

NORTH RYDE COMMUNITY FINANCE LIMITED

ABN: 74 112 673 506

Financial Statements

For the year ended

30 June 2018

Chairman's Report FY 2017-2018

The past year has seen more and more of our customers take up the option to complete their transactions online. As a consequence, the number of visits to our Branch continues to decrease.

However, the Board of North Ryde Community Finance Limited is supportive of 'old fashioned service' and our staff will always be attentive to your needs. This Branch is unique, with the length of service for staff averaging over 8 years, which is significantly higher than most branches.

Financial Results Summary (AUD \$'000)

	2014	2015	2016	2017	2018
Total Revenue	940	835	840	867	903
Profit (after Tax)	211	174	139	195	223
Cash held	1346	1390	1397	1418	1506
Net Assets	1735	1824	1879	1969	1988
Total Equity	1735	1824	1879	1969	1988
Earnings per share	19.91	16.40	13.12	18.41	21.14
Dividends per share	8.00	8.00	8.00	8.00	25.00 **

** Includes Special Dividend of \$0.15 paid on the 23 July 2017.

In July this year the Board paid a "Special Dividend" to our Shareholders of \$0.15. This was welcomed by all our Shareholders and is reflective of the strong financial position of our **Community Bank®**.

Remuneration report

This report is a requirement of Corporation Law and reporting to A.S.I.C (Australian Securities & Investment Commission) to annual accounts of a listed company. This report is outlined in the financial statements.

Dividend announcement

This year at our October meeting of the Board, we discussed and approved a dividend of \$0.10 which will be paid to our Shareholders on 5 December 2018. The announcement can be located on the "Investor Relations" section for North Ryde Branch, via the Bendigo Bank Website <https://www.bendigobank.com.au/public/community/our-branches/north-ryde/investor-relations>

National Stock Exchange (NSX)

North Ryde Community Finance Limited has been listed on the NSX since the opening of the branch. As advised last year, The Board recommended delisting from the NSX to the Low Volume Market to reduce costs. An Extraordinary General Meeting was held in March this year and our Shareholders voted in favour of this motion. We are now finalising the establishment of our Low Volume Market which will enable share trades to be managed locally. This will not only reduce costs to the business, but it will enable Shareholders to trade without any brokerage fees. Details of how to trade will be provided to Shareholders when final approval has been granted from A.S.I.C. The Share Registry will still be held and managed by a division of AFS & Associates.

Annual General Meeting

The Annual General Meeting will be held on Thursday, 29 November at 10:00am. The venue is the North Ryde Golf Club, Twin Road, North Ryde. Shareholders will receive information by mail relating to the formal notes, statutory accounts and proxy forms.

Our Directors & Staff

I would like to thank each of our Directors for their time and diligence throughout the year. I would also like to pass on my thanks and appreciation to our Bank Manager, Pat Italiano, and his team for their hard work throughout the year.

AFS & Associates

North Ryde Community Finance engages AFS to conduct our audits. We are audited as at 31 December and 30 June. This ensures our accounts are checked every six months. They report to A.S.I.C on our behalf and provide half year and final year reports. These reports can be found, with any other announcements at:

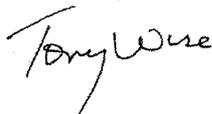
<https://www.bendigobank.com.au/public/community/our-branches/north-ryde/investor-relations>

AFS also provide a service to handle our share registry. This relieves the staff at the Bank of keeping Shareholder data at the Branch.

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

If you have any queries regarding your shareholding, please contact Rose Abbott at AFS on **(03) 5443 0344**, or by email at **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 Ltd

Company Secretary's report FY 2017-2018

Dear Shareholders

It is with great pleasure that I provide the following Secretary's report for the financial year 2017/2018. 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

Your Directors have held 10 general meetings this year monthly commencing at 7.00am, the venue being at the North Ryde Golf Club, North Ryde. This year the Board also held an Extraordinary General Meeting in March to vote on the motion to de-list North Ryde Community Finance (NRC) from the National Stock Exchange (NSX).

Following the vote by our shareholders on the motion, the decision to delist from the National Stock Exchange was approved. Our securities can now be traded via our Low Volume Market.

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

We are pleased to confirm that we have now established a Low Volume Market through which our Shareholders are able to trade shares in North Ryde Community Finance. For details on how to trade, please contact our Branch for assistance.

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, Pat Italiano at Bendigo North Ryde Community Bank, PO Box 6238, North Ryde NSW 2113. Pat will then make arrangements with our Auditors and Share Registry that will enable your dividend cheques to be delivered promptly.

There are still 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 2018

General Manager's Report

13 is considered unlucky for some but as the Bendigo North Ryde **Community Bank®** Branch celebrates 13 years of operation, I am pleased to report that it has been another successful year for our business.

Our underlying business performance is still positive, with new accounts and consumer activity still growing year on year. Our overall business contracted by \$3.9 million, largely due to the loss of \$7.6M in deposits. This loss was primarily offset by some excellent growth in our Loan Book of \$5.1M. Overall our Banking Business stands at \$121.3M, slightly down on last year. Whilst this is the case, prudent pricing and cost control still allowed us to increase both our Branch Revenue and Profit year on year.

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 with major financial support being provided to:

- North Ryde Rotary (Christmas Carols)
- North Ryde Community Aid
- Ryde Rugby
- Ryde Saints United Soccer
- Ryde Hawks Junior Rugby League
- North Ryde Public School
- Kent Road Public School
- Truscott Street Public School
- Eastwood Ryde Netball Association (ERNA)
- Ryde Hawks Touch Football
- Ryde Art Society
- Ryde Eisteddfod
- Ryde Panthers Soccer Club

We are very proud that we are able to support a diverse range of local organisations and we can only continue to do this with the support of our Community.

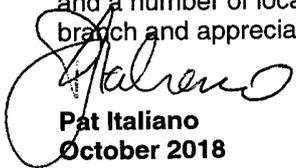
Staff

The key to success for any business is its people, and the contribution from our staff is nothing short of outstanding. This year we bid farewell to Jodi after 9 years with the company. We wish her well in her retirement and thank her for her efforts over the years. As one door closes, another opens, and we welcome Anita to the team. Anita will take care of all our Community and Marketing related activities which will help us to tell the Bendigo story more effectively within our Community. We are very fortunate to have someone with Anita's skills to complement the North Ryde team and we look forward to better engaging with our Community. I would also like to thank Gina, Alison and Lorraine for their hard work over the year. The service the team provides is second to none, and our customers appreciate their familiar faces when they come into the branch.

I would also like to thank our Directors, who give their time on a voluntary basis to ensure that the business is run in a professional and prudent manner. This year we welcomed Paul Moujalli to the Board. Paul has had a long and distinguished career in Banking and was previously Manager of our Balmain/Roselle Branch before his retirement in 2016. Paul is also associated with a number of local organisations and we look forward to his contribution to our **Community Bank®**.

Our Commitment to Service

Our service proposition and community engagement remain our major points of difference in the market. The ability to continue to provide face-to-face banking services is appreciated by 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+ shareholders and a number of local community organisations. We encourage all of you to be a part of your **Community Bank®** branch and appreciate the great service we provide. Our business will only remain strong with your support.



Pat Italiano
October 2018

North Ryde Community Finance Limited

Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

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: Manager

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

Special responsibilities: Treasurer; Audit, Remuneration Committee, Franchise Agreement Committee.

Interest in shares: 8,000

Robert John Talbot

Deputy Chairman

Occupation: Company Director

Qualifications, experience and expertise: Background in wool broking/agriculture. Since 2000 has run own property consulting business servicing the commercial and industrial property market. Elected to Community Bank National Council as NSW/ACT Representative December 2016.

Special Responsibilities: Property and Lease Committee, Audit & Remuneration Committee and Franchise Agreement Committee

Interests in shares: 26,000

Helen Patricia Perrin

Secretary

Occupation: Retired Health Care Professional Management

Qualifications, experience and expertise: Board member of New Horizons Enterprises for 14 years, North Ryde Community Aid for 11 years and Holy Spirit Church Board member. Board member of North Ryde Rotary Club for 23 years and have held positions of Club President, Assistant District Governor and Community Service Director for the past 10 years. Strong involvement in local community associations including North Ryde Rotary Club.

Special Responsibilities: Company Secretary, Franchise Agreement Committee, Stock Exchange Delisting Committee.

Interests in shares: 48,752

Phillip Warren Perrin ("Steve")

Director

Occupation: Retired Developer/Company Director

Qualifications, experience and expertise: Local resident for 32 years. Lifetime experience in the building and construction industry. Past President of Sigatoka Fiji, North Ryde Rotary Club, Eastern Region Chairman NSW ROMAC and Ryde Citizen of the year 2002. Volunteer North Ryde Community Aid.

Special Responsibilities: Marketing Committee, Franchise Agreement Committee, Property & Lease Committee

Interests in shares: 48,752

Thomas Gordon MacAulay

Director

Occupation: Economist

Qualifications, experience and expertise: Experience on Boards, Councils and a Statutory Authority; President of Greening Aust. (NSW) Ltd, Member of the Council of Research Institute for Asia and the Pacific, University of Sydney; Deputy Chair of the Wheat Export Authority; Acting Chair of the Academic Forum, University of Sydney; Head of Department of Agricultural Economics, University of Sydney; Principal Economist; Emeritus Professor of Agricultural Economics. University of Sydney; dairy and beef cattle farmer. University Degrees; BAgricSc, MAgricSc, PhD (Guelph).

Former directorships in last 3 years: President of Greening Australia NSW Ltd

Special Responsibilities: Franchise Agreement Committee, Minute Secretary

Interests in shares: 1,000

North Ryde Community Finance Limited

Directors' Report

Directors (*continued*)

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 15 years and President for 3 years. Volunteer work at Monte Fiore Jewish Home and Hunters Hill Public School.

Special responsibilities: Marketing Committee

Interest in shares: 25,000

Michael David Southan

Director

Occupation: CEO

Qualifications, experience and expertise: Michael Southan is CEO of Grain Growers Ltd - an independent grain farmer representative organisation with over 17,000 members across Australia. He has over 20 years of experience as a researcher in grain quality and grain-food processing having previously worked with CSIRO and BRI Australia. He has a PhD in Agriculture and has made a unique contribution to milling research by combining cereal chemistry disciplines with milling engineering. Michael has held past positions as deputy chair of the Grains Research and Development Corporation's (GRDC) southern panel, and is a graduate of the Australian Institute of Company Directors. Currently, Michael is a member of the Australian Wheat Variety Classification Panel, sits on the Grain Trade Australian Standards Committee and is a member of the advisory committee for the Advanced Technologies in Food Manufacture training centre at the University of NSW. He is also a member of the Central Tablelands Local Land Services Industry Advisory Committee. His passion for agriculture and food keeps him actively involved in his farming business with his family.

Special responsibilities: Nil

Interest in shares: 1,000

Ivan Gavran

Director (*Appointed 8 July 2017*)

Occupation: Consultant

Qualifications, experience and expertise: Extensive experience in business coaching and strategy. Also held roles with CBA, Macquarie and Westpac banks. Currently a Director of the Australian Croatian Chamber of Commerce.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Paul Moujalli

Director (*Appointed 14 March 2018*)

Occupation: Retired

Qualifications, experience and expertise: Paul is a retired Banking & Finance professional of 40 years' experience, mainly tier 1 banking and last 10 years with tier 2. He is a Directors at Ryde Eastwood Leagues Club, part of the Risk & Governance Committee. Hon Treasurer of Ryde Sports Foundation Inc. He has been a Community Representative Member at Ryde City Council's Economic Development Advisory Committee and also the Sport & Recreation, Wheel Sports Advisory Committee. He is also an Associate Member of FINSIA (Financial Services Institute of Australasia). He holds an Advance Diploma of Management and Advance Diploma of Marketing.

Special responsibilities: Nil

Interest in shares: Nil

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

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

North Ryde Community Finance Limited

Directors' Report

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 operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

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 2018	Year ended 30 June 2017
\$	\$
223,830	194,936

Dividends	Year ended 30 June 2018	
	Cents	\$
Special dividends recommended:	15	158,814
Dividends paid in the year	8	84,701

Significant changes in the state of affairs

During the financial year, the company passed a motion to move to a Low Value Market and be removed from being listed on the NSX. The last trading day on the NSX was 15 June 2018 and were removed from the NSX list on 28 June 2018.

In the opinion of the directors there were no other 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.

North Ryde Community Finance Limited

Directors' Report

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	
	<u>Eligible</u>	<u>Attended</u>
Harold Anthony Wise	10	8
Robert John Talbot	10	9
Helen Patricia Perrin	10	8
Phillip Warren Perrin ("Steve")	10	9
Thomas Gordon MacAulay	10	10
Darryl Geoffrey Tutton	10	9
Michael David Southan	10	8
Ivan Gavran (<i>Appointed 8 July 2017</i>)	10	5
Paul Moujalli (<i>Appointed 14 March 2018</i>)	4	3

North Ryde Community Finance Limited

Directors' Report

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*.

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 11 September 2018.



Phillip Warren Perrin (Director)



Partners in success

Chartered Accountants

61 Bull Street, Bendigo 3550
PO Box 454, Bendigo 3552
03 5443 0344
afsbendigo.com.au

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 2018, 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: 11 September 2018

David Hutchings
Lead Auditor

North Ryde Community Finance Limited
Statement of Profit or Loss and Other
Comprehensive Income
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	903,006	867,374
Employee benefits expense		(322,999)	(340,717)
Charitable donations, sponsorship, advertising and promotion		(34,934)	(29,887)
Occupancy and associated costs		(106,570)	(99,979)
Systems costs		(18,170)	(16,075)
Depreciation and amortisation expense	5	(23,130)	(23,016)
General administration expenses		(95,897)	(100,791)
Profit before income tax expense		301,306	256,909
Income tax expense	6	(77,476)	(61,973)
Profit after income tax expense		223,830	194,936
Total comprehensive income for the year attributable to the ordinary shareholders of the company:		223,830	194,936
Earnings per share		¢	¢
Basic earnings per share	23	21.14	18.41

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited
 Balance Sheet
 as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	1,506,323	1,418,483
Financial assets	9	444,649	405,604
Trade and other receivables	9	104,767	124,846
Total current assets		2,055,739	1,948,933
Non-current assets			
Property, plant and equipment	10	132,625	140,987
Intangible assets	11	26,544	40,494
Total non-current assets		159,169	181,481
Total assets		2,214,908	2,130,414
LIABILITIES			
Current liabilities			
Trade and other payables	13	179,085	97,210
Current tax liabilities	12	22,276	14,301
Provisions	14	16,642	12,896
Total current liabilities		218,003	124,407
Non-current liabilities			
Provisions	14	7,636	4,686
Deferred tax liabilities	12	20,188	12,555
Total non-current liabilities		27,824	17,241
Total liabilities		245,827	141,648
Net assets		1,969,081	1,988,766
EQUITY			
Issued capital	15	1,012,038	1,012,038
Retained earnings	16	957,043	976,728
Total Equity		1,969,081	1,988,766

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited
Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016		1,012,038	866,493	1,878,531
Total comprehensive income for the year		-	194,936	194,936
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(84,701)	(84,701)
Balance at 30 June 2017		1,012,038	976,728	1,988,766
Balance at 1 July 2017		1,012,038	976,728	1,988,766
Total comprehensive income for the year		-	223,830	223,830
Transactions with owners in their capacity as owners:				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	22	-	(243,515)	(243,515)
Balance at 30 June 2018		1,012,038	957,043	1,969,081

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited
Statement of Cash Flows
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		904,371	956,478
Payments to suppliers and employees		(638,133)	(772,469)
Interest received		32,887	32,726
Income taxes refunded		-	-
Income taxes paid		(61,867)	(103,264)
Net cash provided by operating activities	17	237,258	113,471
Cash flows from investing activities			
Payments for property, plant and equipment		(818)	(4,248)
Payments for intangible assets		(68,056)	-
Dividend received		13,919	19,229
Purchase for financial assets		(61,651)	(22,500)
Proceeds from sale of financial assets		51,889	-
Net cash used in investing activities		(64,717)	(7,519)
Cash flows from financing activities			
Dividends paid	22	(84,701)	(84,701)
Net cash used in financing activities		(84,701)	(84,701)
Net increase in cash held		87,840	21,251
Cash and cash equivalents at the beginning of the financial year		1,418,483	1,397,232
Cash and cash equivalents at the end of the financial year	7(a)	1,506,323	1,418,483

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

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 Standards Board (AASB) 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 which 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

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2017, and are therefore relevant for the current financial year.

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (*continued*)

a) Basis of preparation (*continued*)

Application of new and amended accounting standards (continued)

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating lease of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$181,176, on an undiscounted basis (see Note 19).

No significant impact is expected for the company's finance leases.

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.

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 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.

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (*continued*)

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

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.

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.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

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.

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.

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (*continued*)

b) Revenue (*continued*)

Discretionary financial contributions

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

The amount has been based on the volume of business attributed to a branch. The purpose of the discretionary payments is to assist with local market development activities, including community sponsorships and donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

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.

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.

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies *(continued)*

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 payable (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 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 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 gain from a bargain purchase.

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.

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (continued)

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	5 - 15	years
- plant and equipment	2.5 - 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

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (*continued*)

k) Financial instruments

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. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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

Financial liabilities including borrowings, trade and other payables and 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.

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Summary of significant accounting policies (continued)

n) Issued capital

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.

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 is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(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.

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2. Financial risk management (*continued*)

(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%.

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 2018 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.

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Critical accounting estimates and judgements (continued)

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 carried forward 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 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.

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.

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Critical accounting estimates and judgements (continued)

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	2018	2017
	\$	\$
Operating activities:		
- gross margin	703,587	533,160
- services commissions	48,472	193,300
- fee income	49,858	52,536
- market development fund	25,000	29,513
Total revenue from operating activities	<u>826,917</u>	<u>808,509</u>
Non-operating activities:		
- interest received	32,887	29,965
- dividends received	13,919	19,229
- Unrealised profit on revaluation of financial assets	29,283	9,671
Total revenue from non-operating activities	<u>76,089</u>	<u>58,865</u>
Total revenues from ordinary activities	<u>903,006</u>	<u>867,374</u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	4,081	3,761
- leasehold improvements	5,099	5,305
Amortisation of non-current assets:		
- franchise agreement	2,325	2,325
- franchise renewal fee	11,625	11,625
	<u>23,130</u>	<u>23,016</u>
Bad debts	<u>185</u>	<u>650</u>

North Ryde Community Finance Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 6. Income tax expense	2018	2017
	\$	\$
The components of tax expense comprise:		
- Current tax	76,824	69,448
- Movement in deferred tax	7,633	2,990
- Net benefit from franking credits on franked dividends received	(5,656)	(5,871)
- Under/(Over) provision of tax in the prior period	(1,325)	(4,594)
	<u>77,476</u>	<u>61,973</u>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows		
Operating profit	301,306	256,909
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	82,859	70,650
Add tax effect of:		
- non-deductible expenses	43	1,788
- timing difference expenses	(7,633)	(2,990)
-other assessable income	1,555	-
	<u>76,824</u>	<u>69,448</u>
Movement in deferred tax	7,633	2,990
Net benefit from franking credits on franked dividends received	(5,656)	(5,871)
Under/(Over) provision of income tax in the prior year	(1,325)	(4,594)
	<u>77,476</u>	<u>61,973</u>

Note 7. Cash and cash equivalents

Cash at bank and on hand	106,323	188,556
Term deposits	1,400,000	1,229,927
	<u>1,506,323</u>	<u>1,418,483</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	106,323	188,556
Term deposits	1,400,000	1,229,927
	<u>1,506,323</u>	<u>1,418,483</u>

North Ryde Community Finance Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 8. Financial assets	Note	2018	2017
		\$	\$
<i>Current:</i>			
Available-for-sale financial assets		<u>444,649</u>	<u>405,604</u>

Note 8.(a) Available-for-sale financial assets comprise:

<i>Current</i>			
Listed investments, at fair value			
- Shares in listed corporations	19	<u>444,649</u>	<u>405,604</u>

Note 9. Trade and other receivables

Trade receivables		62,041	57,325
Prepayments		6,855	11,228
Other receivables and accruals		35,871	56,293
		<u>104,767</u>	<u>124,846</u>

Note 10. Property, plant and equipment

<i>Leasehold improvements</i>			
At cost		187,124	187,124
Less accumulated depreciation		(81,378)	(76,279)
		<u>105,746</u>	<u>110,845</u>
<i>Plant and equipment</i>			
At cost		95,294	94,476
Less accumulated depreciation		(68,415)	(64,334)
		<u>26,879</u>	<u>30,142</u>
Total written down amount		<u>132,625</u>	<u>140,987</u>

North Ryde Community Finance Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 10. Property, plant and equipment <i>(continued)</i>	2018	2017
	\$	\$
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	110,845	116,150
Additions	-	-
Disposals	-	-
Less: depreciation expense	(5,099)	(5,305)
Carrying amount at end	<u>105,746</u>	<u>110,845</u>
Plant and equipment		
Carrying amount at beginning	30,142	29,655
Additions	818	4,248
Disposals	-	-
Less: depreciation expense	(4,081)	(3,761)
Carrying amount at end	<u>26,879</u>	<u>30,142</u>
Total written down amount	<u>132,625</u>	<u>140,987</u>

Note 11. Intangible assets		
Franchise fee		
At cost	82,968	82,968
Less: accumulated amortisation	(78,544)	(76,219)
	<u>4,424</u>	<u>6,749</u>
Franchise renewal fee		
At cost	114,839	114,839
Less: accumulated amortisation	(92,719)	(81,094)
	<u>22,120</u>	<u>33,745</u>
Total written down amount	<u>26,544</u>	<u>40,494</u>

North Ryde Community Finance Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Tax	2018	2017
	\$	\$
Current:		
Income tax payable	<u>22,276</u>	<u>14,301</u>
Non-Current:		
Deferred tax assets		
- accruals	1,320	1,551
- employee provisions	6,676	4,835
	<u>7,996</u>	<u>6,386</u>
Deferred tax liability		
- accruals	1,329	3,663
- deductible prepayments	15,842	7,997
- property, plant and equipment	11,013	7,281
	<u>28,184</u>	<u>18,941</u>
Net deferred tax liability	<u>(20,188)</u>	<u>(12,555)</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>7,633</u>	<u>2,990</u>

Note 13. Trade and other payables

Current:		
Other creditors and accruals	<u>179,085</u>	<u>97,210</u>

Note 14. Provisions

Current:		
Provision for annual leave	<u>16,642</u>	<u>12,896</u>
Non-Current:		
Provision for long service leave	<u>7,636</u>	<u>4,686</u>

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Issued capital	2018	2017
	\$	\$
1,058,759 ordinary shares fully paid (2017: 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.

(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*.

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Issued capital (continued)

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.

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	2018	2017
	\$	\$
Balance at the beginning of the financial year	976,728	866,493
Net profit from ordinary activities after income tax	223,830	194,936
Dividends provided for or paid	(243,515)	(84,701)
Balance at the end of the financial year	<u>957,043</u>	<u>976,728</u>

North Ryde Community Finance Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 17. Statement of cash flows	2018	2017
	\$	\$
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	223,830	194,936
Non cash items:		
- depreciation	9,180	9,066
- amortisation	13,950	13,950
- increase/(decrease) in net market value of financial assets	29,283	(9,670)
- dividends received	(13,919)	(19,229)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	20,079	(17,477)
- increase in other assets	(58,566)	-
- decrease in payables	(8,884)	(19,124)
- increase in provisions	6,696	2,310
- increase/(decrease) in current tax liabilities	15,609	(41,291)
Net cash flows provided by operating activities	<u>237,258</u>	<u>113,471</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 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	444,649	-	-	444,649
	<u>444,649</u>	<u>-</u>	<u>-</u>	<u>444,649</u>
Total assets at fair value	<u>444,649</u>	<u>-</u>	<u>-</u>	<u>444,649</u>

North Ryde Community Finance Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 18. Fair value measurement (continued)

At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Recurring fair value measurements:				
Available-for-sale financial assets				
Listed investments:				
- shares in listed corporations	405,604	-	-	405,604
	<u>405,604</u>	<u>-</u>	<u>-</u>	<u>405,604</u>
Total assets at fair value	<u>405,604</u>	<u>-</u>	<u>-</u>	<u>405,604</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

	2018 \$	2017 \$
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	90,588	87,444
- between 12 months and 5 years	90,588	174,887
	<u>181,176</u>	<u>262,331</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	5,600	5,500
- share registry services	3,939	3,616
- non audit services	4,770	3,865
	<u>14,309</u>	<u>12,981</u>

North Ryde Community Finance Limited

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Director and related party disclosures

The names of directors who have held office during the financial year are:

Harold Anthony Wise
 Robert John Talbot
 Helen Patricia Perrin
 Phillip Warren Perrin ("Steve")
 Thomas Gordon MacAulay
 Darryl Geoffrey Tutton
 Michael David Southan
 Ivan Gavran (*Appointed 8 July 2017*)
 Paul Moujalli (*Appointed 14 March 2018*)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

The directors received remuneration including superannuation, as follows:

Harold Anthony Wise	6,000	6,000
Robert John Talbot	6,000	6,000
Helen Patricia Perrin	2,000	2,000
Phillip Warren Perrin ("Steve")	2,000	2,000
Thomas Gordon MacAulay	1,000	-
Darryl Geoffrey Tutton	-	-
Michael David Southan	-	-
Ivan Gavran (<i>Appointed 8 July 2017</i>)	-	-
Paul Moujalli (<i>Appointed 14 March 2018</i>)	-	-
	<u>17,000</u>	<u>16,000</u>

Directors Shareholdings

	<u>2018</u>	<u>2017</u>
Harold Anthony Wise	8,000	8,000
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	25,000	25,000
Michael David Southan	1,000	1,000
Ivan Gavran (<i>Appointed 8 July 2017</i>)	-	-
Paul Moujalli (<i>Appointed 14 March 2018</i>)	-	-

There was no movement in directors shareholdings during the year.

North Ryde Community Finance Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 22. Dividends provided for or paid	2018	2017
	\$	\$
a. Dividends paid during the year		
Current year dividend		
100% (2017: 100%) franked dividend - 8 cents (2017: 8 cents) per share	<u>84,701</u>	<u>84,701</u>
b. Dividends proposed and recognised as a liability		
Current year final dividend		
100% (2017: 100%) franked dividend - 15 cents (2017: Nil cents) per share	<u>158,814</u>	<u>-</u>
The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).		
Dividends proposed will be franked at a rate of 27.5% (2017: 27.5%).		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	472,124	434,405
- franking credits that will arise from payment of income tax as at the end of the financial year	22,275	14,301
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	<u>60,240</u>	<u>-</u>
Franking credits available for future financial reporting periods:	554,639	448,706
- 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>554,639</u>	<u>448,706</u>

North Ryde Community Finance Limited
Notes to the Financial Statements
for the year ended 30 June 2018

Note 23. Earnings per share	2018	2017
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	223,830	194,936
	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
Shop 14/203-213 Coxs Road
North Ryde NSW 2113

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

North Ryde Community Finance Limited
Notes to the Financial Statements
for the year ended 30 June 2018

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					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	106,323	188,556	1,400,000	1,229,927	-	-	-	-	-	-	2.32	2.09
Receivables	-	-	-	-	-	-	-	-	62,041	57,325	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 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018	2017
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	15,063	14,185
Decrease in interest rate by 1%	(15,063)	(14,185)
Change in equity		
Increase in interest rate by 1%	15,063	14,185
Decrease in interest rate by 1%	(15,063)	(14,185)

North Ryde Community Finance Limited

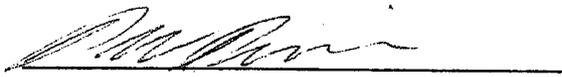
Directors' Declaration

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 2018 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 11th of September 2018.

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial report of North Ryde Community Finance Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

What we have audited

North Ryde Community Finance Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

The directors are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

Our responsibility is to read the other information identified above when it becomes available 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 we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report so that it 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 is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability 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 cease operations, or have no realistic alternative but to do so.

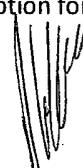
Auditor's responsibility for the audit of the financial report

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. Misstatement 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



Andrew Frewin Stewart
61 Bull Street, Bendigo, 3550
Dated: 11 September 2018



David Hutchings
Lead Auditor

