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# Chairperson's report

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For year ending 30 June 2005.

## **The year gone by**

It seems as though time has passed us by at a great rate again this year and as I sit to write my report, I reflect on our successes during the last 12 months. Again, we have reached dizzy heights, exceeding expectations by achieving a financial goal in excess of \$137 million in banking business and distributing our profits to the community and of course to you, our shareholders.

As from the start, our Board meetings are full of energy and enthusiasm as we plan and strategise for this next 12 months. Each Board member comes forward with great ideas as to how we can improve amenities, financial positions and support for this growing community of ours. You would have read with interest (as I did) in the local press over our four week marketing campaign for the grants night held in June, the highs of 'our Community Bank® branch' compiled by our media and marketing Director Barry Irving. Nothing has changed! We are still opening new accounts every day, people are hearing about what 'our Community Bank® branch' is achieving and bringing their banking business over to us, just to be part of this groundswell of community involvement.

## **Community grants**

At the launch of our first community grants night in June, it was great to greet and meet the almost 180 people who attended. Representatives of local clubs and organisations attended to receive their group's share of the \$100,238 in grants allocated on the night. Others attended just to see what the grants night was all about and, in many cases, walked away in amazement.

On that night, our Community Bank® branch was described as: 'the flagship of the fleet' by Bendigo Bank mentor Max Papley. This is a phrase we are more than happy to adopt and which we are sure to hold onto for many years if the continued support shown by our community is anything to go by.

In my closing comments on that night, I mentioned to the audience that in order to expand and grow, we must continue to share the secret of our success. In order to do this, I ask each shareholder to continue to tell friends, relatives and business colleagues, what great outcomes we are achieving in our community.

I also mentioned the fact that we are creating history in Rye and the community with the profit sharing we are creating. Just think, in years to come, our children will be able to say that their

## Chairperson's report continued

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family had a hand in strengthening community ties because of their involvement in 'our Community Bank® branch.'

### **How we stand financially**

You will see in our financial statements that we have been able to put more than \$319,000 back into the Rye & District community for the last financial year. This contribution has been made in sponsorships, donations and grants.

And it's only going to get better. Schools, community groups, sporting clubs and other not for profit organisations will feel the benefit of our prosperity as our list of recipients continues to grow because our Community Bank® branch continues to grow. We have already budgeted and set aside \$200,000 for our community grants for the current financial year and the distribution of these funds should take place sometime early in 2006. (Watch the papers!) In Gary's report and the financial statements, you can read in detail the figures regarding our growth. I can assure you that the Board of Directors are more than pleased with the efforts of Gary and his professional staff at the branch. We also thank those staff members who have left us through the year, for their efforts in helping achieve our goals and wish them well for their future.

As far as our corporate partners, Bendigo Bank is concerned, Rye & District Community Bank® branch is a huge success story. Today, we have a secure place in Bendigo Bank's, Community Bank® network's history records. Our success is all due to your involvement as a shareholder in promoting the branch and encouraging others to bank with us.

KEEP UP THE GOOD WORK!

### **It's called 'Reward for Effort'**

The fact that we are so successful, as has been pointed out many times before, is because of our shareholders confidence in the Community Bank® concept, the branch staff and the Board of Directors. The Board has worked each year to a specific agenda, and at the top of the agenda is: 'A return to our Shareholders', the everyday people who took a risk four years ago and invested in their community by supporting a much needed facility keeping the bulk of its profit right here in its own community. This confidence was rewarded last year with a 10.0 cents per share dividend, fully franked.

This year, because of our exceptional growth, your Board of Directors have calculated and approved a fully franked dividend of 16.0 cents per share.

## Chairperson's report continued

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As I titled this section, "Reward for Effort", your continued effort and support of the branch has again given rise to this amount, which is, I believe a history breaking first for a Community Bank® branch to offer a 60% increase in a dividend payment to shareholders in only the second year's dividend payout.

Some shareholders may wonder how the Board calculates the dividend payable each financial year. Under the franchise agreement with Bendigo Bank Ltd for all Community Bank® companies, each Board is restricted to distributing no more than 20 per cent of its profits back to shareholders, or distribute and retain at least 80 per cent of its profit for community benefit.

When your Board calculates the 20 per cent amount for dividends we first take the reported after tax profit, then add amounts expended during the financial year for donations and sponsorship.

Therefore, the more the Board is able to approve for donations and sponsorships helps to increase the dividend amount paid. Amounts paid to the local community in donations and sponsorship also encourages more customers to bank at our branch, which in turn, increases both our after tax profit and the funds available for donations and sponsorship in the future.

### **Will we ever stop growing?**

As a Board, we hope that your constant support of 'our Community Bank® branch' will continue and that we will be able to contribute even more substantial amounts into the community through grants, sponsorships and donations. The main thing is that while the community recognises the benefits of our Community Bank® branch in the community and can see the improvements being made, we will continue to grow because more and more people want to see our profits at work in their community.

You would have read in the press during the past year, the many times our Community Bank® branch has made a significant contribution to one or another organisation. Some of our larger contributions have been to local schools in an effort to assist in the educational benefit of our young people. We've made contributions to support sporting facilities locally, which has improved these facilities in an effort to encourage more young people to play sport.

This year we will be looking into ways in which we, as a Board, can assist the youth in our community by appointing a youth worker who understands and can help our young people cope with the pressures of today.

These are all things that you, as shareholders, are also involved in, just by being shareholders, and you should feel very proud that you are contributing in this way.

## Chairperson's report continued

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In closing, my thanks to my fellow Board members for their efforts, ideas and input throughout the year. My thanks to Gary and his staff for their smiling faces, courteous attention and great customer service at the branch. And lastly but by no means least, my thanks to ALL of our valued shareholders and customers. I encourage you to continue to spread the word about our Community Bank® branch.

Sincerely,

A handwritten signature in black ink, appearing to read 'Peter Van Duren', with a stylized, somewhat abstract flourish at the end.

**Peter Van Duren**  
**Chairman**

# Manager's report 30 June 2005

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We have now completed our fourth year of trading, which has seen our remarkable history of growth continue. In achieving growth of \$24.67 million we remain in the top performing Community Bank® branches for total growth during the 2005 financial year. This is something we can all be very proud of, considering we are a relatively new business.

As at 30 June 2005, we experienced growth in all areas of our business in excess of what was budgeted, with the exception of financial planning. During this financial year, Bendigo Bank has amended the reporting of financial planning products from total amounts initially invested to actual amounts maintained under management. This resulted in a decrease in our reported amounts from last financial year, but is now a more reflective representation of financial planning products actually attached to our branch.

I am very proud to announce that during the financial year we became Bendigo Bank's largest individual Community Bank® branch with our combined balances totalling \$137.69 million as at 30 June 2005.

We increased total accounts by 825 to 6,356, which includes over 857 loan facilities. Our combined balances totalled \$137.69 million, which included total deposits at \$69.84 million and total lending at \$61.37 million, maintaining our good mix of business. Reported financial planning products currently under management were \$6.48 million, assisting to make up the \$137.69 million. These balances reflect a 30.9 per cent growth in deposits and 16.94 per cent growth in lending over the financial year, against a budgeted growth of 15 per cent in both areas.

When we first opened our branch I envisaged that our initial growth, in our first couple of years, would come from the local community that eagerly wanted to support Rye & District Community Bank® branch, and many who were dissatisfied with where their existing banks were heading. This certainly happened and that couple of years very quickly ballooned out to three years, which saw my staff and myself constantly busy. I also envisaged further growth after the first couple of years would come from the local community becoming fully aware of the potential and benefit of the "Community Bank® concept". That is, by "supporting the bank that supports the local community", our branch would continue to grow rapidly.

Well! The 2005 financial year results are a reflection of this occurring. The Board's decisions to support local schools, sporting clubs, volunteer and community groups, etc and the advertising and presentation of our first grants scheme, promoted this concept. Every time we have been acknowledged or advertised in the local papers about our contributions to the community, our branch invariably becomes busier with new accounts being opened and new inquiries for investments and loans. This trend will no doubt continue as we increase our contributions to the community, as we are the only "Bank Branch" on the Mornington Peninsula set up to support the community in the way that we do!

I am looking forward to the challenges this will create for my staff, the Board and myself.

# Manager's report 30 June 2005 continued

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## **Board Support**

I would like to thank our Chairman, Peter Van Duren and all existing Board members for the support they have provided to me personally and to the branch.

Peter has mentioned in his report some of the initiatives that have been approved at Board level for the support of the community and the branch. I have no doubt that our amazing results are due to this community involvement and now the local communities understanding of what can be achieved.

With regard to our branch, two very important works have been completed during the year, which have been to the benefit of our branch operations and the security and safety of our staff. The toilet area at the rear of the branch has now been fully enclosed along with the rear and adjoining wall of the building next door. For the first three years of our operation the toilet area of the branch was secured by a mesh wire fence. We are now fully secured with monitoring sensors installed.

Brian Earles, Director Asset Management Committee completed an Occupational Health and Safety check of the branch earlier this year. As a result of this the Board approved the installation of some much needed storage shelving along with a complete lighting overhaul of the branch.

Both these improvements have dramatically improved the safety of the staff and the removal of occupational and health and safety issues.

I thank the Board for this initiative.

## **Staff**

During the financial year we have seen a couple of changes in staff. Carol O'Connell, one of our original staff retired on 16 March 2005, however has remained as a casual employee, to be called in on emergencies. Deborah Gourlay another of our original staff resigned and finished on 1 June 2005. These two positions were replaced by Melissa Oorloff, who commenced on 14 March 2005 and Deborah Harper, who commenced on 6 June 2005. We welcome our two new staff and look forward to them enjoying their time with our Community Bank® branch.

Annmaree Thomas, who commenced part time on 11 March 2003 also handed her resignation in and finished on 27 July 2005.

To assist servicing our existing customer base and continued rate of growth the Board has approved the employment of 2 new full time Customer Service Officers to replace the vacancy left by Annmaree Thomas. They have also approved the installation of an additional teller's terminal on the front counter. This will greatly assist with the level of customer service we provide and reduce waiting times in the queue.

To maintain the growth levels we have over our first four years could not have been achieved without the support of all my staff but in particular my senior staff, Julie Toward and Bronwyn Ralph. Both Julie and Bronwyn have not only performed their branch duties to a very high standard, they have provided invaluable support to the Board's Treasurer, Pat Tonks and Secretary, Eileen Naylor. I thank them for their continued support.

## Manager's report 30 June 2005 continued

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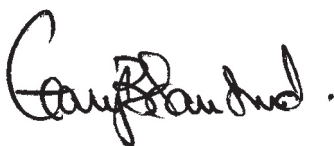
My Customer Services Staff; Cheryl Rogers, Melissa Oorloff, Deborah Harper and Carol O'Connell are the refreshing faces on the counter. I thank them for the level of service and professionalism they have displayed. As long as our first priority remains the customers, I know our business will continue to grow on service alone.

### **Summary**

In our February 2005 newsletter to shareholders I quoted my personal aim for the 2005 financial year was to reach the \$130 million mark in total business. As at 31 December we reported a growth of \$5.78 million in our first six months, since then we have grown by a further \$18.89 million, reaching a total combined balance of \$137.69 million.

I believe the second half growth reflects the community becoming more aware of what an amazing institution Rye & District Community Bank® Branch is in how it provides the vehicle for so much support to the local community.

As the only bank on the Mornington Peninsula set up to do what we do, why wouldn't any school, sporting club, community or volunteer group, business or individual want to bank at our branch?

A handwritten signature in black ink, appearing to read 'Gary Sanford'.

**Gary Sanford**  
**Manager**



# Directors' report 30 June 2005

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The Directors submit the Financial Accounts of the Company for the year ended 30 June 2005.

## Directors

The names and details of the Directors of the Company in office during the financial year and until the date of this report are:

### **Peter John Van Duren**

Chairperson  
Age 50  
Real Estate Agent

### **Eileen Naylor**

Company Secretary from 24th November 2004  
Age 57  
Retiree

### **Janette Marie Bancroft**

Company Secretary  
Age 48  
Legal Secretary  
Retired: 24th November 2004

### **Patricia Tonks**

Treasurer  
Age 63  
Business Administrator

### **Shane Christopher McCarthy**

Director  
Aged 53  
Solicitor

### **Trevor William Lloyd**

Director  
Age: 53  
Builder  
Appointed: 24 November 2004

### **Guiseppe Oscar Glavici**

Director  
Age 52  
Dentist

### **Janet Iris Hall**

Director  
Age: 58  
Interior Decorator  
Appointed: 24th November 2004

### **Andrew George Blease**

Director  
Age 49  
Retailer  
Retired: 24th November 2004

### **Brian Earles**

Director  
Age 53  
Building Designer

### **Barry Leonard Irving**

Director  
Age: 62  
Photographer  
Appointed: 24 November 2004

Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

## Directors' report 30 June 2005 continued

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The Directors and their associates held the following shares in the Rye & District Community Financial Services Ltd as at the 30 June 2005.

	No. of Shares Held
Peter J Van Duren	10,334
Janette M Bancroft	2,001
Patricia Tonks	10,559
Shane C McCarthy	1,251
Andrew G Blease	501
Brian Earles	26,250
Eileen Naylor	10,000
Guiseppe Glavici	1,000
Janet Hall	1,000
Trevor Lloyd	4,000
Barry Irving	500

No Director holds shares in any related body corporate of the Company

### Principal Activities

The principal activities of the Company during the course of the financial period were in providing community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

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

### Review and Results of Operations

Operations have continued to perform in line with expectations. The net profit of the Company for the financial period after provision for income tax was \$86,202 for 30th June 2005 (2004: \$209,936).

### Remuneration Report

The Board is responsible for the determination of remuneration packages and policies applicable to the Branch Manager and all the staff. The Branch Manager is invited to the Board meeting as required to discuss performance and remuneration packages.

The Branch Manager is paid a base salary, which is between \$50,000 and \$100,000 plus the use of a Company car. In addition the Branch Manager receives a bonus if the Company exceeds the budget estimates established by the Board.

# Directors' report 30 June 2005 continued

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## Dividends

The following dividend was paid during the year

	Year Ended 30 June 2005	
	Cents	\$
Dividends paid from prior years profits	10	53,029

The Directors resolved that a fully franked dividend be paid to ordinary shareholders from the previous year. The Dividend will be paid on 14 November 2005 based on the shareholding as at 31 October 2005.

## 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 report.

## Significant events after the balance date

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

## Likely Developments

The Company will continue its policy of providing banking services to the community.

## Environmental Regulation

The Company is not subject to any significant environmental regulation.

## Directors' Benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest, other than Mr. McCarthy whose Company McCarthy Partners Pty Ltd provide legal services. This statement excludes a benefit included in the aggregate amount, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

## Indemnification and Insurance of Directors and Officers

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

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

# Directors' report 30 June 2005 continued

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## Directors Meetings

The number of Director's meetings attended by each of the Directors of the Company during the period were:

	No. of Meetings Attended	No. of Meeting Held
Peter J Van Duren	12	12
Janette M Bancroft	4	5
Eileen Naylor	12	12
Patricia Tonks	11	12
Shane C McCarthy	10	12
Andrew G Blease	1	5
Brian Earles	10	12
Janet Hall	8	8
Guiseppe Glavici	10	12
Trevor Lloyd	8	8
Barry Irving	7	8

## Non Audit Services

The Company may decide to employ the auditor on assignment 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 during the year are set out in the notes to the accounts.

The Board of Directors has considered the position and in accordance with the advice received from the audit committee, 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 auditors independence as set out in Professional Statement F1, 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.

## Directors' report 30 June 2005 continued

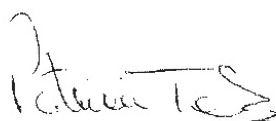
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A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is attached to the Financial Statements.

Signed in accordance with a resolution of the Board of Directors at Rye on 23 August 2005.



**Peter J Van Duren**  
**Chairman**



**Patricia Tonks**  
**Director**

# Financial statements

## Statement of financial performance

For year ending 30 June 2005

	Note	2005 \$	2004 \$
Revenues from ordinary activities	2	1,045,707	851,317
General Administration		(269,279)	(163,631)
Donation – Community Enterprise Foundation		(181,818)	
Salaries and employee benefits expense	3	(295,394)	(273,402)
Advertising and promotion		(26,209)	(10,745)
Occupancy and associated costs	3	(35,892)	(34,862)
System costs		(25,526)	(21,317)
Depreciation and amortisation expense	3	(57,871)	(53,224)
Borrowing cost expense		(1,849)	(522)
Profit from ordinary activities before income tax		151,869	293,614
Income tax expense relating to ordinary activities	4	65,667	83,678
Profit from ordinary activities after related income tax		86,202	209,936
Total changes in equity other than those resulting from transactions with owners as owners		86,202	209,936

The accompanying notes form part of these financial statements.

These financial statements have been subject to audit and should be read in conjunction with the attached Compilation Report.

# Financial statements continued

## Statement of financial position

As at 30 June 2005

	Note	2005 \$	2004 \$
<b>CURRENT ASSETS</b>			
Cash	5	603,403	632,304
Receivables	6	90,975	77,774
<b>TOTAL CURRENT ASSETS</b>		<b>694,378</b>	<b>710,078</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	97,174	122,317
Intangible assets	8	10,000	20,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>107,174</b>	<b>142,317</b>
<b>TOTAL ASSETS</b>		<b>801,552</b>	<b>852,395</b>
<b>CURRENT LIABILITIES</b>			
Payables	9	36,324	62,070
Interest-bearing liabilities	10	5,451	5,049
Current tax liabilities		(34,187)	34,868
Provisions	11	37,525	21,702
<b>TOTAL CURRENT LIABILITIES</b>		<b>45,113</b>	<b>123,689</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	10	15,798	21,249
<b>TOTAL CURRENT LIABILITIES</b>		<b>15,798</b>	<b>21,249</b>
<b>TOTAL LIABILITIES</b>		<b>60,911</b>	<b>144,938</b>
<b>NET ASSETS</b>		<b>740,641</b>	<b>707,457</b>
<b>EQUITY</b>			
Contributed Equity	13	504,166	504,155
Retained profits (Accumulated losses)	14	236,475	203,302
<b>TOTAL EQUITY</b>		<b>740,641</b>	<b>707,457</b>

The accompanying notes form part of these financial statements.

These financial statements have been subject to audit and should be read in conjunction with the attached Compilation Report.

# Financial statements continued

## Statement of cash flows

As at 30 June 2005

	Note	2005 \$	2004 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers		1,009,941	814,834
Cash paid to suppliers and employees		(997,002)	(505,414)
Interest received		35,766	24,568
Interest paid		(1,849)	(522)
Net Cash Provided by Operating Activities	24 (b)	46,856	333,466
<b>CASH FROM INVESTING ACTIVITIES</b>			
Payments for Property Improvements		(13,950)	-
Payments for Office Furniture & Equipment		(8,778)	(800)
Payment for Motor Vehicle			(25,638)
Net Cash used in Investing Activities		(22,728)	(26,438)
<b>CASH FROM FINANCING ACTIVITIES</b>			
Dividends paid		(53,029)	-
Net Cash used in Investing Activities		(53,029)	-
Net Increase in Cash Held		(28,901)	307,028
Cash at the beginning of the financial year		632,304	325,276
Cash at the end of the financial year	24 (a)	603,403	632,304

The accompanying notes form part of these financial statements.

These financial statements have been subject to audit and should be read in conjunction with the attached Compilation Report.



# Notes to the financial statements

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For year ending 30 June 2005

## Note 1: Statement of significant accounting policies

### **Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies are consistent with the previous year.

### **Income tax**

Income tax has been brought to account using the liability method of tax effect accounting whereby income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised.

### **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 statement of financial position. 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 ATO are classified as operating cash flows.

# Notes to the financial statements continued

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## Note 1: Statement of significant accounting policies continued

### Employee entitlements

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

### Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

### Cash

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.

### Property, plant and equipment

Property, plant and equipment are carried at cost or at independent or Directors' valuation, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rate (%)
Plant and equipment	2.5 - 25
Furniture and fittings	2.5 - 25
Motor Vehicles	22.5

### Comparative figures

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

# Notes to the financial statements continued

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## Note 1: Statement of significant accounting policies continued

### **Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST).

### **Payment terms**

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

### **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.

### **Interest Bearing Liabilities**

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

### **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.

### **Contributed Capital**

Issued and paid up capital is 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.

## Notes to the financial statements continued

	2005 \$	2004 \$
<b>Note 2: Revenue from ordinary activities</b>		
Operating revenue		
Gross Margins Received	615,355	498,388
Upfront & Trailer Commissions	210,502	163,479
Products/Services Commission	11,408	18,947
Fee Income	122,617	95,505
Market Development Fund	50,000	50,000
Sale of goods	1,009,882	826,319
Non-operating revenue		
Interest Received	35,766	24,568
Sundry Income	59	430
	35,825	24,998
	1,045,707	851,317

## Note 3: Expenses from ordinary activities

Employee benefits expense	295,394	273,402
Depreciation of non-current assets:		
- Motor Vehicles	7,552	4,988
- Office Furniture & Equipment	246	197
- Leasehold Improvement	40,073	38,039
- Amortisation of non-current assets:		
- Intangibles	10,000	10,000
- Occupancy & Associated Costs	35,892	34,862
- Loss on Sale of Non-current Assets		(2,957)
- Other expenses	504,681	193,288
	893,838	554,776

## Notes to the financial statements continued

	2005	2004
	\$	\$

### Note 4: Income tax expenses

The prima facie tax payable on operating profit is reconciled to the income tax expense as follows:

Prima facie tax payable on operating profit at 30%	45,561	88,084
Adjust for tax effect of:		
Different Tax Treatments of Depreciation	17,868	(15,035)
Non-deductible permanent differences		
Setup Costs	3,000	3,000
Timing Differences Deductible when incurred		
Provision for Holiday Pay & Accrued Wages	(762)	7,629
Income Tax Expense	65,667	83,678

### Note 5: Cash assets

Cash on Hand	200	200
Cash at Bank	114,905	71,451
Bendigo Bank - Term Deposits	488,298	560,653
	603,403	632,304

### Note 6: Receivables

Current

Sundry Debtors	90,975	77,774
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## Notes to the financial statements continued

	2005	2004
	\$	\$

### Note 7: Property, plant & equipment

#### PLANT & EQUIPMENT

Motor Vehicles at cost	36,093	36,093
Less Accumulated Depreciation	10,081	2,529
	26,012	33,564
Office Furniture & Equipment at cost	11,210	2,432
Less Accumulated Depreciation	766	520
	10,444	1,912
Leased Improvements	204,139	190,189
Less Improvements Amortisation	143,421	103,348
	60,718	86,841
<b>TOTAL WRITTEN DOWN AMOUNT</b>	<b>97,174</b>	<b>122,317</b>

#### MOVEMENTS IN CARRYING AMOUNTS

##### MOTOR VEHICLES

Carrying amount at beginning	33,564	15,871
Additions		36,093
Disposals		15,871
Less depreciation expense	7,552	2,529
Carrying amount at end	26,012	33,564

## Notes to the financial statements continued

	2005 \$	2004 \$
<b>Note 7: Property, plant &amp; equipment continued</b>		
<b>OFFICE FURNITURE AND EQUIPMENT</b>		
Carrying amount at beginning	1,912	1,309
Additions	8,778	800
Disposals	-	-
Less depreciation expense	246	197
Carrying amount at end	10,444	1,912
<b>LEASEHOLD IMPROVEMENTS</b>		
Carrying amount at beginning	86,841	124,880
Additions	13,950	-
Disposals	-	-
Less depreciation expense	40,073	38,039
Carrying amount at end	60,718	86,841
Total Written Down Amount	97,174	122,317

## Note 8: Intangible assets

### FRANCHISE FEE

At Cost	50,000	50,000
Less Accumulated Amortisation	(40,000)	(30,000)
	10,000	20,000

## Note 9: Payables

### CURRENT

Trade Creditors	9,425	6,752
Accrued Salaries & Wages	13,621	22,419
Superannuation Payable		4,341
Sundry Creditors	13,278	28,558
	36,324	62,070

## Notes to the financial statements continued

	2005 \$	2004 \$
<b>Note 10: Interest bearing liabilities</b>		
Current Lease Liabilities	5,451	5,049
Non-current Lease Liabilities	15,798	21,249
	21,249	26,298

## Note 11: Provisions

### CURRENT

Provision for Holiday Pay	37,525	21,702
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## Note 12: Employees

As at the end of the financial year, the business had the following employees:

	8	7
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## Note 13: Contributed Equity

### ISSUED CAPITAL

Ordinary \$1 Shares	530,291	530,291
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### SHARE MOVEMENTS

Shares on issue at beginning of the year	504,166	504,166
Issue Ordinary \$1 Shares	-	-
Less Equity Raising Costs	-	-
Shares on issue at end of the year	504,166	504,166

(a) Fully paid ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

(b) At shareholders meetings, each ordinary shareholder is entitled to one vote when a poll is called, or via a show of hands.



## Notes to the financial statements continued

	2005 \$	2004 \$
<b>Note 14: Accumulated profits</b>		
Retained Profit (losses) at the beginning of the financial year	203,302	(6,633)
Net Profit for the financial year	86,202	209,936
Dividends Paid	(53,029)	-
Retained Profit (losses) at the end of the financial year	236,475	203,302

## Note 15: Auditors remuneration

David Hutchings Partner Andrew Frewin & Stewart  
were the auditors of the Company.

Audit Fees	3,300	2,700
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## Note 16: Business details

The principal place of business is:

Rye & District Community Financial Services Ltd  
2349 Point Nepean Road  
Rye Vic 3941

The principal activities of the business operates as a franchise Company.

## Note 17: Segment reporting

### (a) Industry Segments

Rye & District Community Financial Services Limited operates predominantly in one industry segment, being the facilitation of Bendigo Bank Limited and services.

### (b) Geographical Segment

Rye & District Community Financial Services Limited operates predominantly in the geographic area of Rye Victoria.

## Note 18: Remuneration of Directors

No income was paid, or is payable or was otherwise made available to any Directors of the Company by the Company, and any related parties in respect of the financial period.

## Notes to the financial statements continued

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### Note 19: Events subsequent to balance date

No matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years, other than the matters disclosed in the "After Balance Date Events" section of the Directors' Report.

	2005	2004
	¢	¢

### Note 20: Earnings per share

Earnings per share for the financial year were:	16.3	39.6
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### Note 21: Contingent liabilities

There are no contingent liabilities at the date of this report to affect the financial statements.

### Note 22: International financial reporting standards

Entities complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Company has established a project team to manage the transition to AIFRS, including training of staff and internal changes necessary to gather all the required financial information. The transition is currently on schedule.

In the Company's opinion, no material impacts are expected in relation to financial report for the year ended 30 June 2005. There are no impacts to be disclosed.

Impact on the statements of financial performance Nil

Impact on the statements of financial position Nil

Note explaining impacts on the statements of financial performance and statements of financial position.

# Notes to the financial statements continued

## Note 23: Financial instruments

### Net Fair Value

The net fair value of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. 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 Statement of Financial Position and notes to the financial statements

### Interest Rate Risk

			Fixed interest rate maturing in							
Financial instrument	Floating interest Rate		1 year or less		Over 1 to 5 years		Non interest bearing		Weighted average effective interest rate	
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 %	2004 %
FINANCIAL ASSETS										
Cash assets	114,905	71,451	488,298	560,653	-	-	200	200	5.4	5.4
Receivables	-	-	-	-	-	-	90,975	77,774	-	N/A
FINANCIAL LIABILITIES										
Interest bearing liabilities	-	-	5,452	5,049	15,797	21,249	-	-	7.7	7.7
Payable	-	-	-	-	-	-		96,938	N/A	N/A

## Notes to the financial statements continued

	2005	2004
	\$	\$

### Note 24(a): Reconciliation of cash

For the purpose of the Statement of Cash Flows cash includes cash on hand and in banks and in at call deposits with banks and financial institutions, less the outstanding bank overdraft.

Cash at the end of the financial year is shown in the Statement Financial Position as:

Cash on Hand	200	200
Cash at Bank	114,905	71,451
Bendigo Bank - Term Deposits	488,298	560,653
	603,403	632,304

### Note 24 (b): Reconciliation of operating loss for the year to net cash provided by operating activities

Operating Profit for the Year	86,202	209,936
Add Non-cash Items:		
Depreciation & Amortisation	57,871	53,224
Movement in provisions	15,823	7,096
Loss on Sale of Non-current Assets		2,956
Changes in Assets & Liabilities		
Increase in Receivables	(13,201)	(11,915)
Increase in Payables	(25,746)	26,697
Increase in Other Current Liabilities	(74,093)	45,472
	46,856	333,466

# Directors' declaration

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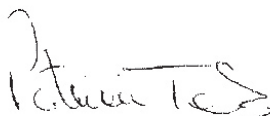
In accordance with a resolution of the Directors of the Rye & District Community Financial Services Limited, we state that:

In the opinion of the Directors:

- a) the accompanying 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 2005 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australian and Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become payable.



**Peter J Van Duren**  
**Chairman**



**Patricia Tonks**  
**Director**

Dated this 23rd day of August 2005

# Compilation report

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## Scope

On the basis of information provided by the Directors, we have compiled in accordance with APS 9 "Statement on Compilation of Financial Reports" the General Purpose Financial Report of the client for the period ended 30th June 2005, as set out in the Financial Statements.

The Directors are solely responsible for the information contained in the General Purpose Financial Report.

Our procedures use accounting expertise to collect, classify and summarise the financial information, which the Directors provided, into a Financial Report. Our procedures do not include verification or validation procedures. No audit or review has been performed, and accordingly no assurance is expressed.

To the extent permitted by law, we do not accept liability for any loss or damage, which any person, other than the Company, may suffer arising from any negligence on our part. No person should rely on the General Purpose Financial Report without having an audit or review conducted.

The General Purpose Financial Report was prepared exclusively for the benefit of the Company. We do not accept responsibility to any other person for the contents of the General Purpose Financial Report.

## JSP Partners

### Chartered Accountants

PO Box 309 Rye Vic 3941

A handwritten signature in black ink, appearing to be 'Bryan A Payne', enclosed within a large, loopy circular stroke.

**Bryan A Payne** MBA (Melb), CA, FCPA, FCIS, FCIM, FIMM, FTIA.

26th July 2005

# Independent audit report



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afs@afsbendigo.com.au  
www.afsbendigo.com.au  
ABN 51 061 795 337

## **INDEPENDENT AUDIT REPORT**

To the members of Rye & District Community Financial Services Limited

### **Scope**

We have audited the financial report of Rye & District Community Financial Services Limited for the financial year ended 30 June 2005 including the Directors' Declaration. The company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position and performance as presented by the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

### **AUDIT OPINION**

In our opinion the financial report of Rye & District Community Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

**DAVID HUTCHINGS**  
**ANDREW FREWIN & STEWART**  
61-65 Bull Street, Bendigo, 3550

Dated this 5<sup>th</sup> day of September 2005

# BSX report

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## BSX additional information

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 25 August 2005.

### A. Corporate Governance Statement

The Board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable.

The Board recognises the importance of a strong corporate governance focus and methodology. The Board has compiled policies and procedures that will govern our Company into the future. We believe that building policy framework will assist clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

### B. Substantial Shareholders – Ten largest shareholders

	Ordinary Shares	Number of Ord Shares
1. SEEBER, JOHN LEONARD	15,000	2.83%
2. B & P TONKS SUPERFUND	10,558	1.99%
3. EVANS, PETER CHARLES	5,500	1.04%
4. KADAN SUPERANNUATION P/L	5,500	1.04%
5. MORNINGTON PENINSULA SHIRE	5,500	1.04%
6. ATTARD, CHARLES JAMES	5,000	.94%
7. BROWN, JEFFREY JAMES	5,000	.94%
8. BURLEY, STEVEN FRANK	5,000	.94%
9. CAHILL, ELAINE MARY	5,000	.94%
10. CORNISH, NORMA ANN	5,000	.94%

### C. Voting Rights

Each shareholder has one vote.



# BSX report continued

## D. Distribution of Shareholders

The number of shareholders, by size of holding, is:

	Ordinary Shares	
	Number of Holders	Number of Shares
1 - 1,000	191	137,274
1,001 - 5,000	113	350,959
5,001 - 10,000	3	16,500
10,001 - 100,000	2	25,558
100,001 and over	0	0
Total	309	530,291

There are 24 shareholders holding less than a marketable parcel of shares.

## E. Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Director's is reviewed annually by the chairperson. Director's whose performance is unsatisfactory are asked to retire.

The Board and Director's aim to ensure that shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

The Board does have an Audit and Governance Committee.

## F. Address and telephone number of the Office which the securities register is kept:

Bendigo Bank Limited

Share Registry Office

Fountain Court

BENDIGO 3552

Telephone: 03 5433 9339