

Contents

Chairperson's report	2-3
Manager's report	4-6
Directors' report	7-11
Financial statements	12-15
Notes to the financial statements	16-29
Directors' declaration	30
Independent audit report	31
Auditor's independence declaration	32
BSX report	33-35

Chairperson's report

For year ending 30 June 2006

During the past year we've seen several successes for our **Community Bank®** branch, our Shareholders, our community and our Board.

Our **Community Bank®** branch continues to grow thanks, in a large part, to the efforts of our Branch Manager, Gary Sanford and his dedicated staff.

Each month our account numbers grow because people are hearing about the things we are doing in the local community.

Just one of the most significant contributions from our branch in the past 12 months is to the Rye Youth Centre at the R.J. Rowley Reserve.

Our contribution to the funding over the next five years is in the amount of \$425,000.

These funds enabled our **Community Bank®** branch to work with the YMCA in achieving a full-time youth worker for the southern end of the Peninsula.

Youth worker Michelle Wright has organised some of our younger community people to attend events, and given them an interest and a place to meet, which we hope will lead our future Peninsula residents to taking a more active interest in the community.

Who knows, it might also lead to future **Community Bank®** Board candidates.

In the June newsletter, I reported that our other major contribution to the community was that of our community grants scheme.

On 21 June, 2006, the Bendigo Bank Community Enterprise™ Foundation team assisted in the distribution of more than \$125,000 to local clubs, sporting bodies and organisations on the Peninsula. This was an increase on the amount distributed last time and we were absolutely delighted that the event was attended by over 200 people who enjoyed the evening and a bit of supper afterwards.

As you will see as you read through this report, during the 2005/06 financial year, your **Community Bank®** branch has made sponsorships, donations and community grants to the tune of \$313,000.

This brings the total amount given back to the community since inception of our **Community Bank®** branch to about \$1.25 million.

As Shareholders, you should all feel extremely happy and proud of this achievement - we are making a difference.

And the great news is, that we still have some funds left from last years' grants funding and have again set aside an amount for the financial year 2006-2007.

We'll be holding another grants night in late December as well as a second for this financial year, most likely in June 2007, potentially resulting in another \$200,000 going out to community groups and organisations.

Chairperson's report continued

Our expansion program into Dromana is well under way and as reported in the June newsletter, we have made a significant property acquisition of a building in the main street of Dromana which will soon house the Dromana **Community Bank®** Branch.

The Dromana committee, consisting of 13 local Dromana business people, has been very busy holding public meetings and carrying out pledge studies in preparation for the opening of this second **Community Bank®** branch on the Peninsula.

Your Board eventually will include two Dromana committee representatives, who will be able to keep us abreast of the needs of the Dromana community.

We envisage that the opening of the branch will be early to mid 2007.

This will of course depend on the time it takes to revalue our Company, draft a prospectus and raise the capital through share sales and then make the alterations to the building to suit a bank.

And there's more great news.....

Again this year, we are able to announce that we can return a dividend to our Shareholders, of 14c per share, fully franked.

While this is slightly less than last year, because of the Dromana opening, current Shareholders will be offered a bonus share issue after the revaluation of the Company.

This will enable Shareholders to reap greater dividends in future years, as we grow and prosper in not one, but two locations.

We have grown into a serious business on the Peninsula with annual banking business at around \$166 million for the 2005/06 financial year.

But we still see room for growth, and we want you to keep talking about us, keep telling friends, family and business acquaintances that you are a Shareholder and what your **Community Bank®** branch is doing in your community.

And remember that your Branch Manager, Gary Sanford is always available to speak to clubs or groups about the benefits we can offer to them.

In closing, my thanks to Gary, his fantastic staff and my fellow Board members for their support and unfailing commitment to our community and Shareholders through our **Community Bank®** branch.

Kind regards to all.



Peter Van Duren
Chairman

Manager's report

For year ending 30 June 2006

Our fifth year of trading has been remarkable. In the 2005/06 financial year, our balances grew by \$29.23 million, which is one of the largest financial year's growth across all **Community Bank**® branches in Australia.

We remain one of the fastest growing **Community Bank**® branches and the largest individual branch in the **Community Bank**® network. This is something we should all feel very proud of achieving.

As at 30 June 2006, we experienced growth in all areas of our business in excess of what was budgeted.

We increased total accounts by 941 to almost 7300, which includes more than 1000 loan facilities.

Our combined balances totalled \$166.93 million, which included total deposits at \$81.46 million and total lending at \$76.94 million, maintaining our good mix of business.

Reported financial planning products currently under management were \$8.53 million, assisting to make up the \$166.93 million.

These balances reflect a 16.62% growth in deposits and 25.35% growth in lending over the financial year, against a budgeted growth of 12% in both areas.

The continued growth we have achieved during the 2006 financial year is a reflection of many things, some of these are:

- People see value in the **Community Bank**® concept - supporting the bank that supports the local community.
- Word of mouth passed on by existing customers about our service and support to the community.
- Community groups, schools, sporting clubs and volunteer groups who have received support from the bank recommending us to members, family and friends
- The work of our Board in promoting and supporting the **Community Bank**® concept.
- The excellent branch staff, who have developed into a very strong team. They understand that their jobs are more than just working for a bank.

I believe, as does our Board, that many people on the Mornington Peninsula do not yet understand the **Community Bank**® concept and its benefits.

If this is the case, our challenge is to inform them so that they will move their banking to our branch.

If we can achieve in-roads in this area, I see no reason why our growth won't continue.

During the financial year, we installed a new ATM at the Blairgowrie Newsagency in the main shopping strip on Nepean Highway Blairgowrie.

And, an additional Bendigo Bank ATM will be installed in the newly developed Port Phillip Plaza at Rosebud when the developments are completed.

These additions will enhance the access and availability of Bendigo Banks ATMs to all existing and new customers.

Manager's report continued

Our growth will also continue with our expansion into Dromana, which will provide a **Community Bank®** branch for the Dromana and surrounding areas.

The Dromana steering committee has achieved fantastic response from the local community with current pledges exceeding the anticipated capital requirement. The next phase will be a feasibility study, then prospectus and capital raising.

This exciting new branch will provide more convenient banking for our Dromana-based customers.

Board support

I have the benefit of being able to work very closely with all members of the Board and feel privileged to have the support and trust that is provided to me.

I wish to thank our Chairman, Peter Van Duren and each Board member for their support and commitment to the success of the Rye & District **Community Bank®** Branch.

Staff

We have had two new full-time staff members commence during the 2005/06 financial year - Elizabeth Marriott, who started on 5 September, 2005; and Tim Ling, who started on 29 August 2005.

Liz comes to us from Westpac with more than 15 years banking experience. She has adapted to our way of banking very quickly and has developed into a valuable member of our team.

Tim Ling completed his VCE studies at Rosebud Secondary College in 2004.

In true **Community Bank®** spirit we have provided an opportunity to a local person to gain employment and make a career in banking.

We would not have achieved the growth we have without the commitment of all my staff.

I would like to send a special thank you to 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 continue to provide invaluable support to both the Board Treasurer Pat Tonks and Secretary Eileen Naylor.

I thank them for their ongoing support.

My customer service staff - Cheryl Rogers, Melissa Oorloff, Deborah Harper and Carol O'Connell - have continued to provide the level of customer service we should expect from banks.

I thank them for their professionalism and commitment to our branch's success.

As long as our first priority remains the customers, I know our business will continue to grow.

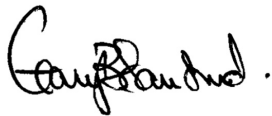
Manager's report continued

Summary

We have many people to thank for our success, Bendigo Bank, Shareholders, Board Directors and staff, but the people who have made our success possible are our customers.

I wish there was an easy way to let them know, collectively as a group, how successful they have made the Rye & District **Community Bank**[®] Branch, how much their banking is contributing back to the community and that they have helped open the Rye Youth Centre and many other wonderful contributions to the community.

As we continue to spread the message about the **Community Bank**[®] concept I know we will continue to grow and the local community will continue to benefit from a bank that cares and supports the local community.

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

Gary Sanford
Manager

Directors' report

For year ending 30 June 2006

The Directors submit the Financial Accounts of the Company for the half year ended 30 June 2006.

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

No Directors have material interests in contracts or proposed contracts with the Company.

No Directors have any other current Directorships in any listed Company nor have they in the past three years.

Directors

The names and details of the Directors who held office during or since the end of the financial year:

Peter John Van Duren

Chairperson

Age 51

Real Estate Agent

Qualifications: Licensed Estate Agent

Guiseppe Oscar Glavici

Director & Chair, Grants Committee

Age 53

Dentist Surgeon

Qualifications: BDSc

Eileen Naylor

Company Secretary

Age 58

Retiree

Janet Iris Hall

Director & Chair, Audit & Governance Committee

Age: 59

Interior Decorator

Patricia Tonks

Treasurer

Age 64

Retiree

Former Councillor, Flinders Shire

Brian Earles

Director & Chair, Asset Committee

Age 54

Building Designer

Qualifications: Reg Building Practitioner

Shane Christopher McCarthy

Director Chairman & Director

Chairman, Sponsorship & Marketing Committee

Aged 54

Solicitor

Qualifications: LL.B GAICD

Barry Leonard Irving

Director & Member, Marketing Committee

Age: 63

Photographer

Trevor William Lloyd

Director & Chair, Youth Club Project

Member Asset Committee

Age: 54

Builder

Qualifications: Reg Building Practitioner &

Licensed Plumbing Contractor

Directors' report continued

The Directors and their associates held the following shares in the Rye & District Community Financial Services Ltd as at the 30 June 2006.

	No. of Shares Held
Peter J Van Duren	12,001
Patricia Tonks	10,559
Shane C McCarthy	1,251
Brian Earles	26,250
Eileen Naylor	10,500
Guiseppe Glavici	1,000
Janet Hall	1,000
Trevor Lloyd	4,000
Barry Irving	500

Company Secretary

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

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo Bank Limited.

There has 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 the provision for income tax was:

Year ended 30 June 2006	Year ended 30 June 2005
\$	\$
28,114	86,202

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.

Directors' report continued

The Branch Manager is paid a base salary, which is between \$80,000 and \$90,000 including 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. During the year a bonus was paid in the range of \$25,000 to \$35,000.

Dividends

The following dividend was paid during the year

	Year ended 30 June 2006	
	Cents	\$
Dividends		
Final dividends declared	14	74,241
Dividends paid in the year		
- interim for the year	-	-
- as recommended in the prior year report	16	84,847

The Directors have resolved that a 14 cents fully franked dividend be paid to ordinary Shareholders from the previous year profits. The dividend will be paid on the 14 November 2006 based on the shareholdings as at 31 October 2006.

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.

Matters subsequent to the end of the financial year

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

Likely developments

The Company will continue its policy of providing banking services to the community. The Company is currently working with Bendigo Bank Limited and the Dromana community to open a second **Community Bank®** site at Dromana.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' report continued

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 of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

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

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

Directors meetings

The number of Director's meetings attended by each of the Directors of the Company during the year was:

	No. of meetings held	No. of meetings attended
Peter J Van Duren	14	14
Eileen Naylor	14	11
Patricia Tonks	14	13
Shane C McCarthy	14	12
Brian Earles	14	13
Janet Hall	14	12
Guiseppe Glavici	14	13
Trevor Lloyd	14	14
Barry Irving	14	13

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.

Directors' report continued

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: -

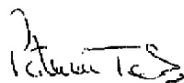
- All non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- None of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or 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.

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 33.

Signed in accordance with a resolution of the Board of Directors at Rye on 20 September 2006.



Peter J Van Duren
Director



Patricia Tonks
Director

Financial statements

Income statement

For year ending 30 June 2006

	Note	2006 \$	2005 \$
Revenues from ordinary operations	3	1,236,440	1,045,707
Charitable donations and sponsorships		(428,223)	(330,510)
Salaries and employee benefits expense		(427,547)	(295,394)
Advertising and promotion expenses		(22,952)	(26,209)
Occupancy and associated costs		(47,565)	(35,892)
Depreciation and amortisation expense	4	(58,659)	(57,871)
Finance costs		(5,943)	(1,849)
General administration expenses		(151,146)	(120,587)
System costs		(30,383)	(25,526)
Profit from ordinary activities before income tax expense		64,022	151,869
Income tax expense	5	35,908	65,667
Profit from ordinary activities after income tax expense		28,114	86,202
Profit attributable to members of Rye & District Community Financial Services Limited		28,114	86,202
Earnings per share (cents per share)			
- basic for profit for the year		5.30	16.26
- dividends paid or provided for (cents per share)		16	10

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2006

	Note	2006 \$	2005 \$
Current assets			
Cash assets	6	286,884	603,403
Trade and other receivables	7	185,093	125,163
Total current assets		471,977	728,566
Non-current assets			
Property, plant and equipment	8	891,392	97,174
Intangibles	9	50,000	10,000
Total non-current assets		941,392	107,174
Total assets		1,413,369	835,740
Current liabilities			
Trade and other payables	10	129,144	36,324
Borrowings	11	93,078	5,451
Provisions	12	29,675	37,525
Total current liabilities		251,897	79,301
Non-current liabilities			
Borrowings	11	463,234	15,798
Provisions	12	14,330	-
Total non-current liabilities		477,564	15,798
Total liabilities		729,461	95,099
Net assets		683,908	740,641
Equity			
Contributed equity	13	504,166	504,166
Retained profits	14	179,742	236,475
Total equity		683,908	740,641

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2006

	2006 \$	2005 \$
Total equity at the beginning of the financial year	740,641	707,457
Net profit/(loss) for the year	28,114	86,202
Net income/expense recognised directly in equity	-	-
Dividends provided for or paid	84,847	53,029
Shares issued during period	-	11
Total equity at the end of the financial year	683,908	740,641

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2006

	Note	2006 \$	2005 \$
Cash flows from operating activities			
Cash received from customers		1,202,065	1,009,941
Cash paid to suppliers and employees		(1,160,939)	(997,002)
Interest received		33,481	35,766
Interest paid		(5,902)	(1,849)
Net inflow/(outflows) from operating activities	16(b)	68,705	46,856
Cash flows from investing activities			
Payments for intangible assets			
Payments for property plant and equipment		(842,040)	(13,950)
Payments for office furniture & equipment		(837)	(8,778)
Net cash inflow(outflows) investing activities		(842,877)	(22,728)
Cash flows from financing activities			
Proceeds from borrowings		542,500	
Payment of share issue costs			
Dividends paid		(84,847)	(53,029)
Net cash inflow(outflows) financing activities		457,653	(53,029)
Net Increase/(decrease) in cash held		(316,519)	(28,901)
Cash at the beginning of the financial year		603,403	632,304
Cash at the end of the financial year	16(a)	286,884	603,403

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2006

Note 1: Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

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.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

These financial statements are the first Rye & District Community Financial Services Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 First-time adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

The Financial Statements of Rye & District Community Financial Services Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Rye & District Community Financial Services Limited's 2006 financial statements, management amended certain accounting and valuation methods that are applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRS's on the Company equity and its net income are given in note 19.

Revenue

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

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 tax 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 comprehensive balance sheet liability method in respect of 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.

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they related to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current 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 income statement, 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.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount off goods and services tax (GST), except where the amount of GST incurred is not recoverable for 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 ATO are classified as operation cash flows.

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.

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

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 purpose 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.

Comparative figures

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

Property, plant and equipment

Property, 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. Buildings and leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values, and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Buildings & leasehold improvements 40yrs
- Plant & equipment 2.5 - 40yrs
- Furniture & fittings 4 - 40yrs

Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets 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. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

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.

Notes to financial statements continued

Note 1: Summary of significant accounting policies continued

Impairment of assets continued

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.

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.

Borrowings

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 financial statements continued

Note 2: Financial risk management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk, and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo 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 Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo 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 Bank Limited mitigates this risk significantly.

Notes to financial statements continued

	2006	2005
	\$	\$

Note 3: Revenue from ordinary activities

Operating activities:

- services commissions	1,199,340	1,009,882
Total revenue from operating activities	1,199,340	1,009,882

Non-operating activities:

- interest received	33,481	35,766
- rental revenue	894	
- sundry income	2,725	59
Total revenue from non-operating activities	37,100	35,825
Total revenues from ordinary activities	1,236,440	1,045,707

Note 4: Expenses from ordinary activities

Depreciation of non-current assets:

- motor vehicles	5,853	7,552
- office furniture and equipment	1,121	246
- leasehold improvements	41,685	40,073

Amortisation of non-current assets:

- franchise agreement	10,000	10,000
-----------------------	--------	--------

Borrowing expenses	58,659	57,871
---------------------------	---------------	---------------

- interest paid	5,902	1,849
-----------------	-------	-------

Bad debts	1,083	1,176
------------------	--------------	--------------

Notes to financial statements continued

	2006	2005
	\$	\$

Note 5: Income tax expense

The prima facie tax on profit from ordinary operations

before income tax is reconciled to the income tax expense as follows:

Operating profit/(loss)	64,022	151,869
Prima facie tax on profit from ordinary operations at 30%	19,207	45,561
Add tax effect of:		
- different tax treatments of depreciation	5,570	17,868
- non-deductible expenses	3,000	3,000
Timing differences deductible when incurred		
- Provision for holiday pay & accrued wages	15,087	(762)
- STS adjustments	(6,956)	-
Income tax expense on operating profit	35,908	65,667

Note 6: Cash assets

Cash on hand	200	200
Cash at bank	51,917	114,905
Security deposit	500	-
Term deposits	234,267	488,298
	286,884	603,403

Note 7: Trade and other receivables

Trade receivables	116,931	90,975
Current tax assets	66,299	34,188
Prepayments	1,863	
	185,093	125,163

Notes to financial statements continued

	2006 \$	2005 \$
Note 8: Property, plant and equipment		
Land at cost	550,000	-
Buildings at cost	287,656	-
Less accumulated depreciation	-	-
	837,656	-
Motor vehicles at cost	36,093	36,093
Less accumulated depreciation	15,934	10,081
	20,159	26,012
Office furniture & equipment at cost	12,047	11,210
Less accumulated depreciation	1,887	766
	10,160	10,444
Leased improvements at cost	208,523	204,139
Less accumulated depreciation	185,106	143,421
	23,417	60,718
Total written down amount	891,392	97,174
Movements in carrying amounts		
Land & buildings		
Carrying amount at beginning	-	-
Additions	837,656	-
Disposals	-	-
Less: depreciation expense	-	-
Carrying amount at end	837,656	-
Motor vehicles		
Carrying amount at beginning	26,012	33,564
Additions	-	-
Disposals	-	-
Less: depreciation expense	5,853	7,552
Carrying amount at end	20,159	26,012

Notes to financial statements continued

	2006	2005
	\$	\$

Note 8: Property, plant and equipment continued

Office furniture and equipment

Carrying amount at beginning	10,444	1,912
Additions	837	8,778
Disposals	-	-
Less depreciation expense	1,121	246
Carrying amount at end	10,160	10,444

Leasehold improvements

Carrying amount at beginning	60,718	86,841
Additions	4,384	13,950
Disposals	-	-
Less depreciation expense	41,685	40,073
Carrying amount at end	23,417	60,718
Total written down amount	891,392	97,174

Note 9: Intangible assets

Franchise fee

At cost	100,000	50,000
Less: accumulated amortisation	(50,000)	(40,000)
	50,000	10,000

Notes to financial statements continued

	2006 \$	2005 \$
Note 10: Trade and other payables		
Trade creditors	478	9,425
Accrued salaries & wages	57,432	13,621
Superannuation payable	5,911	-
Sundry creditors	65,323	13,278
	129,144	36,324

Note 11: Borrowings

Current lease liabilities	15,798	5,452
Non-current lease liabilities	-	15,798
Current bank loan	77,280	-
Non-current bank loan	463,234	-
Bank loans are repayable monthly with the final instalment due on 22/5/2016. Interest is recognised at an average rate of 7.5% (2005 n/a %). The loans are secured by a fixed and floating charge over the Company's assets.		
	556,312	21,250

Note 12: Provisions

Provision for holiday pay	29,675	37,525
Provision for long service leave	14,330	-
Number of employees at year end	7	8

Note 13: Contributed equity

530,291 ordinary shares of \$1 each (2005: 530,291)	530,291	530,291
Less: equity raising expenses	26,125	26,125
	504,166	504,166

Notes to financial statements continued

	2006	2005
	\$	\$

Note 14: Retained earnings

Balance at the beginning of the financial year	236,475	203,302
Net profit from ordinary activities after income tax	28,114	86,202
Dividends paid	(84,847)	(53,029)
Balance at the end of the financial year	179,742	236,475

Note 15: Statement of cash flows

(a) Reconciliation of cash

Cash on hand	700	200
Cash at bank	51,917	114,905
Bendigo Bank - term deposits	234,267	488,298
	286,884	603,403

(b) Reconciliation of profit from ordinary activities after tax to net cash provided by/ (used in) operating activities

Profit from ordinary activities after income tax	28,114	86,202
Non cash items:		
- depreciation	48,659	47,871
- amortisation	10,000	10,000
Changes in assets and liabilities:		
- increase in receivables	(59,931)	(13,201)
- decrease in payables	(6,902)	(25,746)
-increase/(decrease) in other current liabilities	48,768	(58,270)
Net cashflows provided by operating activities	68,705	46,856

Notes to financial statements continued

	2006	2005
	\$	\$

Note 16: Auditors remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit & review services	2,700	3,300
- other services in relation to the Company	-	-
	2,700	3,300

Note 17: Director and related party disclosures

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

Peter J Van Duren
Patricia Tonks
Shane C McCarthy
Brian Earles
Eileen Naylor
Guiseppe Glavici
Janet Hall
Trevor Lloyd
Barry Irving

No Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings

Peter J Van Duren	12,001
Patricia Tonks	10,559
Shane C McCarthy	1,251
Brian Earles	25,250
Eileen Naylor	10,500
Guiseppe Glavici	1,000
Janet Hall	1,000
Trevor Lloyd	4,000
Barry Irving	500

There was no movement in Directors shareholdings during the year. Each share held is valued at \$1 and is fully paid.

Notes to financial statements continued

	2006	2005
	¢	¢
Note 18: Earnings per share		
Earnings/(Losses) per share for the financial year were:	5.30	16.26

Note 19: Reconciliation from equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS

Entities complying with AIFRS for the first time are 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 would be made, retrospectively, against opening retained earnings as at 1 July 2004.

In the Company's opinion, there have been no material impacts in relation to the financial report for the year ended 30 June 2006. There are no impacts to be disclosed.

Impact on the income statement Nil.

Impact on the balance sheet Nil.

Note 20: Subsequent events

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

Note 21: Contingent liabilities

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

Note 22: Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Rye, Victoria.

Notes to financial statements continued

Note 23: Registered office/principal place of business

The registered office is:

2247 Point Nepean Road

Rye VIC 3941

The principal place of business is:

Rye & District Community Financial Services Ltd

2349 Point Nepean Road

Rye VIC 3941

Note 24: Financial instruments

Net fair values

The net fair values 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.

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

Interest rate risk

Financial instrument	Fixed interest rate maturing in											
	Floating		1 year		Over 1 to		Over		Non Interest		Weighted	
	interest rate		or less		5 years		5 years		bearing		average	
											effective	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%

Financial assets

Cash assets	51,917	114,905	234,267	488,298	-	-	-	-	200	200	5.9	5.4
Receivables	-	-	-	-	-	-	-	-	- 116,931	90,975	N/A	N/A

Financial liabilities

Interest bearing liabilities	-	-	15,797	5,452	-	15,797	540,514	-	-	-	7.5	7.5
Payables	-	-	-	-	-	-	-	-	- 129,144	36,324	N/A	N/A

Directors' declaration

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

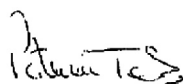
In the opinion of the Directors:

- a) the 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 2006 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Peter J Van Duren
Director



Patricia Tonks
Director

Dated 20 September 2006

Independent audit report



INDEPENDENT AUDIT REPORT

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

To the members of Rye & District Community Financial Services Limited

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Rye & District Community Financial Services Limited for the financial year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under the heading "remuneration report" in the directors' report as permitted by the ASIC class order 06/50. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them 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 and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

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 made by the directors.

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

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

Audit Opinion

In our opinion:

1. 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 2006 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations; and
2. the compensation disclosures that are contained in the directors' report under the heading "remuneration report" comply with Accounting Standard AASB 124 *Related Party Disclosures*.

DAVID HUTCHINGS

ANDREW FREWIN & STEWART

61-65 Bull Street, Bendigo, VIC 3550
Dated this 21st day of September 2006

Auditor's independence declaration



PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Rye & District Community Financial Services Limited.

As lead auditor for the review of the financial statements of Rye & District Community Financial Services Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

David Hutchings
Auditor

Andrew Frewin & Stewart

Bendigo VIC 3550

Dated: 21 September 2006

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules to Company provides the following information as at 31 August 2006, which is within 6 weeks of this report being sent to Shareholders.

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

Number of Shares held	Number of Shareholders
1 to 1,000	188
1,001 to 5,000	110
5,001 to 10,000	4
10,001 to 100,000	3
100,001 and over	0
Total Shareholders	305

Each of the above Shareholders are entitled to 1 vote, irrespective of the number of shares held.

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

There are 21 Shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

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

BSX report continued

The following table shows the 10 largest Shareholders.

Shareholder	Number of Shares	Percentage of capital
Planned Living Pty Ltd Superannuation Fund	25,250	4.76
John Leonard Seeber	15000	2.83
B & P Tonks Pty Ltd	10558	1.99
Kadan Superannuation Pty Ltd	9001	1.70
Martin John Naylor	5500	1.04
Mornington Peninsula Shire	5500	1.04
Peter Charles Evans	5500	1.04
Womar Holdings Pty Ltd	5000	0.94
Louise Rose Whitehead	5000	0.94
Percy Weidemann	5000	0.94
	83,809	15.81

Registered office and principal administrative office

The registered office of the Company is located at:

2247 Point Nepean Road
Rye, Victoria 3941
Phone: 03 5985 3211

The principal administrative office of the Company is located at:

2349 Point Nepean Road
Rye, Victoria 3941
Phone: 03 5985 9755

Security register

The security register (share register) is kept at:

Computershare Investor Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford, Victoria 3067
Phone: 1300 137 328

BSX report continued

Other information

Please refer to the Directors report, within the annual report, for details of the Company secretary and main corporate governance practices of the entity.

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

