usual at the October meeting of the Board this will be discussed and a decision made. It will be announced on the National Stock Exchange soon after and be paid in the first half of December.

National Stock Exchange

North Ryde Community Finance Limited has been listed on the NSX since the opening of the branch. With the extremely low volume of shares traded and the cost to both the branch and the cost to shareholders when selling the Board is examining if this is the correct way to operate.

Annual General Meeting

This meeting will be held on Wednesday 16 November at 10:00am. As in previous years, the venue is the Holy Spirit School Hall in Coxs Road North Ryde. Shareholders will receive information in a mail out relating to the formal notes, statutory accounts and proxy forms.

As in previous years shareholders may vote electronically, by proxy or at the meeting. The electronic vote will again be conducted by Elections Australia.

Our Directors

I would like to thank each of our Directors for their time and diligence throughout the year. The position is entirely voluntary as you have seen earlier in this report and no payment is made to them.

However, the time Directors are now giving has increased remarkably over the past few years. You will see a proposal to be put to shareholders to allow a pool to be paid to Directors. Directors would not be eligible to receive this until they have served on the Board for three consecutive years. This pool would be limited to a maximum of \$25,000 and not to exceed 15% of profit before tax.

AFS & Associates


North Ryde Community Finance Limited engages AFS to conduct our audits. We are audited as at 31 December 2016 and 30 June 2016. This ensures our accounts are checked every six months. They report to ASIC on our behalf and by providing half year and final reports to the NSX. These can be found, with any announcements at www.nsx.com.au. The code to look up on the NSX is NRC.

AFS also provide a service to handle our share registry. This relieves the staff of keeping shareholder data at the branch.

Every year we have some dividends held at AFS in their trust account despite efforts by AFS and North Ryde staff we do not have current address details (or bank details) for some shareholders. Please ensure you details are correct to avoid your dividends being lost.

If you have any queries with your shareholding please contact Rose Abbott at AFS on (03) 5443 0344 or by email on r.abbott@afsbendigo.com.au.

We would like to thank AFS for their support and advice throughout the year.



Chairman / Treasurer
North Ryde Financial Services Limited

General Manager's Report

It is hard to believe that another year has passed, and that we have now completed our 11th year of operation. This year we experienced the usual challenges that are associated with a low interest rate environment and mounting competition from the 'big banks' on interest rates.

Our underlying business performance is still positive, with new accounts and consumer loan activity still growing year on year. Our overall business grew by \$9,584 million with deposit growth a solid \$5,572 million, lending growth at \$2,231 million and other business growth of \$1,781 million. This shows that demand for Bendigo Bank's products and services in our local community remains strong and is a reflection of the continued efforts of both the staff and Board of Directors.

Community Engagement

We have again been able to share our success with the local community. This year your **Community Bank**[®] branch has supported several local organisations, sporting clubs, with major financial support being provided to:

- North Ryde Rotary (Christmas Carols)
- Ryde Hunters Hill Symphony Orchestra
- North Ryde Community Aid
- Ryde Rugby
- Ryde Saints United Soccer
- Ryde Hawks Junior Rugby League
- North Ryde Public School
- Kent Rd Public School
- Eastwood Ryde Netball Association (ERNA)
- Light Up East Ryde
- Ryde Hawks Touch Football

Demand for our support continues to grow and we are very proud that we are able to support a diverse range of local organisations.

Staff

The key to success for any business is it's people, and the contribution from our staff is nothing short of outstanding. I would like to thank Gina, Jodi, Alison and Lorraine for their hard work over the year. The service the team provides is second to none, and our customers appreciate the familiar faces when the call into the branch.

I would also like to thank all our Directors, who give their time on a voluntary basis to ensure that the business is run in a professional and prudent manner. Their contribution to the success of our business should not be underestimated.

Our Commitment to Service

Our service proposition and community engagement remain our major points of difference to our competitors. The ability to continue to provide face-to-face banking services is appreciated by all those we service in our community. The **Community Bank**[®] concept ensures that we can run a profitable business and provide banking services which not only benefit our shareholders, but the community at large. Our profits are shared locally by our 300 plus shareholders and several local organisations. We would encourage all of you to be a part of your **Community Bank**[®] branch and appreciate the great service we provide.

We continue to encourage all our shareholders who do not currently have business with us consider Bendigo Bank for their banking, investment, lending and insurance needs. Our business will only remain strong with your support.



Pat Italiano
October 2016

Company Secretary's report FY 2015-16

Dear Shareholders,

It is with great pleasure that I provide the following Secretary's report for the financial year 2015/16. As you are aware, the Company Secretary is responsible for the overall governance of the company and also for the compliance reporting to the relevant bodies such as ASIC (Australian Securities and Investment Commission). All necessary reports and returns have been made to ensure full corporate compliance has been maintained for North Ryde Community Finance Limited (NRCFL).

National Stock Exchange

Trades on the NSX this year have been made at values up to \$1.18 per security showing a significant premium to the original issue price.

Your Directors have held 11 general meetings this year on a monthly basis commencing at 7.00am, the venue being our registered office at NRCFL, Cox's Road, North Ryde. No extraordinary meetings have been held as the Company's business has been adequately dealt with at the monthly Directors' meetings.

Share registry

AFS & Associates continue to maintain the share register of our Company and provide new share certificates as required.

Trading shares in North Ryde Community Finance Ltd

In order to trade shares, shareholders will need to contact brokers that are approved/registered with the National Stock Exchange. Once you are registered. It is a relatively easy matter to sell or buy shares on the National Stock Exchange.

An Important Request

Please, please, if you have changed your mailing address or if you are the beneficiary of a deceased estate, will you please notify our General Manager, Pasquale Italiano at Bendigo North Ryde Community Bank, PO Box 6238, North Ryde NSW 2113. Pasquale will then make arrangements with our Auditors and Share Registry that will enable your dividend cheques to be delivered promptly.

At present, an amount in excess of \$4,500 in unclaimed dividends is being held at the Auditor's office. Should we be unable to trace the beneficiaries of these cheques, the proceeds will go into consolidated revenue.



Pat Perrin

October 2016

North Ryde Community Finance Limited
ABN 74 112 673 506
Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Anthony Harold Wise

Chairman

Occupation: Consultant

Qualifications, experience and expertise: Diploma Commerce, Justice of the Peace.

Special responsibilities: Treasurer; Audit, Remuneration, Franchise Renewal.

Interest in shares: 5,000

Robert John Talbot

Deputy Chairman

Occupation: Property Consultant

Qualifications, experience and expertise: Background in wool broking/agriculture. Since 2000 has run own property consulting business servicing the commercial and industrial property market.

Special Responsibilities: Property and Marketing Committee

Interests in shares: 26,000

Helen Patricia Perrin

Secretary

Occupation: Retired Health Care Professional

Qualifications, experience and expertise: Board member of New Horizons Enterprises, North Ryde Community Aid and Holy Spirit Church.

Strong involvement in local community associations including North Ryde Rotary Club.

Special Responsibilities: Nil

Interests in shares: 48,752

Phillip Warren Perrin ("Steve")

Director

Occupation: Retired Developer/Company Director

Qualifications, experience and expertise: Local resident for over 25 years. Lifetime experience in the building and construction industry. Past President of North Ryde Rotary Club, NSW Chairman of ROMAC and Ryde Citizen of the year 2002.

Special Responsibilities: Marketing Committee

Interests in shares: 48,752

Thomas Gordon MacAulay

Director

Occupation: Economist

Qualifications, experience and expertise: Experience on Boards, Councils and an Authority; Deputy Chair Greening Aust. Ltd. (NSW), Council of Research Institute for Asia and the Pacific, University of Sydney; Deputy Chair of the Wheat Export Authority; Emeritus Professor of Agricultural Economics, University Degrees; BAgricSc, MAgricSc, PhD.

Former directorships in last 3 years: Greening Australia NSW Ltd

Special Responsibilities: Member of Development Committee

Interests in shares: 1,000

Darryl Geoffrey Tutton

Director

Occupation: Retired

Qualifications, experience and expertise: Insurance Officer for many years with 2 companies. Licensed Real Estate agent in Family Business for 20 years. NSW Justice of the Peace since 1970. Life Member of the North Sydney Bowling Club and was a committee member for 5 years and President for 3 years. Volunteer work at Monte Fiore Jewich Home and Hunters Hill Public School.

Special responsibilities: Marketing Committee

Interest in shares: 7000

North Ryde Community Finance Limited
ABN 74 112 673 506
Directors' Report

Directors (continued)

Ivan John Petch

Director (Resigned 17 November 2015)

Occupation: Retired

Qualifications, experience and expertise: Mayor. Long career in Local and State politics. Strong involvement in Lions Club, Red Cross and Legacy. Honorary member North Ryde Rotary and ROMAC patron.

Special Responsibilities: Nil

Interests in shares: 1,001

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

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

Company Secretary

The company secretary is Mrs Helen Patricia Perrin. Pat was appointed to the position of secretary on 27 January 2005. Pat is now retired after a career in Health Care Professional Management. She is also a Board Member of New Horizons Enterprises, a well known health facility in the Ryde area. She has been involved in a number of community associations, including North Ryde Rotary Club.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to

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

Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2016	Year ended 30 June 2015
\$	\$
138,883	174,222

Operating and financial review

Operating

North Ryde Community Finance Ltd (NRCF) is a banking franchise of Bendigo & Adelaide Bank Ltd (BABL). The banking licence is held by Bendigo & Adelaide Bank and NRCF operate within a franchise agreement framework established by BABL. This agreement is for a term of 60 months, after which the agreement has to be resigned. The company's operations are localised to the North Ryde precinct in Sydney and neighbouring suburbs. NRCF was established in May 2005 and has developed a strong presence in providing a full range of banking services over the ensuing years.

NRCF operates from rented premises, Shop 14, 203-213 Cox's Road, North Ryde and has street frontage at Cox's Road Mall. This is the registered office of NRCF.

The business is subject to the operations of a profit sharing model with BABL. This model forms a part of the Franchise Agreement and has been recently reviewed and the profit sharing has been "rebalanced" twice over the past 24 months in favour of BABL to achieve an equitable split in revenues between the franchisor and NRCF.

NRCF has two full-time and three part-time staff. Some staff are secondees from BABL and are located with the community bank.

As a community bank, NRCF discharges its responsibilities to Australian society by paying taxes on profits, to shareholders by paying dividends and to the local community in terms of providing support and improving facilities and generally increasing social capital within the community.

North Ryde Community Finance Limited
ABN 74 112 673 506
Directors' Report

Operating and financial review (continued)

Financial

NRCF is in a strong financial position. This is evidenced by the cash position of the business, now exceeding the original par value of each security. This is also reflected in the track record of profitability and the favourable EBITs reported in recent years, including the current period.

A relatively minor proportion of the balance sheet is allocated to equity investments (predominantly blue chip stocks). These investments have provided good returns and a strong contribution to the overall cash reserves of the company.

The Board's policy has been to build a strong, stable and sustained financial position to insulate the Company from future external shocks.

Discussion of Business Strategies

NRCF is committed to first class customer service and to developing long term customer relationships. To achieve this, our key strategy has been to employ and retain first class staff and further, the Company is committed to continued training of our staff.

Your Board is committed to building a wider and more inclusive footprint in our local areas to secure our future business. This includes improving our communication and community engagement into the future and to continue to encourage shareholders to provide a greater proportion of their banking business with NRCF.

Prospects for Future Years

Your Board is confident that the Community Bank has achieved a solid platform from which to conduct and expand its business within our local communities in future years. The business has a number of key dependencies as a franchisee of a relatively significant bank in Bendigo Bank. The franchise system has now been in operation for a period of 15 years and has operated with good success over this period with approximately 300 community banks established.

However, your Board is conscious that we operate on a rolling five year franchise agreement within which we are subject to the profit share model which has, and continues to be, under review.

The business operates in rented premises with a five year lease term and an option for a further five years. Longer term, your Board is considering the strategic significance of acquiring our own premises should that be possible.

Remuneration report

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Directors' shareholdings

Harold Anthony Wise
 Robert John Talbot
 Helen Patricia Perrin
 Phillip Warren Perrin ("Steve")
 Thomas Gordon MacAulay
 Darryl Geoffrey Tutton
 Ivan John Petch (*Resigned 17 November 2015*)

	Balance at start of the year	Changes during the year	Balance at end of the year
Harold Anthony Wise	5,000	-	5,000
Robert John Talbot	26,000	-	26,000
Helen Patricia Perrin	48,752	-	48,752
Phillip Warren Perrin ("Steve")	48,752	-	48,752
Thomas Gordon MacAulay	1,000	-	1,000
Darryl Geoffrey Tutton	7,000	-	7,000
Ivan John Petch (<i>Resigned 17 November 2015</i>)	1,001	-	1,001

Dividends

Dividends paid in the year

Year ended 30 June 2016	
Cents	\$
8	84,701

North Ryde Community Finance Limited
ABN 74 112 673 506
Directors' Report

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings	
	<i>Eligible</i>	Attended
Robert John Talbot	11	<i>Attended</i> 9
Harold Anthony Wise	11	10
Helen Patricia Perrin	11	10
Phillip Warren Perrin ("Steve")	11	10
Thomas Gordon MacAulay	11	11
Darryl Geoffrey Tutton	11	10
Ivan John Petch (<i>Resigned 17 November 2015</i>)	4	3

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to 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 part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

North Ryde Community Finance Limited
ABN 74 112 673 506
Directors' Report

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

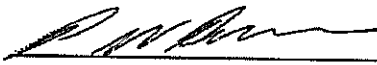
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Signed in accordance with a resolution of the board of directors at North Ryde, New South Wales on 4 September 2016.



Phillip Warren Perrin (Director)

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of North Ryde Community Finance Limited

As lead auditor for the audit of North Ryde Community Finance Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 4 September 2016



David Hutchings
Lead Auditor

North Ryde Community Finance Limited
ABN 74 112 673 506
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	4	839,867	835,107
Employee benefits expense		(335,466)	(351,140)
Charitable donations, sponsorship, advertising and promotion		(27,881)	(33,571)
Occupancy and associated costs		(101,014)	(96,659)
Systems costs		(16,089)	(16,001)
Depreciation and amortisation expense	5	(24,681)	(24,455)
General administration expenses		(141,732)	(75,277)
Profit before income tax expense		193,004	238,004
Income tax expense	6	(54,121)	(63,782)
Profit after income tax expense		138,883	174,222
Total comprehensive income for the year		138,883	174,222
Earnings per share for profit attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	23	13.12	16.46

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited
ABN 74 112 673 506
Balance Sheet
as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,397,232	1,394,948
Financial Assets	8	373,434	258,956
Trade and other receivables	9	90,983	67,426
Current tax asset	12	-	16,433
Total Current Assets		<u>1,861,649</u>	<u>1,737,763</u>
Non-Current Assets			
Property, plant and equipment	10	145,805	153,274
Intangible assets	11	54,444	68,056
Total Non-Current Assets		<u>200,249</u>	<u>221,330</u>
Total Assets		<u>2,061,898</u>	<u>1,959,093</u>
LIABILITIES			
Current Liabilities			
Current tax liability	12	58,582	-
Trade and other payables	13	99,948	92,247
Provisions	14	12,606	18,017
Total Current Liabilities		<u>171,136</u>	<u>110,264</u>
Non-Current Liabilities			
Provisions	14	2,666	4,590
Deferred tax liabilities	12	9,565	19,890
Total Non-Current Liabilities		<u>12,231</u>	<u>24,480</u>
Total Liabilities		<u>183,367</u>	<u>134,744</u>
Net Assets		<u>1,878,531</u>	<u>1,824,349</u>
Equity			
Issued capital	15	1,012,038	1,012,038
Retained earnings	16	866,493	812,311
Total Equity		<u>1,878,531</u>	<u>1,824,349</u>

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited
ABN 74 112 673 506
Statement of Changes in Equity
for the year ended 30 June 2016

	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2014	<u>1,012,038</u>	<u>722,790</u>	<u>1,734,828</u>
Total comprehensive income for the year	<u>-</u>	<u>174,222</u>	<u>174,222</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(84,701)	(84,701)
Balance at 30 June 2015	<u><u>1,012,038</u></u>	<u><u>812,311</u></u>	<u><u>1,824,349</u></u>
Balance at 1 July 2015	<u>1,012,038</u>	<u>812,311</u>	<u>1,824,349</u>
Total comprehensive income for the year	<u>-</u>	<u>138,883</u>	<u>138,883</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(84,701)	(84,701)
Balance at 30 June 2016	<u><u>1,012,038</u></u>	<u><u>866,493</u></u>	<u><u>1,878,531</u></u>

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited
ABN 74 112 673 506
Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		864,046	868,734
Payments to suppliers and employees		(672,972)	(678,369)
Interest received		26,617	42,184
Income taxes refunded/(paid)		38,069	(62,854)
Net cash provided by operating activities	17	<u>255,760</u>	<u>169,695</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(3,600)	(32,816)
Payments for financial assets		(181,640)	(15,000)
Dividend received		16,465	12,058
Net cash used in investing activities		<u>(168,775)</u>	<u>(35,758)</u>
Cash flows from financing activities			
Dividends paid		(84,701)	(84,701)
Net cash used in financing activities		<u>(84,701)</u>	<u>(84,701)</u>
Net increase in cash held		2,284	49,236
Cash and cash equivalents at the beginning of the financial year		1,394,948	1,345,712
Cash and cash equivalents at the end of the financial year	7(a)	<u>1,397,232</u>	<u>1,394,948</u>

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

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

Application of new and amended accounting standards

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
• AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
• AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2018
• AASB 16 Leases	1 January 2019
• AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
• AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
• AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

	Effective for annual reporting periods beginning on or after
<ul style="list-style-type: none"> • AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements. 	1 January 2016
<ul style="list-style-type: none"> • AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. 	1 January 2018
<ul style="list-style-type: none"> • AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle. 	1 January 2016
<ul style="list-style-type: none"> • AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101. 	1 January 2016
<ul style="list-style-type: none"> • AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception. 	1 January 2016
<ul style="list-style-type: none"> • AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses. 	1 January 2017
<ul style="list-style-type: none"> • AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107. 	1 January 2017

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2015. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at North Ryde, New South Wales.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branch 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.

The Company promotes and sells the products and services, but is not a party to the transaction.

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch
- training for the branch manager 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
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank®** model, known as 'Project Horizon'. This was conducted in consultation with the community banking network. The objective of the review was to develop a shared vision of the **Community Bank®** model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank®** companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

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Notes to the Financial Statements
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Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin

Margin is arrived at through the following calculation:

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.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

North Ryde Community Finance Limited
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Notes to the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank®** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

The Board is yet to appreciate the full impact of the above changes on our revenue moving forward. We would anticipate that by the time of this year's AGM we will be able to inform our shareholders of the likely outcomes of the new model.

The Board is continuing to work with Bendigo and Adelaide Bank Ltd to understand any potential changes to revenue and will provide further details as appropriate in due course.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

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Notes to the Financial Statements
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Note 1. Summary of significant accounting policies (continued)

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 40	years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

North Ryde Community Finance Limited
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Notes to the Financial Statements
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Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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.

Classification and subsequent measurement

- (i) **Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.
- (ii) **Held-to-maturity investments**
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.
- (iii) **Available-for-sale financial assets**
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.
They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.
- (iv) **Financial liabilities**
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

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

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

n) Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

North Ryde Community Finance Limited
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Notes to the Financial Statements
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Note 1. Summary of significant accounting policies (continued)

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company holds shares in Bendigo and Adelaide Bank and others listed on the Australian Securities Exchange and is exposed to equity securities price risk as it holds investments for sale or at fair value. The company has purchased these shares as an investment and does not hold them as part of their day to day operations therefore deem the risk insignificant.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) 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 Balance Sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit:

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee 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 where 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%.

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Notes to the Financial Statements
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Note 2. Financial risk management (continued)

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 for the year ended 30 June 2016 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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Notes to the Financial Statements
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Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Fair value measurement

Some of the company's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Note 4. Revenue from ordinary activities

	2016	2015
	\$	\$
Operating activities:		
- services commissions	790,080	762,791
Total revenue from operating activities	790,080	762,791
Non-operating activities:		
- interest received	33,322	42,184
- dividends received on investments	16,465	12,058
- unrealised gain on investments	-	18,074
Total revenue from non-operating activities	49,787	72,316
Total revenues from ordinary activities	839,867	835,107

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	5,546	6,968
- leasehold improvements	5,523	4,699
Amortisation of non-current assets:		
- franchise agreement	2,269	2,131
- franchise renewal fee	11,343	10,657
	24,681	24,455
Bad debts	431	1,239
Loss on disposal of asset	-	2,963
Unrealised loss on revaluation of financial assets	67,162	-

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Notes to the Financial Statements
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	2016	2015
	\$	\$
Note 6. Income tax expense		
The components of tax expense comprise:		
- Current tax	68,647	48,867
- Movement in deferred tax	(9,978)	15,962
- Net benefit from franking credits on franked dividends received	(344)	-
- Under/over provision in respect to prior year	(3,856)	-
- Adjustment to deferred tax to reflect change to tax rate in future periods	(348)	(1,047)
	<u>54,121</u>	<u>63,782</u>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	193,004	238,004
Prima facie tax on profit from ordinary activities at 28.5% (2015: 30%)	55,006	71,402
Add tax effect of:		
- timing difference expenses	13,641	(15,962)
- other deductible expenses	-	(6,573)
	<u>68,647</u>	<u>48,867</u>
Movement in deferred tax	(9,978)	15,962
Under/over provision in respect to prior year	(3,856)	-
Net benefit from franking credits on franked dividends received	(344)	-
Adjustment to deferred tax to reflect change of tax rate in future periods	(348)	(1,047)
	<u>54,121</u>	<u>63,782</u>
Note 7. Cash and cash equivalents		
Cash at bank and on hand	199,556	123,972
Term deposits	1,197,676	1,270,976
	<u>1,397,232</u>	<u>1,394,948</u>
Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	199,556	123,972
Term deposits	1,197,676	1,270,976
	<u>1,397,232</u>	<u>1,394,948</u>
Note 8. Financial assets		
<i>Current:</i>		
Available-for-sale financial assets	8(a) <u>373,434</u>	<u>258,956</u>
Note 8.(a) Available-for-sale financial assets comprise:		
<i>Current</i>		
Listed investments, at fair value		
- Shares in listed corporations	<u>373,434</u>	<u>258,956</u>
Note 9. Trade and other receivables		
Trade receivables	55,230	52,021
Prepayments	10,373	6,030
Other receivables and accruals	25,380	9,375
	<u>90,983</u>	<u>67,426</u>

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Notes to the Financial Statements
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	2016 \$	2015 \$
Note 10. Property, plant and equipment		
Leasehold improvements		
At cost	187,124	187,124
Less accumulated depreciation	(70,974)	(65,428)
	<u>116,150</u>	<u>121,696</u>
Plant and equipment		
At cost	90,228	86,628
Less accumulated depreciation	(60,573)	(55,050)
	<u>29,655</u>	<u>31,578</u>
Total written down amount	<u>145,805</u>	<u>153,274</u>
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	121,696	99,511
Additions	-	27,491
Disposals	-	-
Less: depreciation expense	(5,546)	(5,306)
Carrying amount at end	<u>116,150</u>	<u>121,696</u>
Plant and equipment		
Carrying amount at beginning	31,578	35,579
Additions	3,600	-
Disposals	-	(1,785)
Less: depreciation expense	(5,523)	(2,216)
Carrying amount at end	<u>29,655</u>	<u>31,578</u>
Total written down amount	<u>145,805</u>	<u>153,274</u>
Note 11. Intangible assets		
Franchise fee		
At cost	82,968	82,968
Less: accumulated amortisation	(73,894)	(71,625)
	<u>9,074</u>	<u>11,343</u>
Renewal processing fee		
At cost	114,839	114,839
Less: accumulated amortisation	(69,469)	(58,126)
	<u>45,370</u>	<u>56,713</u>
Total written down amount	<u>54,444</u>	<u>68,056</u>

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 Notes to the Financial Statements
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	2016 \$	2015 \$
Note 12. Tax		
Current:		
Income tax payable/(refundable)	<u>58,582</u>	<u>(16,433)</u>
Non-Current:		
Deferred tax assets		
- accruals	1,512	1,012
- employee provisions	4,200	6,443
	<u>5,712</u>	<u>7,455</u>
Deferred tax liability		
- accruals	4,422	2,672
- deductible prepayments	5,338	24,673
- property, plant and equipment	5,517	-
	<u>15,277</u>	<u>27,345</u>
Net deferred tax liability	<u>(9,565)</u>	<u>(19,890)</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>(10,325)</u>	<u>14,915</u>
Note 13. Trade and other payables		
Other creditors and accruals	99,948	92,247
	<u>99,948</u>	<u>92,247</u>
Note 14. Provisions		
Current:		
Provision for annual leave	<u>12,606</u>	<u>18,017</u>
Non-Current:		
Provision for long service leave	<u>2,666</u>	<u>4,590</u>
Note 15. Contributed equity		
1,058,759 ordinary shares fully paid (2015: 1,058,759)	1,058,759	1,058,759
Less: equity raising expenses	(46,721)	(46,721)
	<u>1,012,038</u>	<u>1,012,038</u>

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank® branch have the same ability to influence the operation of the company.

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Note 15. Contributed equity (continued)

Rights attached to shares (continued)

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

The National Stock Exchange (NSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not, as a result the base number clause does not operate whilst the company remains listed on the NSX.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 16. Retained earnings	2016	2015
	\$	\$
Balance at the beginning of the financial year	812,311	722,790
Net profit from ordinary activities after income tax	138,883	174,222
Dividends paid or provided for	(84,701)	(84,701)
Balance at the end of the financial year	<u>866,493</u>	<u>812,311</u>

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	2016	2015
	\$	\$
Note 17. Statement of cash flows		
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	122,418	162,164
Non cash items:		
- depreciation	11,069	11,667
- amortisation	13,612	12,788
- revaluation of shares	67,162	(9,993)
- loss on sale of asset	-	2,964
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(23,557)	9,408
- (increase)/decrease in other assets	16,433	(13,987)
- increase/(decrease) in payables	7,701	(23,115)
- increase/(decrease) in provisions	(7,335)	2,884
- increase in current tax liabilities	48,257	14,915
Net cash flows provided by operating activities	<u>255,760</u>	<u>169,695</u>

Note 18. Fair value measurement

This section explains the judgements and estimates made in determining the fair values of the company's assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the applicable assets have been classified into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At 30 June 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	373,434	-	-	373,434
Unlisted investments:				
- shares in other corporations	-	-	-	-
	<u>373,434</u>	<u>-</u>	<u>-</u>	<u>373,434</u>
Total assets at fair value	<u>373,434</u>	<u>-</u>	<u>-</u>	<u>373,434</u>

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Note 18. Fair value measurement (continued)

At 30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	258,956	-	-	258,956
	<u>258,956</u>	<u>-</u>	<u>-</u>	<u>258,956</u>
Total assets at fair value	<u>258,956</u>	<u>-</u>	<u>-</u>	<u>258,956</u>

There were no transfers between Level 1 and Level 2 during the reporting period. The company's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of available-for-sale financial assets traded in active markets is based on the quoted market price at the close of business at the end of the reporting period.

Level 2: The fair value of property, plant and equipment is based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market.

Level 3: There were no fair value measurements by the Level 3 fair value hierarchy.

Note 19. Leases

	2016 \$	2015 \$
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	86,808	86,808
- between 12 months and 5 years	260,424	347,232
- greater than 5 years	-	-
	<u>347,232</u>	<u>434,040</u>

The business premises lease is a non-cancellable lease with rent payable monthly in advance. The option 5-year term expires on 10 June 2020.

Note 20. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	5,250	5,050
- share registry services	3,524	3,054
- non audit services	2,830	2,944
	<u>11,604</u>	<u>11,048</u>

Note 21. Director and related party disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

North Ryde Community Finance Limited
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 Notes to the Financial Statements
 for the year ended 30 June 2016

	2016 \$	2015 \$
Note 22. Dividends paid or provided		
a. Dividends paid during the year		
Current year dividend		
100% (2015: 100%) franked dividend - 8 cents (2015: 8 cents) per share	<u>84,701</u>	<u>84,701</u>
The tax rate at which dividends have been franked is 30% (2015: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	356,978	403,847
- franking credits/(debits) that will arise from payment/(refund) of income tax as at the end of the financial year	58,511	(16,433)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	415,489	387,414
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	<u>415,489</u>	<u>387,414</u>

Note 23. Earnings per share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	138,883	174,222
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,058,759	1,058,759

Note 24. Events occurring after the reporting date

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

Note 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in North Ryde, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
Shop 14/203-213 Coxs Road	Shop 14/203-213 Coxs Road
North Ryde NSW 2113	North Ryde NSW 2113

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 Notes to the Financial Statements
 for the year ended 30 June 2016

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial Instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	199,536	123,972	1,197,676	1,270,976	-	-	-	-	-	-	2.42	3.10
Receivables	-	-	-	-	-	-	-	-	55,230	52,021	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	-	-	N/A	N/A

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2016	2015
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	13,972	13,949
Decrease in interest rate by 1%	13,972	13,949
Change in equity		
Increase in interest rate by 1%	13,972	13,949
Decrease in interest rate by 1%	13,972	13,949

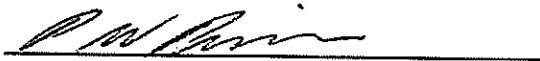
North Ryde Community Finance Limited
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Directors' Declaration

In accordance with a resolution of the directors of North Ryde Community Finance Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



Phillip Warren Perrin (Director)

Signed on the 4th of September 2016.



Independent auditor's report to the members of North Ryde Community Finance Limited

Report on the financial report

We have audited the accompanying financial report of North Ryde Community Finance Limited, which comprises the balance sheet as at 30 June 2016, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

1. The financial report of North Ryde Community Finance Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of North Ryde Community Finance Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 4 September 2016



David Hutchings
Lead Auditor