

**Rye & District Community  
Financial Services Limited**

**Financial Statements**

**as at**

**31 December 2007**

JSP Partners Pty Ltd  
A.C.N. 006 957 777  
Unit 5, 4-6 Wheeler St Berwick Vic. 3806 Phone 03 9707 3333  
8/2319-2327 Point Nepean Rd. Rye Vic 3941 Phone 03 5985 1165  
168 Ocean Beach Rd. Sorrento Vic 3943 Phone 03 5984 0178  
Email: [jspteam@jsp-pl.com.au](mailto:jspteam@jsp-pl.com.au)

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

Your Directors submit the financial report of the company for the half-year ended 31 December 2007.

**Directors**

The names of directors who held office during the half year and until the date of this report are as below:

Peter John Van Duren

Eileen Naylor

Patricia Tonks

Janet Iris Hall

Shane Christopher McCarthy

Guiseppe Oscar Glavici

Trevor William Lloyd

Barry Leonard Irving

Stephen Bernard Edmund

Andrew Ross Emerson

**Principal activities**

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

**Review and results of operations**

The opening of the Dromana branch on 29 June 2007 has provided your company with many opportunities and challenges during the period under review.

The ongoing growth of business through the Dromana branch is encouraging and is beyond the expectations established by your board when business plans were formulated for this new branch.

Whilst total revenue for both Rye and Dromana continues to grow, income has been affected by the changed nature of financial markets.

The shift in loan business from Variable to Fixed Rate has reduced the income stream available to the company in accordance with the terms of the franchise agreement held with Bendigo Bank Limited.

It is unlikely that these market circumstances will change during the remainder of the year under review and, accordingly, there will continue to be ongoing pressure on projected income volumes.

Your company has also experienced higher costs than expected in the operation of its branches for the first six months of the year.

These costs have been incurred mainly in the areas of "Staff and Related Costs" and "Advertising & Promotions". The recruitment of a large number of staff new to Bendigo Bank systems has led to significantly higher- than- budgeted costs in the areas of staff travel and training. Your board considers that these expenses have been necessary to ensure the continuation of the service levels expected by our customers and the creation of sufficient awareness of our Dromana branch to ensure its visibility amongst existing and potential customers in the Dromana area.

#### **Review and results of operations (cont'd)**

The pressure on income means that there is a need to exercise close cost control for the remainder of the year. The stabilisation of the Dromana branch operation and the realisation of appropriate staffing levels at both Rye and Dromana will result in a closer correlation to budgeted expenditure for the remainder of the year. It is the view of your board that projected income levels and contained expenses for the remainder of the year under review will enable your company to meet its projected profit and performance targets contained in the prospectus issued as part of the capital raising process associated with the development of the Dromana branch.

Shareholders are advised that should improved performance over the next six months still result in the forecast loss at the end of the current financial year, there is a strong likelihood that your company will not be in a position to pay dividends for this financial year.

The net loss of the company for the financial period was: (\$57,277) (2006: \$99,689).


#### **Matters subsequent to the end of the reporting period**

There are no matters or circumstances that have arisen since the end of the half year reporting period that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

#### **Auditor's independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 2.

Signed in accordance with a resolution of the Directors at Rye, Melbourne on 5th March 2008.

  
\_\_\_\_\_  
**Peter J Van Duren, Chairman**



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

**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001  
to the directors of Rye & District Community Financial Services Limited**

I declare that, to the best of my knowledge and belief, in relation to the review for the financial period ended 31 December 2007 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

**Graeme Stewart**  
**Auditor**

**Andrew Frewin & Stewart**  
Bendigo, Victoria

Dated this 7<sup>th</sup> day of March 2008

**Rye & District Community Financial Services Limited**  
**ABN 67 095 766 895**  
**Income Statement**  
**for the half-year ended 31 December 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Revenue from ordinary activities	899,533	724,487
Salaries and employee benefit expense	(526,093)	(245,104)
Occupancy and associated costs	(48,795)	(23,769)
Advertising and promotion expenses	(50,711)	(13,868)
Systems costs	(68,455)	(29,007)
Depreciation and amortisation expense	(25,430)	(15,114)
General administration expenses	(267,127)	(228,093)
	<hr/>	<hr/>
<b>Profit/(loss) before income tax expense/credit</b>	(87,078)	169,532
Income tax expense/credit	29,801	(69,843)
	<hr/>	<hr/>
<b>Profit/(loss) for the period</b>	(57,277)	99,689
	<hr/>	<hr/>
<b>Profit/(loss) attributable to members of the entity</b>	<u>(57,277)</u>	<u>99,689</u>
	<hr/>	<hr/>
<b>Earnings per Share</b>		
	<u>c</u>	<u>c</u>
Earnings per share for the period were:	- 1.95	18.80

*The accompanying notes form part of these financial statements.*

**Rye & District Community Financial Services Limited**  
**ABN 67 095 766 895**  
**Balance Sheet**  
**as at 31 December 2007**

	<b>31-Dec 2007 \$</b>	<b>30-Jun 2007 \$</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash assets	166,788	443,839
Trade and other receivables	202,405	177,749
Other financial assets	-	-
<b>Total Current Assets</b>	<u>369,193</u>	<u>621,588</u>
<b>Non-Current Assets</b>		
Property, plant and equipment	1,516,577	1,403,840
Deferred tax asset	-	-
Intangible assets	39,967	46,000
<b>Total Non-Current Assets</b>	<u>1,556,544</u>	<u>1,449,840</u>
<b>Total Assets</b>	<u>1,925,737</u>	<u>2,071,428</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	61,586	85,222
Borrowings	92,245	86,573
Current Tax Liabilities	-	670
Provisions	47,017	30,485
<b>Total Current Liabilities</b>	<u>200,848</u>	<u>202,950</u>
<b>Non-Current Liabilities</b>		
Borrowings	459,913	456,040
Provisions	18,727	20,964
<b>Total Non-Current Liabilities</b>	<u>478,640</u>	<u>477,004</u>
<b>Total Liabilities</b>	<u>679,488</u>	<u>679,954</u>
<b>Net Assets</b>	<u>1,246,249</u>	<u>1,391,474</u>
<b>Equity</b>		
Issued capital	1,299,400	1,299,400
Retained earnings	(53,151)	92,074
<b>Total Equity</b>	<u>1,246,249</u>	<u>1,391,474</u>

*The accompanying notes form part of these financial statements.*

**Rye & District Community Financial Services Limited**  
**ABN 67 095 766 895**  
**Statement of Changes in Equity**  
**for the half-year ended 31 December 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Total equity at the beginning of the period	1,391,474	179,742
Net profit/(loss) for the period	(57,277)	169,532
Net income/expense recognised directly in equity		(69,843)
Dividends provided for or paid	(87,948)	(74,241)
Shares issued during period	-	-
Total equity at the end of the period	<u><u>1,246,249</u></u>	<u><u>205,190</u></u>

*The accompanying notes form part of these financial statements.*

**Rye & District Community Financial Services Limited**  
**ABN 67 095 766 895**  
**Cash Flow Statement**  
**for the half-year ended 31 December 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	874,901	579,768
Payments to suppliers and employees	(922,674)	(351,696)
Interest paid	(18,617)	(20,074)
Interest received	11,854	9,277
Income taxes paid	(12,179)	(17,860)
<b>Net cash provided by/(used in) operating activities</b>	<u>(66,715)</u>	<u>199,415</u>
<b>Cash Flows From Investing Activities</b>		
Payments for property, plant and equipment	(132,134)	(27,885)
Payments for intangible assets	-	-
<b>Net cash provided by/(used in) investing activities</b>	<u>(132,134)</u>	<u>(27,885)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issues of equity securities	-	-
Payment for share issue costs	-	-
Proceeds from borrowings	9,746	-
Repayment of borrowings	-	(18,566)
Dividends paid	(87,948)	(74,241)
<b>Net cash provided by/(used in) financing activities</b>	<u>(78,202)</u>	<u>(92,807)</u>
<b>Net increase/(decrease) in cash held</b>	(277,051)	78,723
Cash at the beginning of the financial year	443,839	286,884
<b>Cash at the end of the half-year</b>	<u><u>166,788</u></u>	<u><u>365,607</u></u>

*The accompanying notes form part of these financial statements.*



**Rye & District Community Financial Services Limited**  
**ABN 67 095 766 895**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2007**

**1. Basis of preparation of the half-year financial statements**

**Statement of compliance**

The half-year financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial report also complies with the IFRSs and interpretations adopted by the International Accounting Standards Board.

**Basis of accounting**

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly the report shall be read in conjunction with the financial report for the year ended 30 June 2007 and any public pronouncements made by the company during the period.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2007. All accounting policies are consistent with those applied in the 30 June 2007 financial statements except as set out below.

**2. Events subsequent to reporting date**

There have been no events subsequent to reporting date that would materially effect the financial statements at the reporting date.

**3. Contingent assets and liabilities**

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

**4. 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.

**5. Contributed equity**

1,340,732 Ordinary shares fully paid of \$1 each (2007: 530,291)	1,340,732	530,291
Less: equity raising expenses	(41,332)	(26,125)
	<u>1,299,400</u>	<u>504,166</u>

**Rye & District Community Financial Services Limited**  
**ABN 67 095 766 895**  
**Notes to the financial statements**  
**for the half-year ended 31 December 2007**

**5. Contributed equity (cont'd)**

**Comprising:**

**Share Issue - 2001**

530,291 Ordinary shares fully paid of \$1 each	530,291	530,291
Less preliminary expenses	(26,125)	(26,125)
	504,166	504,166

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	(15,207)	-
Less preliminary expenses	795,234	-

**6. Related parties**

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2007 annual financial report.

**7. Dividends Paid**

Period ended 31 December 2007	<b>2007 Cents</b>	<b>2007 \$</b>	<b>2006 Cents</b>	<b>2006 \$</b>
Interim dividend declared				
Dividends paid in the year.				
- interim for the year				
- as recommended in the prior year report	0.03	87,948	0.14	74,241

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

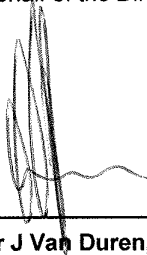
**Rye & District Community Financial Services Limited**  
**ABN 67 095 766 895**  
**Directors' Declaration**

In the opinion of the directors of Rye & District Community Financial Services Limited ("the Company"):

- 1 The financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - (a) giving a true and fair view of the financial position of the entity as at 31 December 2007 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;
  - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- 2 there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



---

**Peter J Van Duren, Chairman**

Dated this <sup>14</sup> day of March 2008.

## **Independent Review Report to the Members of Rye & District Community Financial Services Limited**

### ***Scope***

We have reviewed the accompanying financial report of Rye & District Community Financial Services Limited comprising the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes 1-7 to the financial statements and the directors' declaration for the entity for the half-year ended 31 December 2007.

### ***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report 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 interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reports when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls. Our review did not involve an analysis of the prudence of business decisions made by directors or managers.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

### ***Conclusion***

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Rye & District Community Financial Services Limited is not in accordance with Corporations Act 2001, including:

- i. giving a true and fair view of the entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Regulations 2001.



Graeme Stewart Partner  
BENDIGO

Dated this 7<sup>th</sup> day of March 2008