

## ***Chairman's Report FY2013-2014***

North Ryde Community Finance Limited has had a year of consolidation and adjustment to a changing operating environment. I am pleased to report that in the context of these challenges, we have had a most successful year. We have achieved excellent financial results with a strong, positive cashflow and also achieved increasing support from our customer base and also in our community engagement work.

### **Financial results summary**

	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$A'000</b>	<b>\$A'000</b>
Total Revenue	940	1,022
Profit (after tax)	211	303
Cash Held	1,346	1,303
Net Assets	1,735	1,609
Total Equity	1,735	1,609
Earnings per Share	19.91 cents	28.66 cents
Net Tangible Asset Backing per Share	\$1.70	\$1.50
Dividend per Share (100% franked)	8.0 cents	8.0 cents

The full impact of "Restoring the Balance" process modifying the profit share model with our partner, Bendigo & Adelaide Bank is reflected in the significant reduction in total revenue. The impact was also reflected in our profit line after tax and in a reduced earnings per share. Notwithstanding this, cashflow was strong and the NTA backing per share increased significantly.

The focus of your Board and staff will be to further increase the total level of business into the future to secure and enhance the strong business platform already achieved. Concurrently, we will also be focussing on increasing our community engagement with various community groups that form a part of our local collegiate.

### **Remuneration report**

The Remuneration report is a requirement of the Corporations Law and reporting to ASIC of the annual accounts for a listed company. This report is outlined on page 2 of the financial statements and states that "no director or secretary of the company receives payment for services as a director or committee member". Accordingly, no disclosures are required on this matter.

### **Operation and financial review**

A review of operations is attached separately and gives an insight into the changes in our operating environment over the period and their impact on the current and future business prospects.

### **Dividend announcement**

As a result of the strong financial performance, your Board, at its August meeting, determined a dividend of 8c per share (fully franked) be paid. This was officially announced on the National Stock Exchange on 5 September 2014. The ex-dividend date is 6 November 2014 and the record date is 12 November 2014. It is expected that the dividend will be paid on 3 December 2014.

### **National Stock Exchange**

North Ryde Community Finance Limited has been listed on the NSX for a number of years now and your Board believes it is in the longer term interests of our **Community Bank®** to have formal trading platform on which shares can be actively traded and provide a more liquid and transparent market, reflecting the market value of the Company's shares. Other important advantages in being a listed company is the probity that is required to conform to the listing rules of the Exchange providing a professional approach to the governance of the Company's trading environment.

We encourage shareholders to use the Exchange to obtain company information and announcements which are required on a continuous reporting requirement for both market sensitive and non-market sensitive information. The website address for National Stock Exchange is: [www.nsx.com.au](http://www.nsx.com.au).

At the date of this report, the last trade of shares was for \$1.16 per share. Your Board is also encouraging all shareholders who wish to buy/sell shares to engage with approved broker participants of the Exchange. A list of these brokers is outlined on the NSX website and are listed as being approved of Certified Securities T+5.

### **Appointment of General Manager**

It is with great pleasure that I report that Mr Pasquale Italiano was appointed as General Manager of the Company Franchise early last financial year. Mr Italiano had worked for North Ryde Community Finance Limited for five years prior to his appointment as a secondee from Bendigo and Adelaide Bank Limited.

Your Board is delighted that Mr Italiano has joined NRCF. He is well known in our community and has established a track record "second to none". He has a thorough understanding of the banking business and the "Bendigo way" and ensures a sense of certainty in our future business, whilst at the same time, cementing an excellent relationship with our partner, Bendigo and Adelaide Bank.

I am confident that we have an excellent team in place to serve and help each and every customer of the Bank. Accordingly, I take the opportunity to congratulate Pasquale and our wonderful team on their achievements over the year.

### **Annual General Meeting**

The AGM this year will be held on Wednesday 12 November at 10.00am. The venue will be the same as last year – the Holy Spirit School Hall in Cox's Road, North Ryde. Information and procedural matters for the AGM will be made available to shareholders on a separate mail out basis containing the formal notes of meeting, statutory accounts and proxy forms.

Shareholders may attend the AGM and register their votes on resolutions at the meeting. For the shareholders who have difficulty attending the meeting, you may vote via a proxy or choose to vote electronically. Electronic voting will again be conducted by Elections Australia.

### **Our Directors**

My thanks go to the entire board of directors for their active participation over the past 12 months. As we report to ASIC under Corporations Law, all our directors are subject to the required diligences and responsibility of the conduct of the business which, these days, is quite an onerous task. They also have to shoulder the responsibility of the listing rules of the National Stock Exchange and the overall governance and business focus of the **Community Bank®** branch. Our directors continue to participate on a voluntary basis.

This year three directors retire by rotation and each offer themselves for re-election. These directors are: Dr Graham McMaster, Mr Anthony Wise and Professor Gordon MacAulay.

### **A Busy Year Ahead for Directors**

Apart from our normal commitments, calendar year 2015 will require a strong focus and effort by your directors. A new extension of the Franchise Agreement will also need to be negotiated and executed. Some attention to updating our Constitution will also be required.

### **Succession Planning and Refreshing our Board**

At last year's Annual General Meeting, I indicated that we would be seeking some additional appointments as directors of the Company. Subsequently, events overtook this aim, however, it now forms a priority for calendar year 2015. We have a cohesive and hardworking board who, apart from the normal duties and obligations required of company directors, undertake a wide range of additional supportive activities that assist in achieving our business success. Whilst there have been some new appointments in recent years, we have a number of foundation directors who have provided loyal service for the past decade and who support a process to "refresh" the board. During last year, a number of extremely well qualified shareholders expressed a genuine interest in considering such an appointment.

Accordingly, your board has decided that a formal approach is required and a structured process developed for such board appointments.

I have offered myself for re-election this year, and, if elected Chairman, will oversee the process and board appointments. We are entering a new phase of change and transition in community banking and there is much to be done and much to be achieved in the future.

### **Our Partner - Bendigo and Adelaide Bank**

Bendigo & Adelaide Bank have continued to achieve many successes over the past year. On 11 August 2014, they announced an after tax profit of \$372.3M for the financial year. Underlying cash earnings were \$382.3M, a 9.9% increase from the previous year. The CEO, Mike Hirst has embarked on a major program of investments in higher levels of accreditations to position Bendigo & Adelaide Bank to take advantage of cheaper borrowing rates that will enable the Bank to be more competitive with the "big 4" in future years.

We continue to have an excellent working relationship with Bendigo and Adelaide Bank and we would like to thank their staff for all their assistance during the year. In particular, we would

like to thank the State Manager, Mr Phil Jones, our Regional Manager, Mr Alex Hughes, and Mr John Chandler for their excellent support.

#### **AFS & Associates**

North Ryde Community Finance engages AFS & Associates to conduct our annual audit, prepare tax accounts and provide a share registry service. The directors engage AFS & Associates to ensure an "arm's length" approach to the above services to provide confidence and transparency to our shareholders and regulators.

#### ***Share Registry***

There are no changes to the administration of our Share Registry. As you are aware, this is independently managed by AFS & Associates Pty Ltd. Should you have a query regarding your shareholding, contact Rose Abbott at AFS & Associates by telephone: (03) 5443-0344 or email: [r.abbott@afsbendigo.com.au](mailto:r.abbott@afsbendigo.com.au).

#### ***The Audit Function***

AFS & Associates provide a full audit function for the Company which includes reporting to ASIC on our behalf and providing half yearly and preliminary final reports to the National Stock Exchange. These half yearly reports can be found by shareholders and the general public on the National Stock Exchange website: [www.nsx.com.au](http://www.nsx.com.au).

We wish to thank the staff of AFS & Associates for their support and advice throughout the year on all the above matters.

#### **In conclusion**

As we approach our tenth anniversary in May 2015 and consider the overall success of a "start up" community banking business, perhaps it is time for us all to pause and reflect on the enormity of what has been achieved through dedicated attention to an important community vision for North Ryde and surrounding suburbs. A wonderful banking service and an enviable track record of service has been achieved.

It is time for some "freshness" for our community business to build a further period of growth and confidence for the future. I believe we are well placed and have an excellent platform established to do just this. **We have excellent staff forming a great team, ably led by Pasquale Italiano. Congratulations and thank you to each and every staff member.** Your Board has approved for a refurbishment of the bank premises to give more openness for customers and staff and a "fresh" look. We expect that by the time of the Annual General Meeting, that this refurbishment will be completed and invite you to come in and say hello and view the premises.



Dr Graham McMaster  
Chairman