

# Rye & District Community Financial Services Limited

ABN: 67095766895

Financial Statements

30 June 2017

# Rye & District Community Financial Services Limited

## Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2017.

### Directors

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

Vincent de Paul Cheers

Chairman & Director

Occupation: Managing Director

Qualifications, experience and expertise: Currently owns and operates a successful waste and recycling business on the Mornington Peninsula, employing 50-60 staff. President of Sister Francois Foundation, a voluntary not-for-profit NGO serving medical and educational needs in Papua New Guinea.

Special responsibilities: Sponsorship & Marketing Committee

Interest in shares: 28,000

Stephen Bernard Edmund

Deputy Chairman & Director

Occupation: Real Estate Agent

Qualifications, experience and expertise: 30 years experience Retail and Property Management. Currently working in real estate in the Safety Beach to Rye area. Past President of Rotary Club of Dromana and Paul Harris Fellowship. Past President of Dromana Chamber of Commerce.

Special responsibilities: Deputy Chairman

Interest in shares: 7,200

Anthony Patrick Harford

Treasurer & Director (*Appointed 1st January 2017*)

Occupation: Management Consultant

Qualifications, experience and expertise: 11 years Board Administration Officer for Rye & District Community Financial Services Ltd. Graduate of Company Directors Course, Australian Institute of Company Directors (AICD). Victorian Manager, AICD 2002-2005. Facilitator, AICD Governance Programs 2006 - Present. Past Commercial Manager Victoria, Qantas Airways. Past General Manager, Customer Loyalty Programs, Qantas Airways Ltd. Past CEO, Service Partners Pty Ltd. Past Customer Service and IT Executive, Diners Club International. Member RACV. Member Sorrento Golf Club.

Special responsibilities: Treasurer

Interest in shares: Nil

Dorothy Mortlock

Director

Occupation: Retiree

Qualifications, experience and expertise: President Golf Peninsula Vic, Secretary Southern Peninsula Community Fund Inc., Former President Rosebud Country Club and Committee of Handle with Care.

Special responsibilities: Audit & Governance Committee

Interest in shares: 2,890

Amber Britt Earles

Director

Occupation: PHD Candidate

Qualifications, experience and expertise: BA (Melbourne), Grad. Dip. Ed (Melbourne); Master of Intl. and Community, Devpt. (Deakin), Grad. Cert. Social Impact (Swinburne). Worked in the field of community development for over a decade and currently undertaking research into social enterprise in Australia. Also a Graduate of the Australian Institute of Company Directors.

Special responsibilities: Sponsorship & Marketing Committee

Interest in shares: 2,000

# Rye & District Community Financial Services Limited

## Directors' Report

### Directors (*continued*)

Barry Leonard Irving

Director

Occupation: Retiree

Qualifications, experience and expertise: Photography & Journalism for local community groups/associations (voluntary basis), Past President of Rye Rotary Club & Paul Harris Fellow double Sapphire, Honorary Member Woodworkers of the Southern Peninsula, Member Rye RSL and 17 years experience Senior Laboratory Craftsman with C.S.I.R.O. and Volunteer member of Rye Cemetery Trust.

Special responsibilities: Sponsorship, Marketing, Promotion & Youth

Interest in shares: : 3,600

Andrew Ross Emerson

Director

Occupation: Retailer/Interior Design

Qualifications, experience and expertise: Experience in the Furnishing Industry, Member Dromana Lions Club & Past President of Dromana Primary School Council.

Special responsibilities: Property Maintenance

Interest in shares: 4,000

Gary Michael Cain

Director

Occupation: Accountant, CPA

Qualifications, experience and expertise: CPA Qualified with 37 years in Public Practice.

Special responsibilities: Finance Committee

Interest in shares: 5,000

Janet Iris Hall

Director

Occupation: Interior Decorator

Qualifications, experience and expertise: Experience and Sole Operator of Interior Decorating, Chairperson Southern Mornington Peninsula Uniting Church and Member Church Council.

Special responsibilities: Audit & Governance and Sponsorship Committee

Interest in shares: 8,800

Stephen Robin

Director

Occupation: Event Manager

Qualifications, experience and expertise: Masters Degree in Public Policy, 30+ years experience in Public Relations and marketing and 16 years member of Tourism Organisations.

Special responsibilities: Marketing Committee

Interest in shares: Nil

Patricia Tonks

Treasurer & Director (*Resigned 31st December 2016*)

Occupation: Retiree

Qualifications, experience and expertise: Former Councillor Flinders Shire, 37 years experience Business Administration and President Rye Beach Community Centre.

Special responsibilities: Finance Committee

Interest in shares: 42,236

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

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

# Rye & District Community Financial Services Limited

## Directors' Report

### Company Secretary

The company secretary is Sarah Marshall. Sarah was appointed to the position of secretary on 1st December 2016.

Sarah's qualifications include BA/LLB(Hons) from the University of Melbourne. Sarah has a background in corporate and commercial law in city law firms for 8 years. Sarah's special responsibilities include the Sponsorship and Marketing Committees.

### Principal Activities

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

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

### Operating results

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

Year ended 30 June 2017	Year ended 30 June 2016
\$	\$
285,355	188,284

### Operating and financial review

#### Operations

Rye & District Community Financial Services Limited is a public company listed on the National Stock Exchange (NSX) and is a franchisee of the Bendigo and Adelaide Bank (BBL) operating Bendigo Bank **Community Banks®** in Rye, Rosebud and Dromana, on Victoria's Mornington Peninsula.

Established in 2001 in Rye, the company has continued to grow into a pre-eminent position among Bendigo Bank **Community Banks®** in Australia, opening its Dromana Branch 10 years ago, in 2007 – the 200th Community Bank® Branch in the Bendigo Bank network.

The company opened its 3rd branch on the Rosebud foreshore in October 2013, being the 299th branch in the **Community Bank®** network.

The branches of the Bendigo Bank **Community Bank®** operated by the company, offer an extensive range of Bendigo Bank products and derive income in six ways:

- Fees
- Margin Income
- Up Front Commissions
- Trailer Commissions
- Interest
- Market Development Fund Contributions from BBL

The rates of fees, margins and commissions are determined by BBL as specified in the Franchise Agreement and its various amendments issues from time to time, existing between BBL and the company. It is the objective of this agreement to share income from eligible products equally between the company and BBL.

As currently stands, the renewal date of the Franchise Agreement for Rosebud is 15 October 2018 and Dromana and Rye's will occur on 1 May 2021. Subject to the conditions outlined in the Franchise Agreements, there is an option for the terms of each franchise to be extended by two further five-year terms, taking the holding of the franchise to 2028 and 2031 respectively.

# Rye & District Community Financial Services Limited

## Directors' Report

### Operating and financial review (*continued*)

#### Operations (contined)

The year under review has continued the trend of recent years with ongoing challenging trading conditions, including, chiefly, the Reserve Bank of Australia's continued record low 1.5 percent cash rate which has remained in place since August 2016 with no signs of alteration in the foreseeable future.

Despite these challenging conditions, the funds under management (FUM) rose from \$556,379,758 as at 1 July 2016 to \$613,032,230 at 30 June 2017 – a phenomenal increase in value of 10.18% for the year.

To increase the balance of funds under management to over \$600 million is a remarkable feat, placing the company in a rare space within the Community Bank® network.

Loan funds recorded an increase of \$13,740,448, which represents a healthy growth of 5.74%, whilst deposits increased by a massive 14.44% (\$43,113,369 in total). This brings the overall growth across the financial year, to an incredible 10.18% - a truly commendable figure, and far exceeding the budgeted growth across all three branches.

The company continues to proudly support over 140 community organisations by way of donations, sponsorship and grants, which this year totalled to an impressive \$722 thousand. This brings total donations to the Southern Mornington Peninsula community since inception of the company, to an amount in excess of \$6.3 million.

#### Financial

The Company's revenue at \$3,868,843 showed a healthy increase over the 2016 result (\$3,571,717) – an extremely positive outcome given the wider economic climate in which it exists.

The company also returned a significant profit (after tax) of \$285,355 (up from 188,284 in 2016).

The after-tax profit performance of the company over the last 5 years, is shown below:

	2017	2016	2015	2014	2013
After-tax profit/(loss)	285,355	188,284	(152,904)	309,196	610,389

The company's balance sheet remains healthy, recording a total equity of \$3,521,248 compared to last year's figure of \$3,419,118. Shareholder contributed equity remained at \$1,340,732.

Retained earnings stood at \$1,542,077.

Given the growth in the business and despite the ongoing squeeze on margin, directors are pleased to be able to declare a dividend for the 2017 year of \$0.07 per share, fully franked.

The rate of the fully franked dividend payments over recent years is shown below:

	2017	2016	2015	2014	2013	2012
Dividend paid per share	7.0c	6.25c	6.0c	6.0c	7.75c	7.1c
Gross dividend	205,212	183,224	175,896	175,896	227,199	208,144

#### Business Strategies

Our franchise partner, Bendigo Bank, rolled out a new revenue share model (Funds Transfer Pricing, or "FTP") which came into effect on 1 July 2016. A cautious review, one year on, would suggest that with our particular mix of business, the transition to the FTP revenue share model has overall, been of benefit to us as a company.

The company has enjoyed strong community support as a result of its grants, sponsorships and donations program, over many years. The streamlining of most sponsorship and grant requests into two funding "streams" per year, has proved largely successful and results in a smoother administrative process for the Company and recipients, alike.

At the direction of our partner, Bendigo Bank, our company will continue to develop its skills in ensuring that it can meet all of the financial requirements of our customers, including the provision of insurance services, wealth protection products and financial planning. Staff training remains at the heart of such success.

# Rye & District Community Financial Services Limited

## Directors' Report

### **Operating and financial review (*continued*)**

#### Business Strategies

The Company will also work with Bendigo Bank to continue its program of staff development to ensure that appropriate succession capability is in place.

It is hoped that with the recent engagement of a dedicated marketing consultant, the Company will not only secure but increase its place in the market.

#### Prospects for Future Financial Years

Recent reports from Bendigo Bank indicate that the revenue share achieved by the implementation of its current margin sharing practice remains within the targeted range and it is unlikely that there will be a need to implement further change to the FTP model until, at least, the new system is bedded down.

Accordingly, income streams from the provision of BBL products and services will become much more predictable and make budgeting more realistic.

The board expects the current low interest rate environment to continue, given the RBA's reluctance to alter the cash rate. It is likely that increased revenue will only be achieved on the back of increased deposit and lending business.

Your board and Bendigo Bank have approved budgets for 2017-18 year which, when achieved, are expected to deliver an extremely profitable outcome, demonstrating continued and strengthened growth.

It is believed that there are still growth opportunities in lending within our catchment area and that these opportunities will fuel future growth. Whilst not ignoring home or consumer lending, it is business lending that will continue to attract most management focus during the coming year.

### **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 9.5%, 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.

# Rye & District Community Financial Services Limited

## Directors' Report

### Remuneration report (*continued*)

#### 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.

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

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 \$160,000 and \$180,000 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 \$15,000.

# Rye & District Community Financial Services Limited

## Directors' Report

### Remuneration report (*continued*)

#### 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 2016/2017 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.

	2017	2016	2015	2014	2013	2012
Revenue	3,868,843	3,571,717	3,522,478	3,402,658	3,486,168	3,459,053
Net	285,355	188,284	(152,904)	309,196	610,389	592,419
Share price at Year End	1.18	1	1.15	1.15	1.05	1.1
Dividend paid per share	7.0c	6.25c	6.0c	6.0c	7.75c	7.1c
Gross dividend	205,212	183,224	175,896	175,896	227,199	208,144

For the year ended 30 June 2017 the directors received total remuneration including superannuation, as follows:

	\$
Vincent de Paul Cheers	20,000
Stephen Bernard Edmund	7,500
Anthony Patrick Harford ( <i>Appointed 1st January 2017</i> )	7,500
Dorothy Mortlock	8,750
Amber Britt Earles	7,500
Barry Leonard Irving	7,500
Andrew Ross Emerson	7,500
Gary Michael Cain	7,500
Janet Iris Hall	7,500
Stephen Robin	7,500
Patricia Tonks ( <i>Resigned 31st December 2016</i> )	7,500

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96,250

Transactions with directors	\$
Contractor remuneration for services as Board Administration Officer (July - December 2016)	26,000

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 2017

No options have been issued as part of remuneration for the year ended 30 June 2017.



# Rye & District Community Financial Services Limited

## Directors' Report

### Remuneration report (*continued*)

#### Employment Contracts for Directors

There are no employment contracts for Directors.

#### Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Vincent de Paul Cheers	28,000	-	28,000
Stephen Bernard Edmund	7,200	-	7,200
Anthony Patrick Harford ( <i>Appointed 1st January 2017</i> )	-	-	-
Dorothy Mortlock	2,890	-	2,890
Amber Britt Earles	2,000	-	2,000
Barry Leonard Irving	3,600	-	3,600
Andrew Ross Emerson	4,000	-	4,000
Gary Michael Cain	5,000	-	5,000
Janet Iris Hall	8,800	-	8,800
Stephen Robin	-	-	-
Patricia Tonks ( <i>Resigned 31st December 2016</i> )	42,236	-	42,236

	Year ended 30 June 2017	
Dividends	Cents	\$
Final dividends recommended:	7.0c	205,212
Dividends paid in the year:		
- As recommended in the prior year report	6.25c	183,224

### Significant changes in the state of affairs

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

### Events since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.

### Indemnification and insurance of directors and officers

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

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

# Rye & District Community Financial Services Limited

## Directors' Report

### Directors' meetings

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

	Directors' Meetings	
	<u>Eligible</u>	<u>Attended</u>
Vincent de Paul Cheers	14	11
Stephen Bernard Edmund	14	12
Anthony Patrick Harford ( <i>Appointed 1st January 2017</i> )	7	7
Dorothy Mortlock	14	12
Amber Britt Earles	14	13
Barry Leonard Irving	14	12
Andrew Ross Emerson	14	12
Gary Michael Cain	14	10
Janet Iris Hall	14	12
Stephen Robin	14	13
Patricia Tonks ( <i>Resigned 31st December 2016</i> )	7	4

### Committee Meetings Attended

	Finance		Marketing		Sponsorship		Audit & Governance	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
Vincent de Paul Cheers	-	-	-	-	2	2	-	-
Stephen Bernard Edmund	-	-	-	-	-	-	-	-
Anthony Patrick Harford*	1	1	3	1	1	1	-	-
Dorothy Mortlock	-	-	-	-	-	-	3	3
Amber Britt Earles	-	-	7	7	2	2	-	-
Barry Leonard Irving	-	-	7	4	2	1	-	-
Andrew Ross Emerson	-	-	-	-	-	-	-	-
Gary Michael Cain	2	2	-	-	-	-	-	-
Janet Iris Hall	-	-	-	-	2	1	3	3
Stephen Robin	-	-	7	7	-	-	-	-
Patricia Tonks**	1	1	-	-	-	-	-	-

A - eligible to attend

\* - (*Appointed 1st January 2017*)

B - number attended

\*\* - (*Resigned 31st December 2016*)

### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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

# Rye & District Community Financial Services Limited

## Directors' Report

### Non audit services

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

The board of directors has considered the position, 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*.

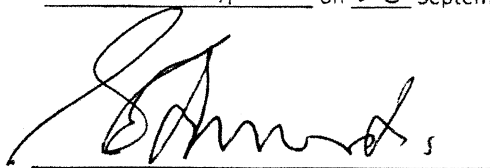
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- 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.

### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

Signed in accordance with a resolution of the board of directors at DROMANA,  
VICTORIA on 26 September 2017.



Steve Edmund, Deputy Chairman

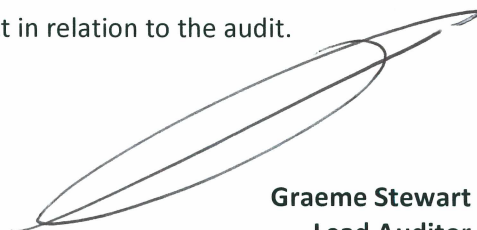
**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Rye & District Community Financial Services Limited**

As lead auditor for the audit of Rye & District Community Financial Services Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

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



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 26 September 2017



**Graeme Stewart**  
Lead Auditor

Rye & District Community Financial Services Limited  
Statement of Profit or Loss and Other  
Comprehensive Income  
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
Revenue from ordinary activities	4	3,868,843	3,571,717
Revaluation increment on investment property	4	-	199,696
Loss on sale of non current assets	5	(1,519)	-
Employee benefits expense		(1,860,496)	(1,750,206)
Charitable donations, sponsorship, advertising and promotion		(791,004)	(704,319)
Occupancy and associated costs		(128,070)	(132,170)
Systems costs		(199,807)	(197,372)
Depreciation and amortisation expense	5	(150,624)	(160,735)
Finance costs	5	(73,993)	(100,601)
Impairment loss on revaluation of land and buildings		-	(195,645)
General administration expenses		(234,578)	(247,706)
<b>Profit before income tax expense</b>		<b>428,752</b>	<b>282,659</b>
Income tax expense	6	(143,397)	(94,375)
<b>Profit after income tax expense</b>		<b>285,355</b>	<b>188,284</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>285,355</b>	<b>188,284</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	26	9.73	6.42

The accompanying notes form part of these financial statements

# Rye & District Community Financial Services Limited

## Balance Sheet

as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	144,981	250,535
Trade and other receivables	8	365,972	301,944
<b>Total Current Assets</b>		<b>510,953</b>	<b>552,479</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	3,951,166	4,044,021
Investment property	10	816,236	832,031
Financial assets	11	-	10,000
Intangible assets	12	115,916	159,554
Deferred tax asset	13	187,418	199,138
<b>Total Non-Current Assets</b>		<b>5,070,736</b>	<b>5,244,744</b>
<b>Total Assets</b>		<b>5,581,689</b>	<b>5,797,223</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	146,819	225,114
Current tax liabilities	13	53,466	4,363
Borrowings	15	236,693	254,982
Provisions	16	147,037	135,633
<b>Total Current Liabilities</b>		<b>584,015</b>	<b>620,092</b>
<b>Non-Current Liabilities</b>			
Borrowings	15	1,418,134	1,699,496
Provisions	16	58,291	58,517
<b>Total Non-Current Liabilities</b>		<b>1,476,425</b>	<b>1,758,013</b>
<b>Total Liabilities</b>		<b>2,060,440</b>	<b>2,378,105</b>
<b>Net Assets</b>		<b>3,521,249</b>	<b>3,419,118</b>
<b>Equity</b>			
Issued capital	17	1,299,400	1,299,400
Reserves		679,772	679,772
Retained earnings	19	1,542,077	1,439,946
<b>Total Equity</b>		<b>3,521,249</b>	<b>3,419,118</b>

The accompanying notes form part of these financial statements

Rye & District Community Financial Services Limited  
Statement of Changes in Equity  
for the year ended 30 June 2017

	Issued Capital \$	Reserves \$	Retained Earnings \$	Total Equity \$
<b>Balance at 1 July 2015</b>	1,299,400	-	1,427,558	2,726,958
Total comprehensive income for the year	-		188,284	188,284
<b>Transactions with owners in their capacity as owners:</b>				
Revaluation increment on land and buildings		679,772		679,772
Shares issued during period	-		-	-
Costs of issuing shares	-		-	-
Dividends provided for or paid	-		(175,896)	(175,896)
<b>Balance at 30 June 2016</b>	<b>1,299,400</b>	<b>679,772</b>	<b>1,439,946</b>	<b>3,419,118</b>
<b>Balance at 1 July 2016</b>	1,299,400	679,772	1,439,946	3,419,118
Total comprehensive income for the year	-		285,355	285,355
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period	-		-	-
Costs of issuing shares	-		-	-
Dividends provided for or paid	-		(183,224)	(183,224)
<b>Balance at 30 June 2017</b>	<b>1,299,400</b>	<b>679,772</b>	<b>1,542,077</b>	<b>3,521,249</b>

Rye & District Community Financial Services Limited  
Statement of Cash Flows  
for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,803,427	3,787,069
Payments to suppliers and employees		(3,191,791)	(3,154,066)
Interest received		1,463	2,577
Interest paid		(73,993)	(98,684)
Income taxes paid		(82,574)	(28,573)
<b>Net cash provided by operating activities</b>	20	<b>456,532</b>	<b>508,323</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(7,496)	-
Payments for office furniture and equipment		(3,269)	(2,225)
Payments for intangible assets		(67,781)	(59,284)
<b>Net cash used in investing activities</b>		<b>(78,546)</b>	<b>(61,509)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		460,000	570,620
Repayment of borrowings		(760,316)	(727,186)
Dividends paid		(183,224)	(175,896)
<b>Net cash used in financing activities</b>		<b>(483,540)</b>	<b>(332,462)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(105,554)</b>	<b>114,352</b>
Cash and cash equivalents at the beginning of the financial year		250,535	136,183
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<b>144,981</b>	<b>250,535</b>

The accompanying notes form part of these financial statements



# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 1. Summary of significant accounting policies

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#### a) Basis of preparation

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

#### *Compliance with IFRS*

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

#### *Critical accounting estimates*

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

#### *Historical cost convention*

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

#### *Comparative figures*

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

#### *Application of new and amended accounting standards*

There are a number of amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2016, and are therefore relevant for the current financial year.

None of these amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

There are also a number of accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2016. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

Only AASB 16 Leases, effective for the annual reporting period beginning on or after 1 January 2019 is likely to impact the company. This revised standard will require the branch lease(s) to be capitalised.

#### *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®** branches at Rye, Dromana & Rosebud.

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** 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.

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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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)*

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

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

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

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

- design, layout and fit out of the **Community Bank®** branches
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

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

#### b) Revenue

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

##### *Revenue calculation*

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

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

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**b) Revenue (*continued*)***Core banking products*

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

*Margin*

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits
- *plus* any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

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

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

*Commission*

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

*Fee income*

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

*Discretionary financial contributions*

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

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

It is for the board to decide how to use the MDF.

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

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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#### b) Revenue (*continued*)

##### *Ability to change financial return*

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

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

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

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

##### *Monitoring and changing financial return*

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

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

#### 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.

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**c) Income tax (*continued*)***Deferred tax (*continued*)*

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

*Current and deferred tax for the period*

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

**d) Employee entitlements**

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

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

**e) Cash and cash equivalents**

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

**f) Trade receivables and payables**

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

**g) Property, plant and equipment**

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

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

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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#### g) Property, plant and equipment (*continued*)

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
- motor vehicles	3 - 5	years
- investment property	40	years

#### h) Intangibles

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

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

#### i) Payment terms

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

#### j) Borrowings

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

#### k) Financial instruments

##### *Recognition and initial measurement*

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

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

##### *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) Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

##### *Impairment*

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

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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

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**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.

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 2. Financial risk management

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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.

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2017 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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



# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### **Note 3. Critical accounting estimates and judgements**

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

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

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

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

#### *Taxation*

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

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

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

#### *Estimation of useful lives of assets*

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

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 3. Critical accounting estimates and judgements (*continued*)

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#### *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.

#### *Fair value measurement*

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

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

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

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

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 4. Revenue from ordinary activities</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Operating activities:		
- gross margin	2,974,422	2,279,243
- services commissions	434,562	757,204
- fee income	359,833	342,693
- market development fund	50,833	150,000
Total revenue from operating activities	<u>3,819,650</u>	<u>3,529,140</u>
Non-operating activities:		
- interest received	1,463	2,577
- rental revenue	43,636	40,000
- revaluation increment on investment property	-	199,696
- other revenue	4,094	-
Total revenue from non-operating activities	<u>49,193</u>	<u>242,273</u>
Total revenues from ordinary activities	<u><u>3,868,843</u></u>	<u><u>3,771,413</u></u>

<b>Note 5. Expenses</b>		
Depreciation of non-current assets:		
- buildings	62,157	68,555
- investment property	15,795	17,403
- motor vehicles	13,964	19,128
- office furniture and equipment	6,295	5,782
- leasehold improvements	8,776	9,818
Amortisation of non-current assets:		
- franchise agreement	6,518	6,347
- franchise renewal fee	20,334	19,687
- in house software	2,785	15
- establishment fee	14,000	14,000
	<u>150,624</u>	<u>160,735</u>
Finance costs:		
- interest paid	<u>73,993</u>	<u>100,601</u>
Bad debts	<u>2,096</u>	<u>3,661</u>
Impairment loss on revaluation of land and buildings	<u>-</u>	<u>195,645</u>
Loss on sale of non current assets	<u>1,519</u>	<u>-</u>

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 6. Income tax expense</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
The components of tax expense comprise:		
- Current tax	131,678	102,505
- Movement in deferred tax	11,719	(8,130)
	<u>143,397</u>	<u>94,375</u>

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

Operating profit	428,752	282,659
Prima facie tax on profit from ordinary activities at 27.5% (2016: 30%)	117,907	84,798
Add tax effect of:		
- non-deductible expenses	6,597	65,003
- timing difference expenses	4,898	9,346
- other deductible expenses	2,276	(56,642)
	<u>131,678</u>	<u>102,505</u>
Movement in deferred tax	11,719	(8,130)
	<u>143,397</u>	<u>94,375</u>

### **Note 7. Cash and cash equivalents**

Cash at bank and on hand	144,981	149,235
Term deposits	-	101,300
	<u>144,981</u>	<u>250,535</u>

### **Note 7.(a) Reconciliation to cash flow statement**

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	144,981	149,235
Term deposits	-	101,300
	<u>144,981</u>	<u>250,535</u>

### **Note 8. Trade and other receivables**

Trade receivables	323,538	249,585
Prepayments	42,434	52,359
	<u>365,972</u>	<u>301,944</u>

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 9. Property, plant and equipment</b>		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
Land and Buildings			
At cost		3,940,001	3,940,001
Less accumulated depreciation		(128,489)	(66,332)
		<u>3,811,512</u>	<u>3,873,669</u>
Leasehold improvements			
At cost		135,973	135,973
Less accumulated depreciation		(72,774)	(63,998)
		<u>63,199</u>	<u>71,975</u>
Office furniture and equipment			
At cost		97,598	86,833
Less accumulated depreciation		(60,760)	(54,465)
		<u>36,838</u>	<u>32,368</u>
Motor vehicles			
At cost		97,393	126,944
Less accumulated depreciation		(57,776)	(60,935)
		<u>39,617</u>	<u>66,009</u>
Total written down amount		<u>3,951,166</u>	<u>4,044,021</u>
<b>Movements in carrying amounts:</b>			
Land and buildings			
Carrying amount at beginning		3,873,669	3,239,327
Transfer from leasehold improvements		-	218,770
Revaluation of assets		-	484,127
Additions		-	-
Disposals		-	-
Less: depreciation expense		(62,157)	(68,555)
Carrying amount at end		<u>3,811,512</u>	<u>3,873,669</u>
Leasehold improvements			
Carrying amount at beginning		71,975	299,063
Transfer to land and buildings		-	(218,770)
Additions		-	1,500
Disposals		-	-
Less: depreciation expense		(8,776)	(9,818)
Carrying amount at end		<u>63,199</u>	<u>71,975</u>
Office furniture and equipment			
Carrying amount at beginning		32,368	37,425
Additions		10,765	725
Disposals		-	-
Less: depreciation expense		(6,295)	(5,782)
Carrying amount at end		<u>36,838</u>	<u>32,368</u>

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 9. Property, plant and equipment</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in carrying amounts (continued):</b>		
Motor vehicles		
Carrying amount at beginning	66,009	85,137
Additions	-	-
Disposals	(12,428)	-
Less: depreciation expense	(13,964)	(19,128)
Carrying amount at end	<u>39,617</u>	<u>66,009</u>
Total written down amount	<u>3,951,166</u>	<u>4,044,021</u>

### **Note 10. Investment Property**

Land and buildings		
At cost	850,000	850,000
Less accumulated depreciation	(33,764)	(17,969)
	<u>816,236</u>	<u>832,031</u>

#### **Movements in carrying amounts:**

Land and buildings		
Carrying amount at beginning	832,031	649,739
Revaluation of assets	-	199,695
Additions	-	-
Disposals	-	-
Less: depreciation expense	(15,795)	(17,403)
Carrying amount at end	<u>816,236</u>	<u>832,031</u>

### **Note 11. Financial assets**

Loan - Edenhope & District Financial Services Limited	<u>-</u>	<u>10,000</u>
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The loan was an interest free loan with repayment of the principal originally due five years from the date of the loan agreement, being 27 March 2017. The loan was subsequently repaid on the 20th January 2017.

### **Note 12. Intangible assets**

Franchise fee		
At cost	162,164	162,164
Less: accumulated amortisation	(142,262)	(135,743)
	<u>19,902</u>	<u>26,421</u>
Establishment fee		
At cost	70,000	70,000
Less: accumulated amortisation	(51,934)	(37,934)
	<u>18,066</u>	<u>32,066</u>

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 12. Intangible assets (continued)</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Renewal processing fee		
At cost	199,524	199,524
Less: accumulated amortisation	(121,576)	(101,242)
	<u>77,948</u>	<u>98,282</u>
 In House Software		
At cost	2,800	2,800
Less: accumulated impairment losses	(2,800)	(15)
	<u>-</u>	<u>2,785</u>
 Total written down amount	<u><u>115,916</u></u>	<u><u>159,554</u></u>

### **Note 13. Tax**

#### **Current:**

Income tax payable	<u>53,466</u>	<u>4,363</u>
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#### **Non-Current:**

Deferred tax assets		
- employee provisions	57,426	59,486
- capital loss carried forward	135,110	147,392
- revaluation loss	-	58,694
	<u>192,536</u>	<u>265,572</u>

Deferred tax liability		
- deductible prepayments	5,118	6,525
- revaluation surplus	-	59,909
	<u>5,118</u>	<u>66,434</u>

Net deferred tax asset	<u><u>187,418</u></u>	<u><u>199,138</u></u>
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Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u><u>11,720</u></u>	<u><u>(8,132)</u></u>
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### **Note 14. Trade and other payables**

#### **Current:**

Trade creditors	22,890	38,086
Other creditors and accruals	123,929	187,028
	<u><u>146,819</u></u>	<u><u>225,114</u></u>

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 15. Borrowings</b>		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Current:</b>			
Chattel mortgage	22	9,326	23,659
Bank loans		227,367	231,323
		<u>236,693</u>	<u>254,982</u>

### Non-Current:

Chattel mortgage	22	-	9,259
Bank loans		1,418,134	1,690,237
		<u>1,418,134</u>	<u>1,699,496</u>

Bank loans are repayable monthly. Interest is recognised at an average rate of 4.28% (2016: 4.71%). The loans are secured by a fixed and floating charge over the company's assets.

The Toyota Hi Ace chattel mortgage, which commenced in 2015, is a 3-year contract. Interest is recognised at an average rate of 5.95%

<b>Note 16. Provisions</b>		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>Current:</b>			
Provision for annual leave		52,080	53,524
Provision for long service leave		94,957	82,109
		<u>147,037</u>	<u>135,633</u>

### Non-Current:

Provision for long service leave		<u>58,291</u>	<u>58,517</u>
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<b>Note 17. Contributed equity</b>			
2,931,605 ordinary shares fully paid (2016: 2,931,605)		1,340,732	1,340,732
Less: equity raising expenses		(41,332)	(41,332)
		<u>1,299,400</u>	<u>1,299,400</u>



# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 17. Contributed equity (*continued*)

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#### Rights attached to shares

##### (a) *Voting rights*

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

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

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

##### (b) *Dividends*

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

##### (c) *Transfer*

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

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

#### 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 498 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.

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 17. 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.

Note 18. Reserves	2017	2016
	\$	\$
Asset Revaluation Reserve	<u>679,722</u>	<u>679,772</u>

### Note 19. Retained earnings

Balance at the beginning of the financial year	1,439,946	1,427,558
Net profit from ordinary activities after income tax	285,355	188,284
Dividends paid or provided for	(183,224)	(175,896)
Balance at the end of the financial year	<u>1,542,077</u>	<u>1,439,946</u>

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 20. Statement of cash flows</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	285,355	188,284
Non cash items:		
- depreciation	106,987	120,686
- amortisation	43,637	40,049
- revaluation of assets net impact	-	(4,051)
- loss on sale of assets	1,519	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(63,953)	18,233
- (increase)/decrease in other assets	21,645	65,802
- increase/(decrease) in payables	1,061	49,683
- increase/(decrease) in provisions	11,178	25,274
- increase/(decrease) in current tax liabilities	49,103	4,363
Net cash flows provided by operating activities	<u>456,532</u>	<u>508,323</u>

### Note 21. Fair value measurement

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

<b>At 30 June 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Recurring fair value measurements:</b>				
Investment Property	-	850,000	-	850,000
Freehold land and buildings	-	3,940,000	-	3,940,000
Total assets at fair value	<u>-</u>	<u>4,790,000</u>	<u>-</u>	<u>4,790,000</u>

<b>At 30 June 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Recurring fair value measurements:</b>				
Investment Property	-	850,000	-	850,000
Freehold land and buildings	-	3,940,000	-	3,940,000
Total assets at fair value	<u>-</u>	<u>4,790,000</u>	<u>-</u>	<u>4,790,000</u>

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

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 22. Leases</b>	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	9,486	24,680
- between 12 months and 5 years	-	9,486
- greater than 5 years	-	-
Minimum lease payments	<u>9,486</u>	<u>34,166</u>
Less future finance charges	<u>(160)</u>	<u>(1,248)</u>
Present value of minimum lease payments	<u><u>9,326</u></u>	<u><u>32,918</u></u>

The Toyota Hi Ace chattel mortgage, which commenced in 2015, is a 3-year contract. Interest is recognised at an average rate of 5.95%.

### **Note 23. Auditor's remuneration**

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

- audit and review services	7,250	7,605
	<u>7,250</u>	<u>7,605</u>

### **Note 24. Director and related party disclosures**

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

Vincent de Paul Cheers  
Stephen Bernard Edmund  
Anthony Patrick Harford (*Appointed 1st January 2017*)  
Dorothy Mortlock  
Amber Britt Earles  
Barry Leonard Irving  
Andrew Ross Emerson  
Gary Michael Cain  
Janet Iris Hall  
Stephen Robin  
Patricia Tonks (*Resigned 31st December 2016*)

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 9.5% 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:

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

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

<b>Note 25. Dividends paid or provided</b>		<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>a. Dividends paid during the year</b>			
Prior year proposed final			
100% (2016: 100%) franked dividend - 6.25 cents (2016: 6.0 cents) per share		<u>183,225</u>	<u>175,896</u>
<b>b. Dividends proposed and not recognised as a liability</b>			
Current year final dividend			
100% (2016: 100%) franked dividend - 7.0 cents (2016: 6.25 cents) per share		<u>205,212</u>	<u>183,225</u>
The tax rate at which dividends have been franked is 27.5% (2016: 30%).			
Dividends proposed will be franked at a rate of 27.5% (2016: 30%).			
<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		939,783	926,707
- franking credits that will arise from payment of income tax as at the end of the financial year		27,104	16,493
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year		-	-
Franking credits available for future financial reporting periods:		966,887	943,200
- 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		(77,839)	(78,525)
Net franking credits available		<u>889,048</u>	<u>864,675</u>

<b>Note 26. Earnings per share</b>			
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share		285,355	188,284
		<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 27. Events occurring after the reporting date**

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

### **Note 28. Contingent liabilities and contingent assets**

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

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

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### Note 29. Segment reporting

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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.

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### Note 30. Registered office/Principal place of business

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

#### Registered Office

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

#### Principal Place of Business

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

Rye & District Community Financial Services Ltd  
1087-1089 Point Nepean Road  
Rosebud Vic 3939

# Rye & District Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 31. Financial instruments

#### Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	144,301	148,560	10	101,300	-	-	-	-	670	675	0.61	0.69
Receivables	-	-	-	-	-	-	-	-	323,538	249,585	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	236,693	254,982	-	9,259	1,418,134	1,690,237	-	-	4.36	4.71
Payables	-	-	-	-	-	-	-	-	22,890	38,086	N/A	N/A

#### Net Fair Values

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

#### Credit Risk

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

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

#### Interest Rate Risk

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

#### Sensitivity Analysis

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

As at 30 June 2017, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2017	2016
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	-15,105	-17,046
Decrease in interest rate by 1%	-15,105	-17,046
Change in equity		
Increase in interest rate by 1%	-15,105	-17,046
Decrease in interest rate by 1%	-15,105	-17,046

# Rye & District Community Financial Services Limited

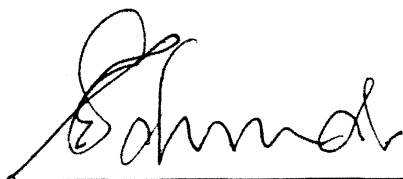
## Directors' Declaration

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 2017 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.



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Steve Edmund, Deputy Chairman

Signed on the 26th of September 2017.



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

### Report on the audit of the financial statements

#### Our opinion

In our opinion, the financial report of Rye & District Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

#### What we have audited

Rye & District Community Financial Services Limited's (the company) financial report comprises the:

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

#### Basis for opinion

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

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Other information

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

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

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

Our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

### **Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Rye & District Community Financial Services Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There are no key audit matters to disclose for the 30 June 2017 audit.

### **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation of the financial report so that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

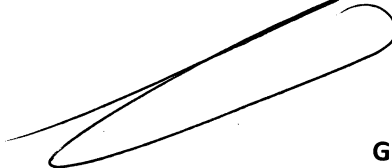
### **Auditor's responsibility for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 26 September 2017



**Graeme Stewart**  
Lead Auditor

Taxation

Business Services

Community Banking

Audit

Share Registry

Your partners  
**in success**



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