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Rye & District Community

Financial Services Limited

Financial Statements

for the half-year ended

31 December 2011

Rye & District Community Financial Services Limited
ABN 67 095 766 895
Directors' Report

Your directors submit the financial report of the company for the half-year ended 31 December 2011.

Directors

The names of directors who held office during the half year and until the date of this report are as below:

Shane Christopher McCarthy

Elleen Naylor

Patricia Tonks

Barry Leonard Irving

Andrew Ross Emerson

Janet Iris Hall

Stephen Bernard Edmund

Gary Michael Cain

Dorothy Mortlock

Principal Activities

The principal activity of the company during the course of the financial period was in facilitating **Community Bank@** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

Review and Results of Operations

Operations have continued to perform in line with expectations. The net profit of the company for the financial period after the provision of income tax was: \$292,695 [2010: \$314,734].

Matters Subsequent to the End of the Reporting Period

There are no matters or circumstances that have arisen since the end of the half year reporting period 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.

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 2.

Signed in accordance with a resolution of the directors at _____ **DROMANA** _____
on **8th** March 2012.



Shane Christopher McCarthy, Chairman

**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, during the half-year ended 31 December 2011 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.



GRAEME STEWART
ANDREW FREWIN & STEWART
61-65 Bull Street Bendigo 3550

Dated this 8th day of March 2012

Rye & District Community Financial Services Limited
ABN 67 095 766 895
Statement of Comprehensive Income
for the half-year ended 31 December 2011

	<u>Notes</u>	2011 \$	2010 \$
Revenue from ordinary activities		1,699,523	1,558,339
Employee benefits expense		(690,947)	(585,906)
Charitable donations, sponsorship, advertising and promotion		(213,300)	(237,771)
Occupancy and associated costs		(86,157)	(57,915)
Systems costs		(75,200)	(57,148)
Depreciation and amortisation expense		(47,310)	(33,104)
Finance costs		(49,899)	(29,710)
General administration expenses		(137,229)	(101,961)
Profit before income tax expense		399,481	454,824
Income tax expense	6	(106,786)	(140,090)
Profit after income tax expense		292,695	314,734
Total comprehensive income for the year attributable to members		292,695	314,734
Earnings per Share		<u>¢</u>	<u>¢</u>
Basic from profit for the period:		9.98	10.74

The accompanying notes form part of these financial statements.

Rye & District Community Financial Services Limited
ABN 67 095 766 895
Balance Sheet
as at 31 December 2011

	<u>Notes</u>	31-Dec 2011 \$	30-Jun 2011 \$
ASSETS			
Current Assets			
Cash assets		512,520	510,449
Trade and other receivables		304,103	283,254
Total Current Assets		<u>816,623</u>	<u>793,703</u>
Non-Current Assets			
Property, plant and equipment		3,015,472	3,038,122
Intangible assets		103,423	115,431
Deferred tax asset		32,341	32,295
Total Non-Current Assets		<u>3,151,236</u>	<u>3,185,848</u>
Total Assets		<u>3,967,859</u>	<u>3,979,551</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		97,198	333,264
Current tax liabilities		76,156	87,343
Borrowings		238,250	254,677
Provisions		90,842	90,712
Total Current Liabilities		<u>502,446</u>	<u>765,996</u>
Non-Current Liabilities			
Borrowings		1,157,536	1,005,964
Provisions		36,000	31,990
Total Non-Current Liabilities		<u>1,193,536</u>	<u>1,037,954</u>
Total Liabilities		<u>1,695,982</u>	<u>1,803,950</u>
Net Assets		<u>2,271,877</u>	<u>2,175,601</u>
Equity			
Issued capital	7	1,299,400	1,299,400
Retained earnings		972,477	876,201
Total Equity		<u>2,271,877</u>	<u>2,175,601</u>

The accompanying notes form part of these financial statements.

Rye & District Community Financial Services Limited
ABN 67 095 766 895
Statement of Changes in Equity
for the half-year ended 31 December 2011

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2010	1,299,400	522,786	1,822,186
Total comprehensive income for the year	<u>-</u>	<u>314,734</u>	<u>314,734</u>
	1,299,400	837,520	2,136,920
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	<u>-</u>	<u>(190,554)</u>	<u>(190,554)</u>
Balance at 31 December 2010	<u>1,299,400</u>	<u>646,966</u>	<u>1,946,366</u>
 Balance at 1 July 2011	 1,299,400	 876,201	 2,175,601
Total comprehensive income for the year	<u>-</u>	<u>292,695</u>	<u>292,695</u>
	1,299,400	1,168,896	2,468,296
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	<u>-</u>	<u>(196,419)</u>	<u>(196,419)</u>
Balance at 31 December 2011	<u>1,299,400</u>	<u>972,477</u>	<u>2,271,877</u>

The accompanying notes form part of these financial statements.

Rye & District Community Financial Services Limited
ABN 67 095 766 895
Cash Flow Statement
for the half-year ended 31 December 2011

	2011 \$	2010 \$
Cash Flows From Operating Activities		
Receipts from customers	1,667,484	1,493,427
Payments to suppliers and employees	(1,146,750)	(925,606)
Interest paid	(49,899)	(27,683)
Interest received	11,190	10,671
Income taxes paid	(106,786)	(115,538)
Net cash provided by operating activities	<u>375,239</u>	<u>435,271</u>
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(311,270)	(1,427,759)
Payments for office furniture & fittings	(437)	(3,364)
Payments for intangible assets	-	-
Net cash used in investing activities	<u>(311,707)</u>	<u>(1,431,123)</u>
Cash Flows From Financing Activities		
Proceeds from issues of equity securities	-	-
Payment for share issue costs	-	-
Proceeds from borrowings	217,000	537,564
Repayment of borrowings	(82,043)	-
Dividends paid	(196,418)	(190,554)
Net cash used in financing activities	<u>(61,461)</u>	<u>347,010</u>
Net increase in cash held	2,071	(648,842)
Cash at the beginning of the financial year	510,449	827,436
Cash at the end of the half-year	<u>512,520</u>	<u>178,594</u>

The accompanying notes form part of these financial statements.

Rye & District Community Financial Services Limited
ABN 67 095 766 895
Notes to the financial statements
for the half-year ended 31 December 2011

Note 1. Summary of Significant Accounting Policies

Statement of Compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard *AASB 134: Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard *IAS 34: Interim Financial Reporting*.

Basis of Preparation

The half-year financial report is intended to provide users with an update on the latest annual financial statements and does not include all the notes of the type normally included in an annual financial report. Accordingly the report shall be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by the company during the period.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements and the previous corresponding interim period.

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The company has elected not to early adopt the new and amended Accounting Standards and Interpretations, as outlined in the annual financial report for the year ended 30 June 2011, that have mandatory application dates during future reporting periods.

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period relevant to the company that were not disclosed in the annual financial report for the year ended 30 June 2011.

Note 2. Events Subsequent to Reporting Date

There have been no events subsequent to reporting date that would materially effect the financial statements at the reporting date.

Note 3. Contingent Assets and Liabilities

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

Note 4. Segment Reporting

The economic entity operates in a single service sector where it facilitates community banking services in Rye District, Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank

Note 5. Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2011 annual financial report.

Rye & District Community Financial Services Limited
ABN 67 095 766 895
Notes to the financial statements
for the half-year ended 31 December 2011

Note 6. Income Tax Expense/Credit	2011	2010
	\$	\$
The components of tax expense comprise:		
- Current tax	123,030	143,984
- Future income tax benefit attributed to losses	-	-
- Movement in deferred tax	(45)	(2,501)
- Recoupment of prior year tax losses	-	-
- Adjustments to tax expense of prior periods	(16,198)	-
	<u>106,787</u>	<u>141,483</u>
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Operating profit	399,481	454,824
Prima facie tax on profit from ordinary activities at 30%	119,844	136,456
Add tax effect of:		
- non-deductible expenses	575	1,512
- timing difference expenses	(155)	7,479
- other deductible expenses	2,766	(1,463)
	<u>123,030</u>	<u>143,984</u>
Movement in deferred tax	(45)	(2,501)
Adjustments to tax expense of prior periods	(16,198)	-
	<u>106,787</u>	<u>141,483</u>

Adjustments to tax expense of prior periods relates to the tax deductibility of amortisation on the renewal franchise fee and renewal processing fee. A tax deduction was not initially claimed for the amortisation on these items, pending the outcome of a private tax ruling by the Commissioner of Taxation. While the original private tax ruling held that these items were in fact not tax deductible, the ruling was overturned by Administrative Appeals Tribunal decision 607 handed down on 31 August 2011. Therefore amortisation on the renewal franchise fee and renewal processing fee can now be claimed as a tax deduction. Amendment to the applicable income tax returns will be undertaken, with the overall tax effect of the change outlined below:

Year	Franchise Fee	Amortisation Process Fee	Total	Tax effect @ 30%
2007	10,000	-	10,000	3,000
2008	10,000	-	10,000	3,000
2009	10,000	-	10,000	3,000
2010	10,000	-	10,000	3,000
2011	10,721	3,271	13,992	4,198
	<u>50,721</u>	<u>3,271</u>	<u>53,992</u>	<u>16,198</u>

Rye & District Community Financial Services Limited
ABN 67 095 766 895
Notes to the financial statements
for the half-year ended 31 December 2011

Note 7. Contributed Equity	2011	2010
	\$	\$
1,340,732 Ordinary shares fully paid (2010: 1,340,732)	1,340,732	1,340,732
Less: equity raising costs	(41,332)	(41,332)
	<u>1,299,400</u>	<u>1,299,400</u>

Note 8. Dividends Paid/Provided

	2011	2011	2010	2010
	Cents	\$	Cents	\$
Dividend paid in the period as recommended in the annual report:	6.70	196,418	6.50	190,554
100% fully franked (2010: 100%)				

The tax rate at which dividends have been franked is 30% (2010: 30%).

Rye & District Community Financial Services Limited
ABN 67 095 766 895
Directors' Declaration

In the opinion of the directors of Rye & District Community Financial Services Limited ("the company"):

- 1 The financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the financial position of the entity as at 31 December 2011 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;
 - (b) complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- 2 There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

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



Shane Christopher McCarthy, Chairman

Dated this ^{8th} day of ~~February~~ 2012.

March

Independent Auditor's Review Report to the Members of Rye & District Community Financial Services Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Rye & District Community Financial Services Limited, which comprises the balance sheet as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Rye & District Community Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

In conducting our review we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Rye & District Community Financial Services Limited is not in accordance with the Corporations Act 2001 including:

- a) Giving a true and fair view of the company's financial position at 31 December 2011 and of its performance for the half-year ended on that date; and
- b) Complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



GRAEME STEWART

ANDREW FREWIN & STEWART

61-65 Bull Street, Bendigo, 3550

Dated this 8th day of March 2012