



# annual report **2012**

Rye & District  
Financial Services Ltd

ABN 67 095 766 895

# Contents

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<b>Chairman's report</b>	<b>2</b>
<b>Senior Manager's report</b>	<b>5</b>
<b>Directors' report</b>	<b>8</b>
<b>Auditor's independence declaration</b>	<b>15</b>
<b>Financial statements</b>	<b>16</b>
<b>Notes to the financial statements</b>	<b>20</b>
<b>Directors' declaration</b>	<b>41</b>
<b>Independent audit report</b>	<b>42</b>
<b>NSX report</b>	<b>44</b>
<b>Sponsorship allocations</b>	<b>46</b>

# Chairman's report

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For year ending 30 June 2012

It seems that every year (for the past few years, at least) I come to write this report, the world's economic and financial situation is in a parlous state.

Whereas a few years ago, we were enduring the aftermath of the Global Financial Crisis, this year, the world has experienced the European Debt Crisis with Greece needing the support of its fellow EU countries to avoid default on its sovereign debt and other countries walking a very tight economic tightrope.

'Gloom and doom' seem to be the order of the financial day and even the mighty USA is experiencing difficult economic times.

Against this backdrop, therefore, it is pleasing to note that the Australian economy remains relatively robust.

It is even more pleasing for me to advise that, despite the cautionary and conservative attitude of the general Australian consumer and the trend of reducing household debt, your company has produced yet another record profit, surpassing the 2011 result, making this year an all-time high record in our 11-year history.

The company profit this year is \$592,419, an increase of 8.8% over last year's then record amount.

This profit has been earned on revenue of \$3.459 million and represents an earning rate of 20.21 cents per share. Revenue increased by \$240,789 whilst expenses were in line with budgeted expectations at \$2.636 million.

Whilst this profit result is a remarkable result in itself, it is even more remarkable when shareholders consider that it was achieved after an amount of \$516,427 was returned to the community during the year in the form of sponsorships (\$358,268), donations (\$92,159) and grants (\$66,000).

A list of the beneficiaries of these amounts is provided elsewhere in this report and it records the breadth and depth of our involvement with the community – something of which we can derive great satisfaction and pride.

This brings our total return to our local communities to an amount in excess of \$4 million since the formation of our company in 2001.

Another significant milestone was achieved during the year when the total footings of the business exceeded \$400 million for the first time. 'Footings' are the total amount of the company's book – total lending and total deposits – and makes our **Community Bank**<sup>®</sup> company one of the biggest in Australia.

The event was marked by a visit from the Chief Executive Officer of Bendigo and Adelaide Bank, Mike Hurst, who acknowledged the achievements of the company and its position amongst the more successful **Community Bank**<sup>®</sup> enterprises.

Our position was further reinforced during our participation in both the State and National **Community Bank**<sup>®</sup> Conferences when I and our other company representatives were constantly sought out by other delegates to share the elements of our success.

We are proud of this position of leadership and believe we have a responsibility to contribute to the growth and development of other **Community Bank**<sup>®</sup> companies throughout Australia.

I continue to be bemused, therefore, that the message of the contribution the **Community Bank**<sup>®</sup> branches to their local communities proves to be such a challenge to be heard.

It is difficult to think of many, if any at all, other organisations within the community of the Southern Peninsula who allocated in excess of \$500,000 to local groups last year. I certainly cannot think of any other bank that could match this figure.

Yet, still, we hear of local members of our community who have not heard of, or do not understand, the **Community Bank**<sup>®</sup> model.

## Chairman's report (continued)

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The model is simple, yet profound. A successful community supporting a successful local **Community Bank**<sup>®</sup> branch enables profits to be shared with investors and local groups and organisations, leading to an even more successful community.

Or, to put it another way, the more support our local **Community Bank**<sup>®</sup> branches receive from our community in the form of banking, lending and deposits, the more financial support is available to local projects, communities and groups in the form of sponsorships, donations and grants.

I urge all shareholders and customers to help your Board and members of our staff to spread this simple message to the wider community.

The success of the **Community Bank**<sup>®</sup> model around Australia is one of the better stories in the much-maligned banking sector and your company, our company, is at the forefront of this success.

Of course, the success we enjoy would not be possible without the support of shareholders, customers and staff. Your Board is grateful for the trust endowed upon it by our shareholder body and regards its service as a privilege. We are also mindful, that, without the strong support of our current customers, the success we enjoy would not be possible and we thank them for their support.

In his Manager's report, our Senior Manager, Gary Sanford, pays tribute to his Managers and staff for their unfailing efforts in delivering personalised customer service to our customers. On behalf of the Board, I wish to endorse Gary's comments and pay tribute to him, Julie Toward, the Manager of our Rye & District **Community Bank**<sup>®</sup> Branch and Bronwyn Ralph, the Manager of our Dromana **Community Bank**<sup>®</sup> Branch and to all the staff at both branches for their untiring efforts in managing our business. The level of their community involvement is commendable.

I also wish to acknowledge the commitment and dedication of my fellow Directors, whose conscientious adherence to sound governance principles and practice, places our company in such a strong position.

I am indebted to:

- Steven Edmund, as Deputy Chairman and Chairman of the Marketing Committee;
- Eileen Naylor, as Company Secretary and member of the Sponsorship and Marketing Committee;
- Pat Tonks, as Treasurer and member of the Finance Committee;
- Gary Cain, as a member of the Finance Committee and advisor on financial issues;
- Barry Irving, as a member of the Marketing Committee and as our Liaison Officer with the YMCA for our involvement in the Rye Youth Centre and its associated activities;
- Andrew Emerson, as Chairman of our Property Committee;
- Janet Hall, as Chairman of the Governance Committee and
- Dorothy Mortlock, for her role as a member of the Governance Committee and her mentoring role with the Rye Youth Centre.

I thank them for their support and willingness to make a strong contribution to this company.

Special mention must also be made to Dr Gus Glavici for his voluntary membership of our Sponsorship & Marketing sub-committee. Upon his retirement as a member of the company Board, Gus wished to continue his community involvement through our **Community Bank**<sup>®</sup> branch. His keen participation and wise counsel on our Sponsorship & Marketing committee are valued.

I also acknowledge the contribution of our Board Administration Officer, Tony Harford, whose efforts in shouldering the ever-increasing administrative and regulatory burden on our company cannot be underestimated. The Board is appreciative of Tony's efforts in ensuring our company maintains high standards of professional conduct.

We continue to enjoy a strong relationship with our partners, Bendigo and Adelaide Bank, particularly through our Regional Manager, Cora Clough. The success of any relationship is based upon respect, trust, communication and

# Chairman's report (continued)

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openness and I am pleased to report that those qualities are evident in the strong relationship we enjoy with our business partner.

That is not to say that there are not times when frank and meaningful discussions need to be held between partners but when they do occur, they take place in a spirit of goodwill and with the intention of improving the business.

We are grateful to the Bendigo and Adelaide Bank for their ongoing support.

As reported in last year's Annual Report, our company continues to develop plans for the establishment of its Rosebud branch. The building is now vacant and design plans are with the various regulatory authorities awaiting approval.

Demolition of the current building is expected within the next few months and construction of the new building is scheduled for January 2013 with a completion date of mid-2013.

This is an exciting development and opportunity for our company and we look forward to opening our new Rosebud branch to serve the Rosebud community for many years to come.

Finally, I am pleased to inform shareholders that the dividend rate for this year has been struck and has been approved by the Board.

Shareholders in our company holding shares as at 31 October 2012 will receive a fully-franked dividend of 7.1 cents per share, payable on Friday 23 November 2012.

This continues the positive trend in dividends paid over recent years, as is demonstrated in the attached table:

<b>Dividend distributions 2007 - 2012</b>						
<b>Year</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Dividend per share	\$0.03	\$0.02	\$0.045	\$0.065	\$0.067	\$0.071
Total dividends paid	\$87,948	\$58,632	\$131,922	\$190,554	\$196,417	\$208,144

The results for the present financial year will be largely determined by events in the broader financial environment but indications from the first three months of trading reveal results in keeping with budgeted expectations.

Shareholders can be assured that the efforts of your Board of Directors and of our management team running the business on a day-to-day basis, will maintain a sharp focus on ensuring that shareholder value continues to be enhanced and that we continue to own and operate a vibrant and robust business.



**Shane McCarthy**  
**Chairman**

# Senior Manager's report

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For year ending 30 June 2012

With Rye completing its eleventh year of operation and Dromana its fifth, I am very pleased to report both branches continued to grow in line with budget expectations.

Although previous years' performances have exceeded budget forecast by considerable amounts, it is comforting to see continued growth in the current economic climate and increasing competition for banking within the finance industry. When I also consider that our Rye & District **Community Bank**<sup>®</sup> Branch would be regarded to be in a mature stage of its history and Dromana **Community Bank**<sup>®</sup> Branch already well established in just five years, the growth achieved is satisfying.

As at 30 June 2012, we experienced growth in all areas of our business. We increased total accounts at Rye from 9,367 to 9,618 and Dromana from 4,566 to 4,878. Our combined balances totalled \$415.03 million, which included total deposits at \$214.35 million and total lending at \$190.31 million, maintaining our good mix of business. Reported financial planning products under management were \$10.37 million, assisting to make up the \$415.03 million. These balances reflect a 4.91% growth in deposits and 8.03% growth in lending across the company. The balances also reflect an 11.60% increase in financial planning facilities under management over the year.

Rye & District **Community Bank**<sup>®</sup> Branch balances as at 30 June 2012 were \$139.64 million in deposits and \$113.87 million in lending and financial planning under management at \$7.79 million. Combined balances stood at \$261.30 million, reflecting a \$12.56 million growth overall against a budget of \$10.0 million. A sound result!

Dromana **Community Bank**<sup>®</sup> Branch balances as at 30 June 2012 were \$74.71 million in deposits and \$76.44 million in lending and financial planning under management at \$2.58 million. Combined balances stood at \$153.73 million, reflecting a \$12.69 million growth overall against a budget of \$10.9 million. Another sound result!

The combined business growth of \$25.25 million against combined budgeted growth of \$20.9 million is a great result considering the economy over the last 12 months and the maturity of both branches.

With the financial concerns in Europe and what impact, if any, this might have on Australia's economy and its financial system, many existing and potential customers have maintained a cautious approach to their finances. Those with cash deposits have chased higher rates and borrowers have been more conservative in their approach to investment opportunities. With this in mind our company's results can be considered very good.

We are now looking forward to the challenges of preparing for a third branch at Rosebud, while maintaining continued growth at our two existing branches.

## **Board support**

Over the last 11 years, since becoming the initial Branch Manager of the Rye & District **Community Bank**<sup>®</sup> Branch, I have been privileged to attend several State and National **Community Bank**<sup>®</sup> Conferences. It is at these Conferences that I get the opportunity to meet and discuss with other **Community Bank**<sup>®</sup> Directors and Managers from all over Australia, the things that make each **Community Bank**<sup>®</sup> branch site successful.

A strong, effective and supportive Board, in my opinion, is without doubt one of the most important reasons why a **Community Bank**<sup>®</sup> branch or branches is successful.

I would like to congratulate and thank the Board on the level of management, confidence, direction and support it provides to not only me as its Senior Manager, but to both our Branch Managers in Julie Toward at Rye and Bronwyn Ralph at Dromana.

The success of our company and branches so far is a reflection of the former and existing Directors who have formed our Board of management since commencing in 2001.

## Senior Manager's report (continued)

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I thank Shane McCarthy, Chairman, and all the Directors of the Board for the trust and respect they show me.

I would also like to acknowledge the importance of Tony Harford as the Board Administration Officer, not only for the jobs that he performs but also for the guidance and experience he provides to the Board and me.

### Staff

In May this year we celebrated achieving \$400 million in total banking facilities, which as at 30 June 2012 had grown to \$415.03 million. This milestone could not have been achieved without the strong management structure and staffing we have at both branches. I wish to thank all our staff at both Rye and Dromana who have helped service and look after our customers to make this level of business possible.

As part of the **Community Bank**<sup>®</sup> concept is supporting the community that supports us we continue to maintain very high levels of community funding. With this comes ongoing engagement with all the community groups we support. Yes all, not just a small few. In the early years most of this community engagement was handled by me, when we had just one branch and were growing.

I can proudly say that 'all' our staff at some point or another have been involved or engaged in some community event related to our ongoing community funding. Some of these events include; school assemblies, bowls presentations, radio interviews, bowls competitions, art shows, presentation dinners, participating in the Arthurs Seat Challenge and many, many more.

Both Julie and Bronwyn are now actively involved in our community engagement strategies and are managing their staff to assist with the increasing community involvement we have. I thank and congratulate Julie and Bronwyn on how they not only manage their branches but are also engaged with our community.

I would like to thank Gemma Hodgson who has been my Personal Assistant since early 2011 for the support she has provided me. Gemma has also provided ongoing support to some of the Board administration functions and has worked very closely with our company Treasurer, Pat Tonks. I congratulate her on her positive attitude to all her tasks and how quickly she has picked up new job roles and responsibilities.

Diane Kennedy, as our Mobile Relationship Manager, based at Rye, has continued to be a very valuable member of our team. Through her wealth of experience and local contacts she has a growing client base with new customers signing up all the time.

Our staff at both branches have worked very closely together with several swaps between both sites.

I would like to thank all our staff at Rye and Dromana, Elizabeth Clark, Christine Gray, Chris Broderick, Tim Ling, Patreece Topp, Deborah Harper, Melissa Bosomworth, Ann Morris, Michelle Owen, Elizabeth Cairns and Luke Sweet for their support and commitment to our success.

During the 2011 year Tyla McKinley worked at Dromana **Community Bank**<sup>®</sup> Branch one day a week as part of an educational trainee program. At the end of her school year we decided to start her on a permanent part time basis as a Customer Service Officer (CSO) and she commenced at our Rye & District **Community Bank**<sup>®</sup> Branch in January 2012.

On 31 December 2011 Tara Delgrosso, one of our full time CSO staff at Rye commenced maternity leave. I am pleased to advise she is now the very proud mother of a baby boy (Ryder Stephen). Congratulations to Tara and husband Steve.

One of our original Customer Service Officers at Dromana **Community Bank**<sup>®</sup> Branch, Val Jarman retired from our company on 19 January 2012 and I would like to thank her for her years of service with us since 2007.

Another reason for the success of any **Community Bank**<sup>®</sup> branch, which I have learned from **Community Bank**<sup>®</sup> Conferences, is the need for a strong partnership with our partners Bendigo and Adelaide Bank. In our case this is provided by our Mornington Peninsula Regional Manager, Cora Clough. In what seems like a relatively short period of time, Cora has built a very strong relationship with our Board and both Branch Managers and provides tremendous support to me. I thank Cora and her support team for the support that has been provided and her ongoing contribution to our success.

# Senior Manager's report (continued)

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## Summary

Reaching the \$400 million milestone was a very pleasing result, one which I doubt was considered when Rye was opened in 2001. What does this figure mean?

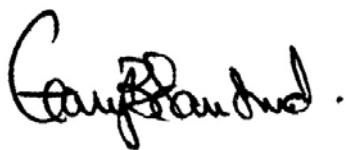
To me it means we have established a very strong and viable company that has been built by the local community moving its banking and gaining an understanding of the benefits of **Community Bank**<sup>®</sup> model.

My challenge is to ensure that 'all' our customers receive the best possible service and will not consider other financial institutions as their bankers. If we do this several things will happen:

- Both branch balances will not drop but continue to grow
- Our community support funding will continue at its current level (\$516,427) and grow
- Satisfied customers will refer other customers to us and our balances and community funding will grow
- Our profitability as a group will remain and continue to grow, which will be reflected in our dividends
- More people will become fully aware of the benefits of **Community Bank**<sup>®</sup> branches and support their local **Community Bank**<sup>®</sup> branch.

As I look to the 2013 financial year, I remain very positive and excited about the opportunities and challenges that are ahead.

In early 2013 I hope to see the commencement of the building of our third branch site at Rosebud. This will provide opportunities for existing and new staff with challenges to ensure our profitability as a Group remains strong and continues to grow.



**Gary Sanford**  
**Senior Manager**



# Directors' report

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For the financial year ended 30 June 2012

Your directors submit the financial statements of the company for the financial year ended 30 June 2012.

## Directors

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

### **Shane Christopher McCarthy Lib GAICD**

Chairman & Director

Age: 60

Occupation: Solicitor & Notary Public

Qualifications, experience and expertise: Chair, Sponsorship & Marketing Committee, 36 years experience as Legal Practitioner

Special responsibilities: Chair of Sponsorship & Marketing

Interest in shares: 7,404

### **Patricia Tonks**

Treasurer

Age: 70

Occupation: Retiree

Qualifications, experience and expertise: Former Councillor Flinders Shire, 36 years experience Business Administration and President Rye Community Centre

Special responsibilities: Finance Committee

Interest in shares: 42,236

### **Eileen Naylor**

Secretary

Age: 64

Occupation: Retiree

Qualifications, experience and expertise: B.A (Hons), 15 years experience Human Resource Management.

Special responsibilities: Sponsorship & Marketing Committee

Interest in shares: 24,000

### **Barry Leonard Irving**

Director

Age: 69

Occupation: Retiree

Qualifications, experience and expertise: Photography, 3 Terms as President Rye Rotary Club, Former Secretary Southern Peninsula Rescue Squad and 17 years experience Senior Laboratory Craftsman with C.S.I.R.O.

Special responsibilities: Marketing, Promotion & Advertising

Interest in shares: 4,100

### **Andrew Ross Emerson**

Director

Age: 65

Occupation: Home Furnishing Industry

Qualifications, experience and expertise: 40 years experience Furnishing Industry and Member Lions Club

Special responsibilities: Property Maintenance

Interest in shares: 4,000

### **Gary Michael Cain**

Director

Age: 61

Occupation: Accountant, CPA

Qualifications, experience and expertise: CPA Qualified and former President Rosebud Football Club Inc

Special responsibilities: Finance Committee

Interest in shares: 5,000

# Directors' report (continued)

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## Directors (continued)

### Stephen Bernard Edmund

Director, Deputy Chairman & Marketing Committee  
Age: 61  
Occupation: Real Estate Agent  
Qualifications, experience and expertise: 22 years experience Retail Hardware, previously served on National Marketing Committee of Home Hardware, Paul Harris Fellowship of Rotary Club Dromana and Chairman Dromana Chamber of Commerce  
Special responsibilities: Deputy Chairman & Marketing Committee  
Interest in shares: 7,200

### Janet Iris Hall

Director  
Age: 65  
Occupation: Interior Decorator  
Qualifications, experience and expertise: 30 years experience and Sole Operator of Interior Decorating and Chairperson Southern Mornington Peninsula Uniting Church  
Special responsibilities: Governance Committee  
Interest in shares: 4,800

### Dorothy Mortlock

Director  
Age: 67  
Occupation: Retiree  
Qualifications, experience and expertise: Former President Rosebud Country Club, Secretary Peninsula Community Fund Inc and Volunteer Peninsula Health.  
Special responsibilities: Governance Committee  
Interest in shares: Nil

### Vincent de Paul Cheers

Director (appointed 24th July 2012)  
Age: 53  
Occupation: Managing Director  
Qualifications, experience & expertise: Has successfully run small businesses for the past thirty years. Currently runs a successful waste and recycling business on the Mornington Peninsula, employing over 30 staff. President of St Francois Foundation, a voluntary not-for-profit NGO serving medical and educational needs in Papua New Guinea.  
Special responsibilities: N/A  
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.

## Company Secretary

The company secretary is Eileen Naylor. Eileen was appointed to the position of secretary on 24th November 2004. Eileen completed a Bachelor of Arts with Honours in 1969 and has 15 years experience in Human Resources Management.

## Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank**<sup>®</sup> services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

# Directors' report (continued)

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## 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 2012 \$	Year ended 30 June 2011 \$
	592,419	543,969

## Remuneration Report

### Remuneration Policy

The remuneration policy of Rye & District Community Financial Services Limited has been designed to align to key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

### Key Management Personnel Remuneration Policy

Key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the board's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholders wealth.

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Employment agreements were entered into with key management personnel.

### Remuneration Structure

All directors are independent non-executive Directors and are paid Directors' fees as disclosed below.

### Non-executive director remuneration policy

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on market practices, duties and accountability.

The maximum aggregate amount of fees that can be paid to non-executive Directors requires approval by shareholders as required by the Corporations Act 2001 and NSX listing rules.

# Directors' report (continued)

## Remuneration Report (continued)

### Non-executive director remuneration policy (continued)

Fees for non-executive Directors are not linked to the performance of the Company.

### Performance based remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

The Company does not pay performance based remuneration to any Director.

### Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Performance-based bonus is based on the achievement of KPIs as disclosed above.

The Senior Manager is paid a base salary, which is between \$125,000 and \$135,000 plus the use of a company car. In addition the Senior Manager receives a bonus if the company exceeds the performance criteria established by the Board. The bonus is subject to the board's review of performance and will be in the range of \$10,000 to \$20,000.

### Company performance, shareholder wealth and director's and executives' remuneration

The following table shows the gross revenue, profits and dividends for the last six years of the entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows excellent growth in revenue, increased payments to community groups and projects as well as consistent returns to shareholders. The company share price at the end of the 2011/2012 financial year is a reflection of the company performance and growth, as well as recognition of the strengthening of the Company's balance sheet. The board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall trend in shareholder wealth over the past five years.

	2012	2011	2010	2009	2008	2007*
Revenue	3,459,053	3,218,264	2,760,156	2,339,744	1,979,714	1,478,936
Net Profit/(Loss)	592,419	543,969	445,806	169,150	94,257	(13,427)
Share price at Year End	1.10	0.80	1.20	0.95	1.00	1.90
Dividend paid per share	7.1c	6.7c	6.5c	4.5c	2.0c	3.0c
Gross dividend paid	208,144	196,418	190,554	131,922	58,632	87,948

\* A 3:1 bonus share offer was made during 2006/2007

# Directors' report (continued)

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## Remuneration Report (continued)

### Directors' Remuneration

For the year ended 30 June 2012, the directors received total remuneration, as follows:

	\$
Shane Christopher McCarthy	20,000
Patricia Tonks	15,000
Eileen Naylor	10,000
Barry Irving	7,500
Andrew Ross Emerson	7,500
Janet Iris Hall	7,500
Stephen Bernard Edmund	7,500
Gary Michael Cain	7,500
Dorothy Mortlock	7,500

Fees and payments to non executive directors reflect the demands which are made on and the responsibilities of the directors. Non executive directors' fees are reviewed annually by the Board. The Chairman's, Secretary's and Treasurer's fees are determined independently to the fees of non executive directors. All directors' remunerations are inclusive of committee fees.

### Options issued as part of remuneration for the year ended 30 June 2012

No options have been issued as part of remuneration for the year ended 30 June 2012.

### Employment Contracts for Directors

There are no employment contracts for Directors.

## Dividends

	Year Ended 30 June 2012	
	Cents	\$
Final dividends recommended:	7.1c	208,144
Dividends paid in the year:		
- As recommended in the prior year report	6.7c	196,418

## 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.

# Directors' report (continued)

## Matters Subsequent to 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.

## Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 21 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

## 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:

Director	Board Meetings Attended		Committee Meetings Attended					
			Sponsorship & Marketing		Governance		Finance	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Shane Christopher McCarthy	14	10	11	9	-	-	-	-
Patricia Tonks	14	9	-	-	-	-	2	2
Eileen Naylor	14	8	11	9	-	-	-	-
Barry Leonard Irving	14	11	-	-	-	-	-	-
Andrew Ross Emerson	14	13	-	-	-	-	-	-
Gary Michael Cain	14	12	-	-	-	-	2	2
Stephen Bernard Edmund	14	13	-	-	-	-	-	-
Dorothy Mortlock	14	10	-	-	6	6	-	-
Janet Iris Hall	14	10	-	-	6	6	-	-

# Directors' report (continued)

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## 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, in accordance with the advice received from the audit committee 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 audit committee 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.

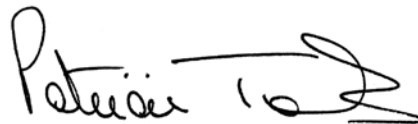
## Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 15.

Signed in accordance with a resolution of the board of directors at Dromana on 10th September 2012.



**Stephen Edmund,**  
**Deputy Chairman**



**Patricia Tonks,**  
**Director**

# Auditor's independence declaration

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## Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Rye & District Community Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to be 'Graeme Stewart', written over a horizontal line.

**Graeme Stewart**  
**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550

Dated: 10 September 2012

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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# Financial statements

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## Statement of Comprehensive Income for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
Revenues from ordinary activities	4	3,459,053	3,218,264
Employee benefits expense		(1,383,327)	(1,202,021)
Charitable donations, sponsorship, advertising and promotion		(506,682)	(530,908)
Occupancy and associated costs		(189,860)	(167,185)
Systems costs		(152,358)	(130,917)
Depreciation and amortisation expense	5	(92,870)	(77,839)
Finance costs	5	(101,369)	(72,540)
General administration expenses		(209,197)	(246,713)
<b>Profit before income tax expense</b>		<b>823,390</b>	<b>790,141</b>
Income tax expense	6	(230,971)	(246,172)
<b>Profit after income tax expense</b>		<b>592,419</b>	<b>543,969</b>
<b>Total comprehensive income for the year</b>		<b>592,419</b>	<b>543,969</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year	23	20.21	18.56

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Balance Sheet as at 30 June 2012

	Note	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	779,715	510,449
Trade and other receivables	8	297,265	283,254
<b>Total Current Assets</b>		<b>1,076,980</b>	<b>793,703</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	2,998,683	3,038,122
Financial assets	10	10,000	-
Intangible assets	11	91,546	115,431
Deferred tax assets	12	43,178	32,295
<b>Total Non-Current Assets</b>		<b>3,143,407</b>	<b>3,185,848</b>
<b>Total Assets</b>		<b>4,220,387</b>	<b>3,979,551</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	92,064	333,064
Current tax liabilities	12	70,623	87,343
Borrowings	14	219,085	254,877
Provisions	15	116,143	90,712
<b>Total Current Liabilities</b>		<b>497,915</b>	<b>765,996</b>
<b>Non-Current Liabilities</b>			
Borrowings	14	1,105,920	1,005,964
Provisions	15	44,950	31,990
<b>Total Non-Current Liabilities</b>		<b>1,150,870</b>	<b>1,037,954</b>
<b>Total Liabilities</b>		<b>1,648,785</b>	<b>1,803,950</b>
<b>Net Assets</b>		<b>2,571,602</b>	<b>2,175,601</b>
<b>Equity</b>			
Issued capital	16	1,299,400	1,299,400
Retained earnings	17	1,272,202	876,201
<b>Total Equity</b>		<b>2,571,602</b>	<b>2,175,601</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

### Statement of Changes in Equity for the Year Ended 30 June 2012

	Issued Capital \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1 July 2010</b>	<b>1,299,400</b>	<b>522,786</b>	<b>1,822,186</b>
<b>Total comprehensive income for the year</b>	-	<b>543,969</b>	<b>543,969</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(190,554)	(190,554)
<b>Balance at 30 June 2011</b>	<b>1,299,400</b>	<b>876,201</b>	<b>2,175,601</b>
<b>Balance at 1 July 2011</b>	<b>1,299,400</b>	<b>876,201</b>	<b>2,175,601</b>
<b>Total comprehensive income for the year</b>	-	<b>592,419</b>	<b>592,419</b>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(196,418)	(196,418)
<b>Balance at 30 June 2012</b>	<b>1,299,400</b>	<b>1,272,202</b>	<b>2,571,602</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cashflows for the Year Ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		3,403,249	3,177,483
Payments to suppliers and employees		(2,360,753)	(2,303,929)
Interest received		28,434	18,991
Interest paid		(101,369)	(72,540)
Income taxes paid		(238,495)	(250,685)
<b>Net cash provided by operating activities</b>	<b>18</b>	<b>731,066</b>	<b>569,320</b>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(327,338)	(1,429,559)
Payments for office furniture and equipment		(2,208)	(4,698)
Payments for intangible assets		-	(119,423)
Payments for leasehold improvements		-	(12,869)
<b>Net cash used in investing activities</b>		<b>(329,546)</b>	<b>(1,566,549)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from borrowings		217,000	1,235,000
Repayment of borrowings		(152,836)	(364,204)
Dividends paid		(196,418)	(190,554)
<b>Net cash provided by/(used in) financing activities</b>		<b>(132,254)</b>	<b>680,242</b>
<b>Net increase/(decrease) in cash held</b>		<b>269,266</b>	<b>(316,987)</b>
Cash and cash equivalents at the beginning of the financial year		510,449	827,436
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7(a)</b>	<b>779,715</b>	<b>510,449</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2012

## 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.

#### Adoption of new and revised Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

#### 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**<sup>®</sup> branches at Rye & Dromana.

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### a) Basis of Preparation (continued)

#### Economic dependency - Bendigo and Adelaide Bank Limited (continued)

The branches operates as franchises 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®** branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** 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; and
- 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 benefit 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 with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### b) Revenue (continued)

#### Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**<sup>®</sup> partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**<sup>®</sup> companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

### 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.

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### **c) Income Tax (continued)**

#### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of 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.

### **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 is 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



# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### **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 establishment/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.

#### 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) 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 comprehensive income.

# Notes to the financial statements (continued)

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## Note 1. Summary of Significant Accounting Policies (continued)

### **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.

### **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.

# Notes to the financial statements (continued)

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## 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.

### (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.

(i) 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; and

(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

# Notes to the financial statements (continued)

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## Note 2. Financial Risk Management (continued)

### **(vi) Capital 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 2012 can be seen in the statement of 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, hence there is 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 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.

# Notes to the financial statements (continued)

## Note 3. Critical Accounting Estimates and Judgements (continued)

### 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.

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.

	2012 \$	2011 \$
<b>Note 4. Revenue from Ordinary Activities</b>		
Operating activities:		
- services commissions	3,377,359	3,156,023
- other revenue	1,710	-
<b>Total revenue from operating activities</b>	<b>3,379,069</b>	<b>3,156,023</b>
Non-operating activities:		
- interest received	28,434	18,991
- rental revenue	51,550	43,250
<b>Total revenue from non-operating activities</b>	<b>79,984</b>	<b>62,241</b>
<b>Total revenues from ordinary activities</b>	<b>3,459,053</b>	<b>3,218,264</b>

## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 5. Expenses</b>		
Depreciation of non-current assets:		
- motor vehicles	11,705	15,036
- office furniture and equipment	4,530	6,375
- leasehold improvements	52,750	42,436
Amortisation of non-current assets:		
- franchise agreement	4,314	10,721
- franchise renewal fee	19,571	3,271
	<b>92,870</b>	<b>77,839</b>
Finance costs:		
<b>- interest paid</b>	<b>101,369</b>	<b>72,540</b>
<b>Bad debts</b>	<b>7,001</b>	<b>4,466</b>
<b>Loss on disposal of non current assets</b>	<b>-</b>	<b>18,594</b>

## Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax	258,050	256,350
- Future income tax benefit attributed to losses	-	-
- Movement in deferred tax	(10,882)	(10,178)
- Recoup of prior year tax loss	-	-
- Amendments to tax from prior periods	(16,197)	-
	<b>230,971</b>	<b>246,172</b>

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit	823,390	790,141
Prima facie tax on profit from ordinary activities at 30%	247,017	237,043
Add tax effect of:		
- non-deductible expenses	1,569	5,348
- timing difference expenses	10,681	13,764
- other deductible expenses	(1,217)	195
	<b>258,050</b>	<b>256,350</b>

## Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
Note 6. Income Tax Expense (continued)			
Movement in deferred tax	12	(10,882)	(10,178)
Amendments to tax from prior periods		(16,197)	-
		<b>230,971</b>	<b>246,172</b>

### Note 7. Cash and Cash Equivalents

Cash at bank and on hand		46,950	301,037
Term deposits		732,765	209,412
		<b>779,715</b>	<b>510,449</b>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

#### Note 7.(a) Reconciliation of cash

Cash at bank and on hand		46,950	301,037
Term deposits		732,765	209,412
		<b>779,715</b>	<b>510,449</b>

### Note 8. Trade and Other Receivables

Trade receivables		277,843	260,473
Prepayments		19,422	22,781
		<b>297,265</b>	<b>283,254</b>

### Note 9. Property, Plant and Equipment

#### Land & Buildings

At cost		2,849,538	2,824,419
Less accumulated depreciation		(198,173)	(166,452)
		<b>2,651,365</b>	<b>2,657,967</b>

#### Motor Vehicles

At cost		96,877	96,877
Less accumulated depreciation		(54,269)	(42,564)
		<b>42,608</b>	<b>54,313</b>

#### Office Furniture & Equipment

At cost		67,929	63,502
Less accumulated depreciation		(33,702)	(29,172)
		<b>34,227</b>	<b>34,330</b>

## Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 9. Property, Plant and Equipment (continued)		
<b>Leashold Improvements</b>		
At cost	302,018	302,018
Less accumulated depreciation	(31,535)	(10,506)
	<b>270,483</b>	<b>291,512</b>
<b>Total written down amount</b>	<b>2,998,683</b>	<b>3,038,122</b>
<b>Movements in carrying amounts:</b>		
<b>Land &amp; Buildings</b>		
Carrying amount at beginning	2,657,967	1,264,746
Additions	25,119	1,427,759
Disposals	-	-
Less: depreciation expense	(31,721)	(34,538)
<b>Carrying amount at end</b>	<b>2,651,365</b>	<b>2,657,967</b>
<b>Motor Vehicles</b>		
Carrying amount at beginning	54,313	69,349
Additions	-	-
Disposals	-	-
Less: depreciation expense	(11,705)	(15,036)
<b>Carrying amount at end</b>	<b>42,608</b>	<b>54,313</b>
<b>Office Furniture &amp; Equipment</b>		
Carrying amount at beginning	34,330	40,381
Additions	4,427	6,498
Disposals	-	(6,174)
Less: depreciation expense	(4,530)	(6,375)
<b>Carrying amount at end</b>	<b>34,227</b>	<b>34,330</b>
<b>Leasehold Improvements</b>		
Carrying amount at beginning	291,512	27,092
Additions	-	284,738
Disposals	-	(12,420)
Less: depreciation expense	(21,029)	(7,898)
<b>Carrying amount at end</b>	<b>270,483</b>	<b>291,512</b>
<b>Total written down amount</b>	<b>2,998,683</b>	<b>3,038,122</b>



## Notes to the financial statements (continued)

	2012 \$	2011 \$
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### Note 10. Financial Assets

<b>Loan - Edenhope &amp; District Financial Services Limited</b>	<b>10,000</b>	-
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The loan is an interest free loan with repayment of the principal due five years from the date of the loan agreement, being 27 March 2017.

### Note 11. Intangible Assets

#### Franchise fee

At cost	129,570	129,570
Less: accumulated amortisation	(113,035)	(108,721)
	<b>16,535</b>	<b>20,849</b>

#### Establishment/Renewal processing fee

At cost	97,853	97,853
Less: accumulated amortisation	(22,842)	(3,271)
	<b>75,011</b>	<b>94,582</b>
<b>Total written down amount</b>	<b>91,546</b>	<b>115,431</b>

### Note 12. Tax

#### Current:

<b>Income tax payable</b>	<b>70,623</b>	<b>87,343</b>
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#### Non-Current:

##### Deferred tax assets

- accruals	-	-
- employee provisions	48,354	37,035
	<b>48,354</b>	<b>37,035</b>

##### Deferred tax liability

- accruals	23	470
- deductible prepayments	5,153	4,270
	<b>5,176</b>	<b>4,740</b>

<b>Net deferred tax asset</b>	<b>43,178</b>	<b>32,295</b>
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<b>Movement in deferred tax charged to statement of comprehensive income</b>	<b>(10,883)</b>	<b>(10,178)</b>
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## Notes to the financial statements (continued)

	Note	2012 \$	2011 \$
<b>Note 13. Trade and Other Payables</b>			
Trade creditors		1,700	747
Other creditors and accruals		90,364	332,317
		<b>92,064</b>	<b>333,064</b>

## Note 14. Borrowings

### Current:

Lease liability	19	-	27,157
Bank loans		219,085	227,720
		<b>219,085</b>	<b>254,877</b>

### Non-Current:

<b>Bank loans</b>		<b>1,105,920</b>	<b>1,005,964</b>
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Bank loans are repayable monthly with the final instalment due on 22nd May 2016. Interest is recognised at an average rate of 7.56% (2011: 7.50%). The loans are secured by a fixed and floating charge over the company's assets.

## Note 15. Provisions

### Current:

Provision for dividend		(86)	(86)
Provision for annual leave		53,578	45,191
Provision for long service leave		62,651	45,607
		<b>116,143</b>	<b>90,712</b>

### Non-Current:

<b>Provision for long service leave</b>		<b>44,950</b>	<b>31,990</b>
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Number of employees at year end		19	18
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## Note 16. Contributed Equity

2,931,605 Ordinary shares fully paid (2011: 2,931,605)		1,340,732	1,340,732
Less: equity raising expenses		(41,332)	(41,332)
		<b>1,299,400</b>	<b>1,299,400</b>

# Notes to the financial statements (continued)

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## Note 16. Contributed Equity (continued)

### **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**<sup>®</sup> 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.

### **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 any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 270. As at the date of this report, the company had 527 shareholders.

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.

## Notes to the financial statements (continued)

### Note 16. Contributed Equity (continued)

#### Prohibited shareholding interest (continued)

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.

	2012 \$	2011 \$
<b>Note 17. Retained Earnings</b>		
Balance at the beginning of the financial year	876,201	522,786
Net profit from ordinary activities after income tax	592,419	543,969
Dividends paid or provided for	(196,418)	(190,554)
<b>Balance at the end of the financial year</b>	<b>1,272,202</b>	<b>876,201</b>

### Note 18. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	592,419	543,969
Non cash items:		
- depreciation	68,985	63,847
- amortisation	23,885	13,992
- loss on sale of assets	-	18,594

## Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 18. Statement of Cashflows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(27,370)	(21,790)
- (increase)/decrease in other assets	(7,524)	(4,513)
- increase/(decrease) in payables	59,000	(5,670)
-increase/(decrease) in provisions	38,391	30,286
-increase/(decrease) in current tax liabilities	(16,720)	(69,395)
<b>Net cashflows provided by operating activities</b>	<b>731,066</b>	<b>569,320</b>

## Note 19. Leases

### Finance lease commitments

Payable - minimum lease payments		
- not later than 12 months	-	28,304
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
<b>Minimum lease payments</b>	<b>-</b>	<b>28,304</b>
Less future finance charges		(1,147)
<b>Present value of minimum lease payments</b>	<b>-</b>	<b>27,157</b>

The Ford Falcon chattel mortgage, which commenced in 2007, is a 4-year contract.

Interest is recognised at an average rate of 8.65% (2011: 8.65%).

The Honda Civic chattel mortgage, which commenced in 2008, is a 4-year contract.

Interest is recognised at an average rate of 8.95% (2011: 8.95%).

### 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	84,000	84,000
- between 12 months and 5 years	217,000	301,000
- greater than 5 years	-	-
	<b>301,000</b>	<b>385,000</b>

The Rye Rental lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 20. Auditor's Remuneration</b>		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	7,131	6,688
- non audit services	1,944	1,650
	<b>9,075</b>	<b>8,338</b>

## Note 21. Director and Related Party Disclosures

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

Shane Christopher McCarthy  
Stephen Bernard Edmund  
Gary Michael Cain  
Patricia Tonks  
Eileen Naylor  
Barry Leonard Irving  
Andrew Ross Emerson  
Janet Iris Hall  
Dorothy Mortlock

The Board has adopted a policy in respect to director fees with the following objectives:

- To attract and retain appropriately qualified and experienced directors; and
- To remunerate directors in regard to their responsibilities.

In accordance with Board policy, director remuneration comprises a base fee together with a 9% superannuation guarantee charge.

Directors fees are determined by the Board and are not to exceed \$100,000 in aggregate, the allocation of which is determined at the discretion of the Board. This policy was approved by the shareholders at the 2007 Annual General Meeting held 31 October 2008.

During the normal course of business operations, Rye & District Community Financial Services Limited utilised services offered by local community business. Some of these transactions included businesses which some Directors have direct or indirect interest. These transactions are considered to be made at an arms length basis and are on normal commercial terms and are outlined below:

Shane McCarthy is a director of McCarthy Partners Solicitors which supplied the company with legal services during the financial year. During the financial year the total benefit received by McCarthy Partners Solicitors was \$4,105 (2011 \$2,849).

No director or related entity has entered into a material contract with the company.

## Notes to the financial statements (continued)

### Note 21. Director and Related Party Disclosures (continued)

<b>Directors' Shareholdings</b>	<b>2012</b>	<b>2011</b>
Shane Christopher McCarthy	7,404	7,404
Patricia Tonks	42,236	42,236
Eileen Naylor	24,000	24,000
Barry Irving	4,100	4,100
Andrew Ross Emerson	4,000	4,000
Janet Iris Hall	4,800	4,800
Stephen Bernard Edmund	7,200	7,200
Gary Michael Cain	5,000	5,000
Dorothy Mortlock	-	-

There was no movement in directors' shareholdings during the year.

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>

### Note 22. Dividends Paid or Provided

#### a. Dividends paid during the year

Prior year proposed final		
<b>100% (2011: 100%) franked dividend - 6.7 cents (2011: 6.5 cents) per share</b>	<b>196,418</b>	<b>190,554</b>

#### b. Dividends proposed and not recognised as a liability

Current year final dividend		
<b>100% (2011: 100%) franked dividend - 7.1 cents (2011: 6.7 cents) per share</b>	<b>208,144</b>	<b>196,418</b>

The tax rate at which dividends have been franked is 30% (2011: 30%).

Dividends proposed will be franked at a rate of 30% (2011: 30%).

## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 22. Dividends Paid or Provided</b>		
<b>c. Franking account balance</b>		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	298,695	173,616
- franking credits that will arise from payment of income tax payable as at the end of the financial year	270,574	206,745
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	(84,179)	(81,666)
<b>Franking credits available for future financial reporting periods:</b>	<b>485,090</b>	<b>298,695</b>
- 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	(89,205)	(84,179)
<b>Net franking credits available</b>	<b>395,885</b>	<b>214,516</b>

## Note 23. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	592,419	543,969
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,931,605	2,931,605

## Note 24. Events Occurring After the Balance Sheet Date

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

## Note 25. Contingent Liabilities

There were no contingent liabilities 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 Rye District pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.



# Notes to the financial statements (continued)

## 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

Rye & District Community Financial Services Ltd  
2271 Point Nepean Road  
Rye Vic 3941

Rye & District Community Financial Services Ltd  
2271 Point Nepean Road  
Rye Vic 3941

Rye & District Community Financial Services Ltd  
239 Point Nepean Road  
Dromana Vic 3936

## Note 28. Financial Instruments

### 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

Financial Instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 %	2011 %
<b>Financial Assets</b>												
Cash and cash equivalents	171,639	300,560	668,828	20,412	-	-	-	-	475	475	3.38	3.72
Receivables	-	-	-	-	-	-	-	-	276,251	260,473	N/A	N/A
<b>Financial Liabilities</b>												
Interest bearing liabilities	-	-	-	-	-	27,156	1,324,806	1,233,484	-	-	7.56	5.68
Payables	-	-	-	-	-	-	-	-	32,971	326,207	N/A	N/A

# Directors' declaration

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In accordance with a resolution of the directors of Rye & District Community Financial Services Limited, we state that:

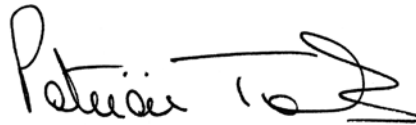
In the opinion of the directors:

- (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 2012 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.



**Stephen Edmund,**  
**Deputy Chairman**



**Patricia Tonks,**  
**Director**

Signed on the 10th of September 2012.

# Independent audit report

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## Independent auditor's report to the members of Rye & District Community Financial Services Limited

### Report on the financial report

We have audited the accompanying financial report of Rye & District Community Financial Services Limited, which comprises the balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement 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 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 the 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 auditing 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 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.

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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# Independent audit report (continued)

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## 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. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Auditor's opinion on the financial report

In our opinion:

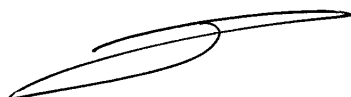
- 1) The financial report of Rye & District Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2012 and of its financial performance and its cash flows for the year then ended and 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 2012. 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

In our opinion, the remuneration report of Rye & District Community Financial Services Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



**Graeme Stewart**  
**Andrew Frewin Stewart**  
61 Bull Street Bendigo Vic 3550

Dated: 10 September 2012

# NSX report

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## Share information

In accordance with National Stock Exchange of Australia listing rules, the company provides the following information as at 16 September 2012, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders
1 to 1,000	81
1,001 to 5,000	326
5,001 to 10,000	62
10,001 to 100,000	56
100,001 and over	1
<b>Total shareholders</b>	<b>526</b>

Each of the above shareholders is entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the company.

There are 2 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

## The following table shows the 15 largest shareholders

Shareholder	Number of fully paid shares held	Percentage of issued capital
Planned Living Pty Ltd <Superannuation Fund A/C>	101,000	3.45
Thomas Leigh ATF The Waring Superannuation Fund	80,400	2.74
John Leonard Seeber	60,000	2.05
Bernard Wilfred & Patricia Tonks	42,236	1.44
Fund Raising Management Services Pty Ltd as Trustee for <Trevorrow Superannuation Fund A/C>	42,003	1.43
Kadan Superannuation Pty Ltd	39,199	1.34
Louise Rose Whitehead	35,088	1.20
Kenneth Jack & Gloria Peggy Spinner	32,000	1.09
James Lyndon Naylor	26,000	0.89
Eileen Naylor	24,000	0.82

# NSX report (continued)

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The following table shows the 15 largest shareholders (continued)

Shareholder	Number of fully paid shares held	Percentage of issued capital
Hilmi Kusari	24,000	0.82
Ian John Mcbeath & Carmel Ann Davis	24,000	0.82
Norma Maureen Pitt	24,000	0.82
Peter Van Duren ATF <Van Duren Family Super A/C>	24,000	0.82
Steven Frank Burley	24,000	0.82
	<b>601,926</b>	<b>20.53</b>

## Registered office and principal administrative office

The registered office of the company is located at:

2271 Point Nepean Road,  
Rye VIC 3941  
Phone: (03) 5985 9755

The principal administrative office of the company is located at:

239 Point Nepean Road,  
Dromana VIC 3936  
Phone: (03) 5987 0754

## Security register

The security register (share register) is kept at:

Richmond Sinnott Delahunty Pty Ltd  
Woodbury Court,  
172-176 Mclvor Road,  
Bendigo VIC 3552  
Phone: (03) 5443 1177

## Company Secretary

The Company Secretary is Eileen Naylor who was appointed to the position of Secretary on 24 November 2004.

## Corporate governance

The company has implemented various corporate governance practices, which include:

- (a) The establishment of an Audit & Governance Committee
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

## Annexure 3A

There are no material differences between the information in the company's Annexure 3A and the information in the financial documents in its annual report.

# Sponsorship allocations

Community Group/recipient	Total investment
3RPP Cricket Show	\$1,777
3RPP Community Radio Station	\$5,000
Anglican Parish of Sorrento & Rye	\$2,000
Art Red Hill	\$500
B&ABL Flinders Golf Club ProAm	\$500
Bike Safe Mornington Peninsula	\$2,500
Blairgowrie Yacht Squadron	\$4,900
Boneo Cricket Club	\$2,000
Boneo Primary School	\$4,180
Carrington Park Club - Bowls Division	\$2,500
Dromana Art & Craft Show	\$1,250
Dromana Bowls Club	\$3,000
Dromana Cricket Club	\$1,000
Dromana Drive In Hot Rod Charity Day	\$500
Dromana Football Netball Club	\$10,000
Dromana Junior FC	\$3,000
Dromana Potters Group	\$500
Dromana Primary School Stone Gateway Project	\$8,500
Dromana Red Hill RSL	\$1,000
Dromana Rotary Club	\$5,000
Dromana Secondary College	\$3,344
Dromana Secondary College Chaplaincy Committee	\$2,500
Dromana Valley Probus Club	\$560
Eastbourne Primary School	\$8,000
Fit2Drive Arthurs Seat Challenge	\$5,000
Fitted for Work	\$10,000
Flinders Bowls Association	\$2,500
Flinders District Lions Club Annual Charity Golf Day	\$2,000
Flinders Pro-Am & Corporate Golf Day	\$500
Gunnamatta Surf Life Saving Club	\$2,000
Hands on Health Rosebud Division	\$1,000
Ingham Chicken Growers Assoc	\$2,300
Lions Club of McCrae & District	\$2,500
Lions Club of Rye	\$5,000
Main Ridge Bowls Club	\$3,000
Main Ridge Cricket Club	\$500
Main Ridge Rural Volunteer Fire Brigade	\$8,000

Community Group/recipient	Total investment
Main Ridge Tennis Club	\$1,000
McCrae Yacht Club	\$2,500
Morn Pen Squash Racquets Assoc	\$250
Morn Pen Veterans' Golf Assoc	\$500
Mornington Peninsula Cricket Association	\$10,000
Mornington Peninsula Gourmet	\$4,000
Morn Pen Hinterland Tourism Association	\$1,000
Mornington Peninsula Junior Football League	\$8,250
Mornington Soccer Club	\$500
MP Hinterland Tourism Assoc	\$1,000
MPCA Annual Sponsorship	\$11,000
MPJFL Annual Sponsorship	\$8,250
MPNFL Annual Sponsorship	\$11,000
Mt Martha Life Savng Club	\$500
National Seniors Association - Morn Pen	\$500
Nepean Netball Association	\$5,000
New Peninsula Community Caring	\$10,000
Peninsula Magpies Supporters Club	\$250
Peninsula Short Film Festival	\$3,500
Peninsula Specialist College	\$20,000
Peninsula Women's Information Service	\$6,000
Portsea Sorrento RSL Bowls Club	\$500
Red Hill Consolidated School	\$8,400
Red Hill Football Club	\$8,000
Red Hill Football Netball Club	\$10,000
Red Hill Gardening Society Festival	\$1,500
Red Hill Junior Football Club	\$2,500
Rosebud & District Motorcycle Club	\$500
Rosebud & McCrae Life Saving Club	\$5,000
Rosebud Bowls Club	\$3,000
Rosebud CFA Fire Truck	\$30,000
Rosebud Chamber of Commerce	\$5,000
Rosebud Country Club Bowls Division	\$3,000
Rosebud Cricket Club	\$1,000
Rosebud Football Netball Club	\$10,000
Rosebud Junior Football Club	\$2,500

## Sponsorship allocations (continued)

Community Group/recipient	Total investment
Rosebud Kindergarten	\$1,000
Rosebud Netball Club	\$1,000
Rosebud Rock 'n Rod Festival	\$500
Rosebud Secondary College Art Show	\$5,000
Rosebud Soccer Club	\$1,000
Rosebud Tennis Club Clay Court Championships	\$1,000
Rotary Club of Mt Martha	\$2,000
Rotary Club of Sorrento Charity Golf Day	\$2,000
Rye & Peninsula Greek Women's Group	\$500
Rye Beach Community Centre 'Carols in the Park'	\$500
Rye Beach Community Centre Refurbishment	\$4,420
Rye Bowls Club	\$6,000
Rye CFA Salvage Truck replacement	\$36,000
Rye Football Club Businessmen's Golf Day	\$500
Rye Football Netball Club	\$10,000
Rye Junior Football Club Annual Sponsorship	\$3,000
Rye Netball Club	\$1,500
Rye Pre-school	\$150
Rye Sports & Social Club	\$5,000
Rye Sports & Social Club 2012 Rye Gift	\$5,500
Rye Yacht Club	\$2,500
Safety Beach Foreshore Landscape Committee	\$1,000
Safety Beach Golf Club	\$2,000
Safety Beach Sailing Club	\$1,000
Sorrento Bowls Club	\$3,000
Sorrento Bowls Club	\$3,000
Sorrento Cemetery Trust	\$10,000
Sorrento Cricket Club	\$500
Sorrento Football Club	\$8,000
Sorrento Junior Football Club	\$2,500
Sorrento Urban Fire Brigade	\$4,240

Community Group/recipient	Total investment
Southern Peninsula Pony Club	\$500
St Andrews Beach Petanque Club	\$500
Sth Mornington Junior Football Club	\$2,500
Sthn Pen Food for All	\$4,800
Sthn Pen Toy Lending Library	\$900
Sthn Peninsula Cancer Support Centre	\$12,000
Sthn Peninsula Classic & Historic Car Club	\$500
Sthn Peninsula Daytime Trim & Slim Club	\$411
Sthn Peninsula Indoor Bias Bowls Assoc	\$400
Sthn Peninsula Little Athletics	\$1,000
The Dunes Golf Club Junior Development	\$500
The Portsea Camp	\$10,000
The Village Glen Bowls Club	\$3,000
The Village Glen Fidelity Club	\$500
The Village Glen Golf Club	\$2,500
Tootgarook Cricket Club	\$1,000
Tootgarook Netball Club	\$1,000
Tootgarook Primary School	\$30,000
Vinnies Kitchen	\$4,800
West Rosebud Bowls Club	\$3,000
Woodworkers of the Southern Peninsula	\$2,000
YMCA/Rye Youth Centre	\$25,000







Rye & District **Community Bank**<sup>®</sup> Branch  
 2271 Point Nepean Road, Rye, VIC 3941  
 Phone: (03) 5985 9755

Dromana **Community Bank**<sup>®</sup> Branch  
 239 Point Nepean Road, Dromana VIC 3936  
 Phone: (03) 5981 0106

Franchisee: Rye & District Financial Services Ltd  
 PO Box 301, Rye VIC 3941  
 Phone: (03) 5985 3211  
 ABN: 67 095 766 895  
[www.bendigobank.com.au/Rye\\_District](http://www.bendigobank.com.au/Rye_District)

