



Rye & District Community Financial Services Limited

Financial Statements

as at

30 June 2007

JSP Partners Pty Ltd

A.C.N. 006 957 777

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

Your Directors submit the financial report of the company for the financial year ended 30 June 2007.

Directors

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

Peter John Van Duren Chairperson Age: 52 Real Estate Agent Licensed Estate Agent Shares Held: 48000	Patricia Tonks Treasurer Age: 65 Retiree Former Councillor Flinders Shire Shares Held: 42236
Eileen Naylor Secretary Age: 59 Retiree Shares Held: 50000	Janet Iris Hall Director & Chair, Audit & Governance Committee Age: 60 Interior Decorator Shares Held: 4800
Shane Christopher McCarthy Deputy Chairperson & Director Chair, Sponsorship & Marketing Committee Age: 55 Solicitor, LL.B GA/CD Shares Held: 7404	Guiseppe Oscar Glavici Director & Chair, Grants Committee Age: 54 Dental Surgeon BDS Shares Held: 6800
Trevor William Lloyd Director & Chair, Youth Club Project Member Asset Committee Age: 55 Builder Reg Building Practitioner & Licensed Plumbing Contractor Shares Held: 16000	Brian Earles Director & Chair, Asset Committee Age: 55 Building Designer Reg Building Practitioner Shares Held: 105000 Resigned 30/6/07
Barry Leonard Irving Director & Member, Marketing Committee Age: 64 Photographer Shares Held: 4100	Stephen Bernard Edmund Director Age: 56 22 years exp Retail Hardware, previously served on National Marketing Committee of Home Hardware Paul Harris Fellowship of Rotary Club Dromana Chairman Dromana Chamber of Commerce Shares Held: 7200 Appointed 24/01/07
Andrew Ross Emerson Director Age: 60 Home Furnishing Industry Shares Held: 4000 Appointed 24/01/07	

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

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

Company Secretary

The company secretary is Eileen Naylor. Eileen was appointed to the position of secretary on 24th November 2004.

Principal activities

The principal activities of the company during the course of the financial year were in providing community banking 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.

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Directors' Report

Operating Results

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

Year ended 30 June 2007	Year ended 30 June 2006
\$	\$
(13,427)	28,114

Remuneration Report

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

The Senior Manager is paid a base salary, which is between \$80,000 and \$90,000 including the use of a company car. In addition the Senior 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 \$20,000 to \$30,000.

Directors Remuneration

For the year ended 30 June 2007, the directors received total remuneration including superannuation, as follows:

	\$
Peter John Van Duren	20,000
Patricia Tonks	15,000
Eileen Naylor	10,000
Janet Iris Hall	7,500
Shane Christopher McCarthy	7,500
Giuseppe Oscar Glavici	7,500
Trevor William Lloyd	7,500
Brian Earles	7,500
Barry Irving	7,500

	Year Ended 30 June 2007	
Dividends	Cents	\$'000
Final dividends recommended:	3c	87,948
Dividends paid in the year:		
- Interim for the year		
- As recommended in the prior year report	14c	74,241

The Directors have resolved that a 3 cents fully franked dividend be paid to ordinary shareholders from the previous year profits. The dividend will be paid on the 20th November 2007 based on the shareholdings as at 31 October 2007.

Significant changes in the state of affairs

During the year, the Board approved and oversaw the building development of the property acquired during the 2005/06 financial year at 239 Point Nepean Road, Dromana, 3936 with a view to opening a branch of the Bendigo Bank Community Bank® in Dromana.

The Bendigo Bank process of community consultation, which commenced in December 2005, continued during the year, including completion of a pledge process and a community feasibility study, both designed to measure the level of community support for a new Community Bank® in Dromana.

After positive outcomes from this process, it was decided to seek additional capital to fund this expansion by the issuance and allocation of new shares in the company

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Directors' Report

Significant changes in the state of affairs (continued)

In order to ensure equity with existing shareholders and after an independent valuation of the company was undertaken, the board decided to make a bonus issue to existing shareholders, awarding three bonus shares for every share held as at 15th December 2006. Bonus share certificates were issued and despatched on 12th February 2007.

The Australian Securities and Investment Commission approved a prospectus developed to offer new shares in the company and this document was launched in Dromana with overwhelming success on 24th April 2007. The share issue was oversubscribed within seven working days and closed on 1st May 2007 with 810,441 new shares in the company being issued at a par value of \$1.00 and an additional 255 shareholders being added to our share register.

The new Dromana Branch of the Bendigo Bank Community Bank® was opened by Robert Johanson, Chairman of Bendigo Bank Limited on Friday 29th June 2007 and the branch opened for normal business on Saturday 30th June 2007.

In the opinion of the directors there were no other 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.

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

Director, Brian Earles, through his company Planned Living Pty Ltd, was contracted to provide project management services over the construction and redevelopment of the premises at 239 Point Nepean Road, Dromana. The company paid Planned Living Pty Ltd \$14,275 for the provision of their professional services.

No other 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. 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 Manager of the company except where the liability arises out of conduct involving the lack of good faith.

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

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Directors' Report

Directors Meetings

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

	Number of Board Meetings <u>eligible to attend</u>	<u>Number attended</u>
Peter John Van Duren	12	12
Patricia Tonks	12	10
Eileen Naylor	12	11
Janet Iris Hall	12	12
Shane Christopher McCarthy	12	7
Guiseppe Oscar Glavici	12	9
Trevor William Lloyd	12	12
Brian Earles	12	11
Barry Irving	12	7
Stephen Edmund	6	6
Andrew Emerson	6	6

Non Audit Services

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

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;

none of the services undermine the general principles relating to auditor independence as set out in 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.

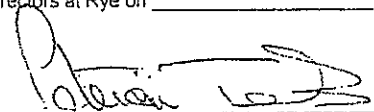
Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the Board of Directors at Rye on _____



Peter Van Duren, Director



Patricia Tonks, Director

Auditor's Independence Declaration

As lead auditor for the audit of the financial statements of Rye & District Community Financial Services Ltd the year ended 30 June 2007, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.



Graeme Stewart
Auditor
Andrew Frewin & Stewart

Bendigo
13 September 2007

Rye Community Financial Services Limited
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Income Statement
for the year ended 30 June 2007

	<u>Notes</u>	2007 \$	2006 \$
Revenues from ordinary activities	3	1,478,936	1,236,440
Charitable donations and sponsorships		(396,000)	(428,223)
Salaries and employee benefits expense		(582,793)	(427,547)
Advertising and promotion expenses		(28,574)	(22,952)
Occupancy and associated costs		(73,661)	(47,565)
Systems costs		(65,083)	(30,383)
Depreciation and amortisation expense	4	(32,992)	(58,659)
General administration expenses		(273,295)	(157,089)
Profit before income tax expense		26,538	64,022
Income tax expense	5	(39,965)	(35,908)
Profit /(Loss) for the period		(13,427)	28,114
Profit /(Loss) attributable to members of the entity		(13,427)	28,114
Earnings per share (cents per share)		c	c
- basic for profit for the year	18	(0.62)	1.33
- dividends paid per share		14	16

The accompanying notes form part of these financial statements

Rye Community Financial Services Limited
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Balance Sheet
as at 30 June 2007

	<u>Notes</u>	2007 \$	2006 \$
Current Assets			
Cash assets	6	443,839	286,884
Trade and other receivables	7	177,749	185,093
Total Current Assets		<u>621,588</u>	<u>471,977</u>
Non-Current Assets			
Property, plant and equipment	8	1,403,840	891,392
Intangible assets	9	46,000	50,000
Total Non-Current Assets		<u>1,449,840</u>	<u>941,392</u>
Total Assets		<u>2,071,428</u>	<u>1,413,369</u>
Current Liabilities			
Trade and other payables	10	85,222	129,144
Borrowings	11	86,573	93,078
Current tax liabilities	5	670	-
Provisions	12	30,485	29,675
Total Current Liabilities		<u>202,950</u>	<u>251,897</u>
Non-Current Liabilities			
Borrowings	11	456,040	463,234
Provisions	12	20,964	14,330
Total Non-Current Liabilities		<u>477,004</u>	<u>477,564</u>
Total Liabilities		<u>679,954</u>	<u>729,461</u>
Net Assets		<u>1,391,474</u>	<u>683,908</u>
Equity			
Contributed equity	13	1,299,400	504,166
Retained profits	14	92,074	179,742
Total Equity		<u>1,391,474</u>	<u>683,908</u>

The accompanying notes form part of these financial statements

Rye Community Financial Services Limited
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Statement of changes in equity
for the year ended 30 June 2007

	2007 \$	2006 \$
Total equity at the beginning of the financial year	683,908	740,641
Net income/expense recognised directly in equity	-	-
Net profit for the year	(13,427)	28,114
Total recognised income & expenses for the year	<u>-</u>	<u>-</u>
Shares issued during period	810,441	-
Costs of issuing shares	(15,207)	-
Dividends provided for or paid	(74,241)	(84,847)
Total equity at the end of the financial year	<u><u>1,391,474</u></u>	<u><u>683,908</u></u>

The accompanying notes form part of these financial statements

Rye Community Financial Services Limited
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Statement of Cashflows
for the year ended 30 June 2007

	<u>Notes</u>	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		1,458,596	1,202,065
Payments to suppliers and employees		(1,358,209)	(1,160,939)
Interest received		20,340	33,481
Interest paid		(40,231)	(5,902)
Income taxes paid		(39,395)	-
Net cash inflow from operating activities	15	41,101	68,705
Cash Flows From Investing Activities			
Payment for intangible assets		(8,000)	-
Proceeds from property plant and equipment		16,741	-
Payments for property plant and equipment		(548,866)	(842,040)
Payments for office furniture & equipment		(1,315)	(837)
Net cash outflow from investing activities		(541,440)	(842,877)
Cash Flows From Financing Activities			
Proceeds from issue of shares		810,441	-
Proceeds from borrowing		(63,699)	542,500
Payment of share issue costs		(15,207)	-
Dividends Paid		(74,241)	(84,847)
Net cash inflow from financing activities		657,294	457,653
Net increase/(decrease) in cash held		156,955	(316,519)
Cash at the beginning of the financial year		286,884	603,403
Cash at the end of the financial year	6(a)	443,839	286,884

The accompanying notes form part of these financial statements

Rye Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2007

1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

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

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.

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 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.

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).

Rye Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2007

1. Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

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

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

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the 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.

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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Rye Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2007

1. Summary of significant accounting policies (continued)

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

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

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

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

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

Critical Accounting Estimates and Judgements

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

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

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the

Payment terms

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

Trade Receivables and Payables

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

Borrowings

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

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Notes to the Financial Statements
for the year ended 30 June 2007

1. Summary of significant accounting policies (continued)

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 Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

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.

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Notes to the Financial Statements
for the year ended 30 June 2007

2. Financial Risk Management (continued)

(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.

	2007 \$	2006 \$
3. Revenue from ordinary activities		
Operating activities:		
- services commissions	1,439,435	1,199,340
Total revenue from operating activities	<u>1,439,435</u>	<u>1,199,340</u>
Non-operating activities:		
- interest received	20,340	33,481
- rental revenue	7,373	894
- sundry revenue	11,788	2,725
Total revenue from non-operating activities	<u>39,501</u>	<u>37,100</u>
Total revenues from ordinary activities	<u><u>1,478,936</u></u>	<u><u>1,236,440</u></u>
4. Expenses		
Depreciation of non-current assets:		
- motor vehicles	5,221	5,853
- office furniture & equipment	1,022	1,121
- leasehold improvements	14,749	41,685
Amortisation of non-current assets:		
- franchise agreement and start up costs	12,000	10,000
	<u>32,992</u>	<u>58,659</u>
Finance costs:		
- interest paid	<u>40,231</u>	<u>5,902</u>
Bad debts	<u>1,719</u>	<u>1,083</u>

5. Income tax expense

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

Operating profit	26,538	64,022
Prima facie tax on profit from ordinary activities at 30%	7,961	19,207
Add tax effect of:		
- different tax treatments of depreciation	360	5,570
- non-deductible expenses	3,600	3,000
- amortisation start up costs	(912)	-

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Notes to the Financial Statements
for the year ended 30 June 2007

	2007 \$	2006 \$
5. Income tax expense (continued)		
Timing differences deductible when incurred		
- provision for holiday pay and accrued wages	52	15,087
- STS adjustments	28,904	(6,956)
Income tax expense on operating profit	<u>41,972</u>	<u>37,914</u>
Deferred tax asset carried forward	<u>-</u>	<u>-</u>
6. Cash assets		
Cash at bank and on hand	4,104	52,117
Term Deposits	439,735	234,767
	<u>443,839</u>	<u>286,884</u>
The above figures are reconciled to costs at the end of the financial year as shown in the statement of cashflows.		
6(a) Reconciliation of cash		
Cash at bank and on hand	4,104	52,117
Term deposit	439,735	234,767
Bank overdraft	<u>443,839</u>	<u>286,884</u>
7. Trade and other receivables		
Trade receivables	113,757	116,931
Current tax assets	61,129	66,299
Prepayments	2,863	1,863
	<u>177,749</u>	<u>185,093</u>
8. Property, plant and equipment		
<i>Land & Buildings</i>		
At cost	1,344,895	837,656
Less accumulated depreciation	(1,504)	-
	<u>1,343,391</u>	<u>837,656</u>
<i>Motor Vehicles</i>		
At cost	38,477	36,093
Less accumulated depreciation	(1,803)	(15,934)
	<u>36,674</u>	<u>20,159</u>
<i>Office Furniture & Equipment</i>		
At cost	13,362	12,047
Less accumulated depreciation	(2,909)	(1,887)
	<u>10,453</u>	<u>10,160</u>
<i>Leasehold improvements</i>		
At cost	211,673	208,523
Less accumulated depreciation	(198,351)	(185,106)
	<u>13,322</u>	<u>23,417</u>
Total written down amount	<u>1,403,840</u>	<u>891,392</u>

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Notes to the Financial Statements
for the year ended 30 June 2007

	2007 \$	2006 \$
Movements in carrying amounts:		
<i>Land & Buildings</i>		
Carrying amount at beginning	837,656	-
Additions	507,239	837,656
Disposals	-	-
Less: depreciation expense	(1,504)	-
Carrying amount at end	<u>1,343,391</u>	<u>837,656</u>
<i>Motor Vehicles</i>		
Carrying amount at beginning	20,159	26,012
Additions	38,477	-
Disposals	(16,741)	-
Less: depreciation expense	(5,221)	(5,853)
Carrying amount at end	<u>36,674</u>	<u>20,159</u>
<i>Office Furniture & Equipment</i>		
Carrying amount at beginning	10,160	10,444
Additions	1,315	837
Disposals	-	-
Less: depreciation expense	(1,022)	(1,121)
Carrying amount at end	<u>10,453</u>	<u>10,160</u>
<i>Leasehold Improvements</i>		
Carrying amount at beginning	23,417	60,718
Additions	3,150	4,384
Disposals	-	-
Less: depreciation expense	(13,245)	(41,685)
Carrying amount at end	<u>13,322</u>	<u>23,417</u>
Total written down amount	<u>1,403,840</u>	<u>891,392</u>
9. Intangible assets		
<i>Franchise Fee</i>		
At cost	108,000	100,000
Less: accumulated amortisation	(62,000)	(50,000)
	<u>46,000</u>	<u>50,000</u>
10. Trade and other payables		
Trade Creditors	-	478
Other creditors & accruals	85,222	128,666
	<u>85,222</u>	<u>129,144</u>
11. Borrowings		
Current Lease Liabilities	9,293	15,798
Non-current Lease Liabilities	30,975	-
Current Bank Loan	77,280	77,280
Non-current Bank Loan	425,065	463,234
	<u>542,613</u>	<u>556,312</u>

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Notes to the Financial Statements
for the year ended 30 June 2007

	2007 \$	2006 \$
11. Borrowings continued		
Bank loans are repayable monthly with the final instalment due on 22nd May 2016. Interest is recognised at an average rate of 7.5% (2006: 7.5%). The loans are secured by a fixed and floating charge over the company's assets.		
12. Provisions		
Provision for Holiday Pay	28,822	29,675
Provision for Dividend	1,663	-
Provision for Long Service Leave	<u>20,964</u>	<u>14,330</u>
Number of employees at year end	<u>13</u>	<u>7</u>
13. Contributed equity		
1,340,732 Ordinary shares fully paid of \$1 each (2006: 530,291)	1,340,732	530,291
Less: equity raising expenses	<u>(41,332)</u>	<u>(26,125)</u>
	<u>1,299,400</u>	<u>504,166</u>
Comprising:		
Share Issue - 2001		
530,291 Ordinary shares fully paid of \$1 each	530,291	530,291
Less preliminary expenses	<u>(26,125)</u>	<u>(26,125)</u>
	<u>504,166</u>	<u>504,166</u>
In addition to the above a bonus share issue on a 1:3 basis (1,590,873 shares) was issued to all existing shareholders on 12th February 2007.		
Share Issue - 2007		
810,441 Ordinary shares fully paid of \$1 each	810,441	-
Issue of share capital fully paid of \$1 each	<u>(15,207)</u>	<u>-</u>
Less preliminary expenses	<u>795,234</u>	<u>-</u>
14. Retained Earnings/Accumulated Losses		
Balance at the beginning of the financial year	179,742	236,475
Net profit from ordinary activities after income tax	(13,427)	28,114
Dividends Paid	(74,241)	(84,847)
Balance at the end of the financial year	<u>92,074</u>	<u>179,742</u>

Rye Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2007

	2007 \$	2006 \$
15. Statement of cashflows		
<i>Reconciliation of profit from ordinary activities after tax to net cash provided by/(used in) operating activities</i>		
Profit from ordinary activities after income tax	(13,427)	28,114
Non cash items:		
- depreciation	20,992	48,659
- amortisation	12,000	10,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	7,345	(59,931)
- increase/(decrease) in payables	6,748	(6,902)
- increase in other liabilities	-	48,765
- increase in provisions	7,443	-
Net cashflows provided by operating activities	<u>41,101</u>	<u>68,705</u>

16. Auditors' remuneration

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

- audit & review services	4,480	2,700
- non audit services	4,800	-
	<u>9,280</u>	<u>2,700</u>

17. Director and Related party disclosures

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

Peter John Van Duren
Patricia Tonks
Eileen Naylor
Janet Iris Hall
Shane Christopher McCarthy
Guiseppe Oscar Glavici
Trevor William Lloyd
Brian Earles
Barry Irving
Stephen Edmund
Andrew Emerson

The Board has adopted a policy in respect to director fees with the following objectives

- To attract and retain appropriately qualified and experienced directors
- To remunerate directors in regard to their responsibilities

In accordance with Board policy, director remuneration comprises a base fee together with a 9% superannuation guarantee charge.

Rye Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2007

2007 **2006**

17. Director and Related party disclosures (continued)

Directors fees are determined by the Board and are not to exceed \$90,000 in aggregate, the allocation of which is determined at the discretion of the Board. This was policy was approved by the shareholders at the 2006 Annual General Meeting held 31st October 2006.

Directors shareholdings

Peter John Van Duren	48,000	12,001
Patricia Tonks	42,336	10,559
Eileen Naylor	50,000	10,500
Janet Iris Hall	4,800	1,000
Shane Christopher McCarthy	7,404	1,251
Guiseppe Oscar Glavici	6,800	1,000
Trevor William Lloyd	16,000	4,000
Brian Earles	105,000	26,250
Barry Irving	4,100	500
Stephen Edmund	7,200	-
Andrew Emerson	4,000	-

Directors shareholdings altered during the year due to a 3:1 share issue together with additional shares purchased, both due to the capitalisation associated with the Dromana branch.

18. Earnings per Share

(a) Reconciliations of earnings used in calculating earnings per share	<u>2007</u>	<u>2006</u>
	<u>\$</u>	<u>\$</u>
<i>Basic earnings per share</i>		
Profit attributable to the ordinary share holders of the company used in calculating basic earnings per share	(13,427)	28,114
	<u>2007</u>	<u>2006</u>
(b) Weighted average number of shares used as the denominator	<u>Number</u>	<u>Number</u>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share adjusted for bonus elements in ordinary shares issued during the year.	2,170,012	2,121,164

19. Events occurring after the balance sheet date

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

Rye Community Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2007

20. Contingent liabilities

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

21. Segment reporting

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Rye district, Victoria.

22. Registered office/Principal place of business

The registered office and principal place of business is:

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

25. 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	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 %	2006 %
Financial assets												
Cash assets	3,704	51,917	439,735	234,267	-	-	-	-	400	200	5.40	5.90
Receivables	-	-	-	-	-	-	-	-	113,757	116,931	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	15,797	40,268	-	502,345	540,514	-	-	7.50	7.50
Payables	-	-	-	-	-	-	-	-	85,222	129,144	N/A	N/A

Rye Community Financial Services Limited
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Directors' Declaration

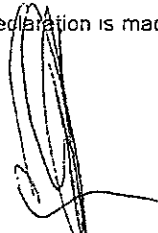
In accordance with a resolution of the directors of Rye Community Financial Services Limited, we state that

In the opinion of the directors:

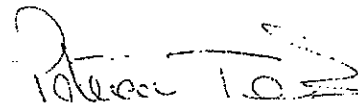
- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the *Corporations Regulations 2001*.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the *Corporations Act*.

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



Peter Van Duren, Director



Patricia Tonks, Director

Signed at Rye on 13 SEPTEMBER 2007

INDEPENDENT AUDITOR'S REPORT

To the members of Rye & District Community Financial Services Ltd

We have audited the accompanying financial report of Rye & District Community Financial Services Ltd which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Opinion

In our opinion, the financial report of Rye & District Community Financial Services Ltd is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Rye & District Community Financial Services Ltd as of 30 June 2007, and of its financial performance and its cash flows for the year then ended and Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



GRAEME STEWART

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

Dated this 13th day of September 2007