

2008 annual report



Contents

Chairman's report	2-4
Senior Manager's report	5-7
Manager's report - Rye	8
Manager's report - Dromana	9
Directors' report	10-15
Auditor's independence declaration	16
Financial statements	17-20
Notes to the financial statements	21-38
Directors' declaration	39
Independent audit report	40-41
BSX report	42-44

Chairman's report

For year ending 30 June 2008

My fellow shareholders and **Community Bank**[®] supporters, welcome to yet another successful year's annual report.

Your Board of Directors is absolutely delighted with the final result of the year's trading and growth for 2007/08 and our thanks go out to Senior Manager Gary Sanford, Rye Manager Julie Toward, and Dromana Manager Neil McKinnon, and all of the branch staff for making us the most successful **Community Bank**[®] Company within the Bendigo & Adelaide Bank network.

Senior Manager Gary Sanford has been working tirelessly behind the scenes, ensuring that the flow of business through both branches runs smoothly. Servicing his own clients as well as offering support to Julie & Neil, attending functions and giving presentations on the **Community Bank**[®] concept to those groups who ask, is a huge task and your Board recognises Gary as a true champion for our cause. We thank him for his dedication and service throughout the year, as I am sure you all appreciate what he has done for the Company in bringing in new corporate clients and increasing the bottom line with tight expense control.

Overall our annual growth for the year has been around 35% and this is a very pleasing result for the Board. Dromana, in particular, has continued a steady growth by adding to their initial book of \$13.5 million another \$49.12 million, giving them an end-of-year combined balance of more than \$62.62 million.

Congratulations to Neil and the staff at Dromana for a fantastic year (and I'm sure that there is more to come.) Local Dromana people will see Neil out and about from the early hours each day drumming up new business and servicing his client's needs in order to keep our **Community Bank**[®] branch in the forefront of people's minds. Celebrations were fantastic for the first birthday, and although the weather was a bit on the chilly side, a great time was had by all.

A seventh birthday to remember was held at Rye with shareholders and customers joining in the fun and festivities. Julie and the team are also to be congratulated with account numbers still growing. Even though Rye finished off the financial year slightly down on its mid year figure, it still holds a credible sum of \$192.84 million in combined balances, which is an overall increase on last year's figure of \$12.35 million. A great effort!

We had a great final result for 2007 in both locations. Well done to all of the staff. I am sure our shareholders are just as pleased as the Board.

I recently read through our 2002 annual report to see just how far we have come since our first year's report. Interestingly, our founding Chairman David Keech, reported that we were the first **Community Bank**[®] branch to pass the \$25,000,000 in combined banking business within the first six months of business. I wonder if we could hang our cap on the fact that we would be the first **Community Bank**[®] branch to have achieved in excess of ten times that figure in growth in just seven years of operation.

Chairman's report continued

Our **Community Bank**[®] branch staff are also being recognised by other community groups and this year Val Jarman of the Dromana Branch and Tim Ling from Rye Branch, both received Customer Service awards from the respective towns' Rotary clubs.

It's great to see good customer relations recognised by someone outside of your own organization, and from what I have been told the field of candidates for these awards was pretty strong, so our congratulations go to you both. Keep up the great work.

Our commitment to the community is still as strong as ever and the final total of contributions through our sponsorship and donations for the financial year was \$229,899. This amount was distributed to more than 58 groups in our catchment area, and the current year is looking just as positive. Our total contribution since commencing seven years ago is just over \$2.5 million to more than 227 community groups, charities and schools which keeps our sponsorship committee extremely busy.

Our focus on youth in conjunction with the Y.M.C.A. at the Rye Youth Centre at Rowley Reserve is still in great demand, and Michelle is always kept very busy organising programs and liaising with various schools in order to assist families and individuals integrate into the wider community. Our thanks and congratulations go to Michelle and the team for their inspiring efforts in helping our young people and their families cope with the stresses in today's society.

Once again we are happy to announce that we are in a position to offer a dividend to our shareholders. The amount of \$0.02c per share fully franked has been decided on by the Board and this dividend will be paid on 20 November 2008 for shares held as at 31 October 2008. It's a great feeling to be able to say that this is the fifth year in a row we have been able to provide our supporters with a dividend. This is despite the fact that during this time, we have purchased a building, funded a refurbishment and opened a new branch. I believe this is a fantastic achievement in anyone's books.

In closing for this years report, on behalf of the shareholders, I would personally like to thank Dr Gus Glavici who retired from the Board this year to pursue some personal time with his family. Gus spent five years on Board as part of the sponsorship committee and his input was always well received and respected.

On a more personal note, after being associated with our **Community Bank**[®] branch since its inception in 2000, firstly as a committee member and then as a Board member and having served six of those years as Chairman, I have decided that this year's A.G.M. will be my last and immediately following the A.G.M. on 29 October, I also will be stepping down as Chairman and Board member.

I have had a fantastic time on the Board, having put forward my ideas, accepting responsibility and supervising monthly meetings which could sometimes become very energetic. I have seen the purchase of a building, culminating in a second branch. I have shared in the successes from year to year (as there have been no failures) and enjoyed too many birthday cakes, so it is now time to step aside and let a new person take on the chairmanship and move forward. I believe that the depth of talent currently on your Board is exceptional and the protocol and decision making process is the best I have encountered.

I take this opportunity to thank my fellow Board members both past and present for their support and comradeship over the years, especially Tony Harford, our Board assistant who ensures the Board has all of the up to date information and does a great job in following up for the Board. Thanks Tony for a great year.

Chairman's report continued

Thanks, of course, to Gary Sanford, Julie Toward and Neil McKinnon for their commitment and dedication at branch level plus everybody involved with the **Community Bank**® branches in Rye and Dromana for their support.

I also would like to thank the team at Bendigo Bank for their support of the Board and my chairmanship during the past six years. Their guidance and counsel has been invaluable to the success of the Board and our **Community Bank**® branches.

Keep spreading the word about the **Community Bank**® concept and how much of a difference your **Community Bank**® branches have made in the area; it really does help create new customers and increase our presence in both Rye and Dromana.

I look forward to seeing you all at the Annual General Meeting.

Kind regards and best wishes,

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

Peter Van Duren
Chairman

Senior Manager's report

For year ending 30 June 2008

Last financial year has been challenging, amazing and rewarding in more ways than one.

When we started the financial year, the Dromana **Community Bank®** Branch had only just opened and there were two new Managers with their respective teams looking after Rye and Dromana **Community Bank®** branches. No one could have imagined the volume of work these two Managers would process in the first six months and the associated pressures this would create.

Neil McKinnon at Dromana generated in excess of 60 loan applications in the month of August 2007, which was just amazing. This meant that support was needed from both Bronwyn Ralph and myself, both of whom had previously been at Rye. In October 2007 we employed an additional Customer Relationship Manager, Denise Coumbe, to assist Neil with the lending volume. Over the entire year more than 260 consumer loan applications were processed through the Dromana **Community Bank®** Branch, which is one of the highest numbers of applications for any branch in the country last financial year. This does not include the number of commercial loan applications.

With Bronwyn Ralph and myself focussing on Dromana, we left Julie Toward to manage at our Rye **Community Bank®** Branch largely on her own. Julie managed the largest individual **Community Bank®** branch in Australia and was under enormous pressure and stress learning new management roles and undertaking lending discussions that were completely new to her. To her credit she remained positive and after Dromana started to settle and Denise Coumbe gained experience, I was able to spend at least one day per week at Rye helping Julie with lending and management.

In the end, Rye processed 253 consumer lending applications during the financial year, which was outstanding. At the end of the financial year, although still learning every day, Julie was becoming more settled and confident with her new role.

With the level of new business at both branches we remain the largest **Community Bank®** Company in Australia, with Rye the largest individual branch in the **Community Bank®** network. Dromana has established itself as the fastest growing branch in Australia in its first year of operation. This is something we should all feel very proud of achieving.

As at 30 June 2008, we experienced growth in all areas of our business in excess of what was budgeted. We increased total accounts at Rye from 8130 to 8362 and at Dromana from 266 to 2318, which includes more than 1049 and 391 loan facilities at Rye and Dromana respectively. Our combined balances totalled \$255.46 million, which included total deposits of \$126.16 million and total lending of \$122.43 million, maintaining our good mix of business.

Reported Financial Planning products currently under management were \$6.87 million, assisting to make up the \$255.46 million. These balances reflect a 33.29% growth in deposits and 37.93% growth in lending across the Company. The balances also reflect a \$3.73 million drop in Financial Planning facilities under management over the year.

Senior Manager's report continued

Rye Branch balances as at 30 June 2008 were \$99.37 million in deposits and \$86.83 million in lending and Financial Planning under management at \$6.64 million. Combined balances stood at \$192.84 million, reflecting a \$12.35 million growth overall against a budget of \$10.94 million.

Dromana branch balances as at 30 June 2008 were \$26.79 million in deposits and \$35.6 million in lending and Financial Planning under management at \$0.23 million. Combined balances stood at \$62.62 million, reflecting a \$49.01 million growth overall against a budget of \$30.77 million.

The combined business growth of \$61.36 million, considering a drop in financial planning under management of approximately \$3.49 million, has clearly justified the Board's decision to work with the Dromana community to open the Dromana **Community Bank**[®] Branch. As a Company we could not have achieved this sort of growth without both sites being up and running.

The foundations have now been laid for further growth and increased community funding and profits from two very successful branches in their own right. Both Branch Managers are to be congratulated on what they have achieved and the foundations they have established.

I look forward to the continued challenges ahead that these two branches will provide in the future.

Board support

I have again benefited from 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.

The addition of two new Board members in Stephen Edmund and Andrew Emerson from the Dromana steering committee has provided new ideas and stimulus.

I wish to thank our Chairman, Peter Van Duren, and each Board member for their support and commitment to the success of the Rye and Dromana **Community Bank**[®] branches of Bendigo Bank

Staff

Each of the Branch Managers has mentioned their own individual staff members in their Managers' reports contained in this annual report. I also thank and congratulate every staff member on what they have achieved last financial year.

I would like to personally thank and congratulate both Julie Toward and Neil McKinnon for their dedication and commitment to the success of their branches. Both have been faced with enormous challenges and the associated stresses that the growth we have experienced brings. For two relatively new Branch Managers they should feel very satisfied with what they have achieved. As time goes by they gain more experience and confidence in their respective roles.

Bronwyn Ralph as my personal assistant and direct support to the Board has performed her tasks during the financial year in a highly professional and committed way. She has been a tremendous support to me and is acknowledged by the Board for her on going support. I thank her for an outstanding year's work.

We have also received exceptional support from our partners Bendigo and Adelaide Bank Ltd, principally from our Regional Manager Michael Petering, and his regional team. I would personally like to thank him for his ongoing assistance and congratulate him on what he has helped Dromana and Rye achieve.

Senior Manager's report continued

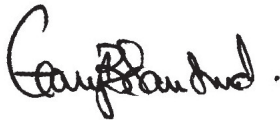
Summary

Last financial year has seen my role change and new challenges faced with the operation of two branches. The one thing that has remained unchanged is the importance of our customers.

Successful customers make a stronger community which makes a stronger and more successful bank.

I remain committed to providing the highest level of service at both branches. Peter Van Duren mentioned in his Chairman's report our two staff, Tim Ling and Valerie Jarman, who received individual Rotary awards for their customer service. This is the level of service our customers should receive and it is pleasing to see these acknowledgements during the year.

I look forward to the coming year and the challenges our two branches will create with the committed Managers we have at the helm.

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

Gary Sanford
Manager

Manager's report - Rye

For year ending 30 June 2008

On the anniversary of our 7th year of opening in Rye, we have achieved more than any other **Community Bank®** branch in the history of **Community Bank®**. I am very proud to have been a part of this amazing journey.

We have achieved further growth this year of \$12.35 million which was in excess of budget expectations. As at the 30th June 2008, our combined balances totalled \$192.84million, which included total deposits at \$99.37 million and total lending at \$86.83million, maintaining our good mix of business. Reported financial planning products currently under management were \$6.64 million, assisting in making up the \$192.84 million of our book.

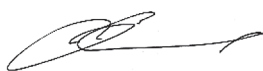
I would like to thank all our customers for their continued support of our **Community Bank®** branch and in helping us to achieve our results.

Our staff, Mary Rentsch, Elizabeth Clark, Tim Ling, Christine Gray, Patreece Topp and Deborah Harper have been a great support to me and the Board over the past 12 months. I would like to congratulate them all for the great service they give to our customers and for what they have helped achieve during this period.

I would also like to thank Gary Sanford for his ongoing support and for the hard work he does promoting our **Community Bank®** branch.

Our Board continues to contribute to the growth of our branch by supporting of the local community with sponsorships and donations.

It has been another successful year and we hope to continue our success in the future with the ongoing support of our community.



Julie Toward
Branch Manager, Rye

Manager's report - Dromana

For year ending 30 June 2008

The past 12 months have been an incredible journey. We have experienced amazing growth within our lending and deposit books, which has been due to the hard work and dedication of my staff. I thank them all.

Within the first 12 months of opening, the branch has achieved many milestones. As at 30 June 2008 we had \$62.63 million in combined balances, a result of which I am very proud. Dromana Branch within the past 12 months has exceeded all expectations; this could not be achieved without the backing of the community and their ongoing support.

I must thank all the people responsible for bringing about the success of the Dromana Branch. We have faced many challenges along the way as we have been on a huge learning curve, constantly gaining product and lending knowledge. We have turned any problem into a challenge and we have all made a collective effort to continue to grow and learn. The staff and I are very proud of what this branch has achieved since opening, winning the Rising Star Award and Lending Award for the Peninsula Region and we look forward to continuing to grow and support our local community, now and into the future.

Our success would not be possible without the ongoing support and commitment of our Board of Directors led by Peter Van Duren and Senior Manager Gary Sanford. I would like to personally thank them also.

I now look forward to the next 12 months during which I expect our branch to achieve even more milestones and continue to support our community.



Neil McKinnon

Branch Manager, Dromana

Directors' report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

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

Chairman
Age: 53
Real Estate Agent
Licensed Estate Agent
Shares Held: 48000

Eileen Naylor

Secretary
Age: 60
Retiree
Shares Held: 50000

Shane Christopher McCarthy

Deputy Chairperson & Director
Chair, Sponsorship & Marketing Committee
Age: 56
Solicitor, LL.B GAICD
Shares Held: 7404

Trevor William Lloyd

Director & Chair, Youth Club Project
Member Asset Committee
Age: 56
Builder
Reg Building Practitioner &
Licensed Plumbing Contractor
Shares Held: 16000

Andrew Ross Emerson

Director
Age: 61
Home Furnishing Industry
Shares Held: 4000

Patricia Tonks

Treasurer
Age: 66
Retiree
Former Councillor Flinders Shire
Shares Held: 42236

Janet Iris Hall

Director & Chair, Audit & Governance Committee
Age: 61
Interior Decorator
Shares Held: 4800

Barry Leonard Irving

Director & Member, Marketing Committee
Age: 65
Photographer
Shares Held: 4100

Stephen Bernard Edmund

Director
Age: 57
22years 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

Guiseppe Oscar Glavici

Director & Chair, Grants Committee
Age: 55
Dental Surgeon BDSc
Shares Held: 6800
(Resigned 30 June 2008)

Directors' report continued

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 24 November 2004.

Principal activities

The principal activities of the Company during the course of the financial year were in facilitating **Community Bank**® services under management rights to operate two franchised branches of Bendigo & Adelaide 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/(loss) of the Company for the financial year after provision for income tax was:

Year ended 30 June 2008	Year ended 30 June 2007
\$	\$
94,257	(13,427)

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' report continued

Directors remuneration

For the year ended 30 June 2008, the Directors received total remuneration including superannuation, as follows:

	\$
Peter John Van Duren	16,875
Patricia Tonks	15,000
Eileen Naylor	10,000
Janet Iris Hall	7,500
Shane Christopher McCarthy	10,625
Barry Irving	7,500
Trevor William Lloyd	7,500
Stephen Bernard Edmund	7,500
Andrew Ross Emerson	7,500
Guiseppe Oscar Glavici	7,500

Fees and payments to non executive Directors reflect the demands which are made on and the responsibilities of the Directors. Non executive Directors' fees are reviewed annually by the Board. The Chairman's, Secretary's and Treasurer's fees are determined independently to the fees of non executive Directors. All Directors remuneration is inclusive of committee fees.

Dividends

	Cents	\$'000
Final dividends recommended:	2c	58,632
Dividends paid in the year:		
- Interim for the year		
- As recommended in the prior year report	3c	87,948

The Directors have resolved that a 2 cents fully franked dividend be paid to ordinary shareholders from the previous year profits. The dividend will be paid on 20 November 2008 based on the shareholdings as at 31 October 2008.

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.

Directors' report continued

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 facilitating banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in note 18 to the financial statements. 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.

Directors' report continued

Directors meetings

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

	Number of Board meetings eligible to attend	Number attended
Peter John Van Duren	13	9
Patricia Tonks	13	10
Eileen Naylor	13	11
Janet Iris Hall	13	13
Shane Christopher McCarthy	13	11
Trevor William Lloyd	13	13
Barry Leonard Irving	13	13
Stephen Bernard Edmund	13	9
Andrew Ross Emerson	13	10
Guiseppe Oscar Glavici (Resigned 30th June 2008)	13	12

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.

Directors' report continued

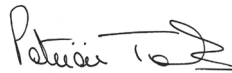
Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

Signed in accordance with a resolution of the Board of Directors at Rye Victoria on 27 September 2008.



Peter Van Duren
Chairman



Patricia Tonks
Director

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

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

A handwritten signature in black ink, appearing to read 'Graeme Stewart', is written over a horizontal line.

Graeme Stewart

Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated 27th of September 2008

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	3	1,979,714	1,478,936
Charitable donations and sponsorships		(229,899)	(396,000)
Salaries and employee benefits expense		(1,036,363)	(582,793)
Advertising and promotion expenses		(60,218)	(28,574)
Occupancy and associated costs		(96,071)	(73,661)
Systems costs		(132,623)	(65,083)
Depreciation and amortisation expense	4	(96,506)	(32,992)
General administration expenses		(231,256)	(273,295)
Profit before income tax expense		96,778	26,538
Income tax expense	5	(2,521)	(39,965)
Profit/(loss) for the period		94,257	(13,427)
Profit/(loss) attributable to members of the entity		94,257	(13,427)
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	21	3.22	(0.62)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Assets			
Current assets			
Cash assets	6	322,669	443,839
Trade and other receivables	7	228,376	177,749
Current tax asset	5	16,949	-
Total current assets		567,994	621,588
Non-current assets			
Property, plant and equipment	8	1,482,504	1,403,840
Intangible assets	9	34,000	46,000
Deferred tax asset	10	20,746	-
Other receivables	7	28,490	-
Total non-current assets		1,565,740	1,449,840
Total assets		2,133,734	2,071,428
Liabilities			
Current liabilities			
Trade and other payables	11	101,126	85,222
Borrowings	12	98,159	86,573
Current tax liabilities	5		670
Provisions	13	49,151	30,485
Total current liabilities		248,436	202,950
Non-current liabilities			
Borrowings	12	456,886	456,040
Provisions	13	30,629	20,964
Total non-current liabilities		487,515	477,004
Total liabilities		735,951	679,954
Net assets		1,397,783	1,391,474
Equity			
Issued capital	14	1,299,400	1,299,400
Retained profits	15	98,383	92,074
Total equity		1,397,783	1,391,474

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers		1,959,528	1,458,596
Payments to suppliers and employees		(1,765,146)	(1,358,209)
Interest paid		(42,039)	(40,231)
Interest received		20,186	20,340
Income taxes paid		(55,013)	(39,395)
Net cash provided by operating activities	16	117,516	41,101
Cash flows from investing activities			
Payments for property, plant and equipment		(126,542)	(548,866)
Payments for intangible assets		-	(8,000)
Proceeds from property plant and equipment		-	16,741
Payments for office furniture & equipment		(36,628)	(1,315)
Net cash (used in) investing activities		(163,170)	(541,440)
Cash flows from financing activities			
Proceeds from issues of equity securities		-	810,441
Payment for share issue costs		-	(15,207)
Proceeds from borrowings		12,432	(63,699)
Repayment of borrowings		-	-
Dividends paid		(87,947)	(74,241)
Net cash provided by/(used in) financing activities		(75,515)	657,294
Net increase/(decrease) in cash held		(121,169)	156,955
Cash at the beginning of the financial year		443,839	286,884
Cash at the end of the half-year	6(a)	322,670	443,839

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
Total equity at the beginning of the period		1,391,474	683,908
Net profit/(loss) for the period		94,257	(13,427)
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		(87,947)	(74,241)
Shares issued during period		-	810,441
Costs of issuing shares			(15,207)
Total equity at the end of the period		1,397,783	1,391,474

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting 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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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 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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

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

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

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.

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

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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 carrying amounts of assets and liabilities within the next financial year.

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.

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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

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.

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 the financial statements continued

	2008 \$	2007 \$
--	------------	------------

Note 3. Revenue from ordinary activities

Operating activities:

- services commissions	1,959,528	1,439,435
- other revenue	-	11,788
Total revenue from operating activities	1,959,528	1,451,223

Non-operating activities:

- interest received	20,186	20,340
- rental revenue	-	7,373
Total revenue from non-operating activities	20,186	27,713
Total revenues from ordinary activities	1,979,714	1,478,936

Note 4. Expenses

Depreciation of non-current assets:

- motor vehicles	14,154	5,221
- office furniture & equipment	7,326	1,022
- leasehold improvements	63,026	14,749

Amortisation of non-current assets:

- franchise agreement	12,000	12,000
	96,506	32,992

Finance costs:

- interest paid	42,039	40,231
Bad debts	3,884	1,719

Notes to the financial statements continued

	Note	2008 \$	2007 \$
Note 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		96,778	26,538
Prima facie tax on profit from ordinary activities at 30%		29,033	7,961
Add tax effect of:			
- non-deductible expenses		4,977	3,600
- timing difference expenses		(7,856)	28,956
- different tax treatments of depreciation		(1,976)	360
- blackhole expenses		(912)	(912)
Current tax		23,267	39,965
Movement in deferred tax	10	(20,746)	
Income tax expense on operating profit/(loss)		2,521	39,965
Tax liabilities			
Current tax payable/(receivable)		(16,949)	670

Note 6. Cash assets

Cash at bank and on hand	74,630	4,104
Term deposits	248,039	439,735
	322,669	443,839

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

6(a) Reconciliation of cash

Cash at bank and on hand	74,630	4,104
Term deposit	248,039	439,735
	322,669	443,839

Notes to the financial statements continued

	2008 \$	2007 \$
--	------------	------------

Note 7. Trade and other receivables

Current

Trade receivables	175,370	113,757
Current tax assets	-	61,129
Prepayments	24,216	2,863
Other receivables	28,790	-
	228,376	177,749

Non current

Other receivables	28,490	-
--------------------------	---------------	---

Note 8. Property, plant and equipment

Land & buildings

At cost	1,395,040	1,344,895
Less accumulated depreciation	(57,951)	(1,504)
	1,337,089	1,343,391

Motor vehicles

At cost	100,744	38,477
Less accumulated depreciation	(15,957)	(1,803)
	84,787	36,674

Office furniture & equipment

At cost	49,990	13,362
Less accumulated depreciation	(10,235)	(2,909)
	39,755	10,453

Leasehold improvements

At cost	225,803	211,673
Less accumulated depreciation	(204,930)	(198,351)
	20,873	13,322

Total written down amount	1,482,504	1,403,840
----------------------------------	------------------	------------------

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Land & buildings		
Carrying amount at beginning	1,343,391	837,656
Additions	50,145	507,239
Disposals	-	-
Less: depreciation expense	(56,447)	(1,504)
Carrying amount at end	1,337,089	1,343,391
Motor vehicles		
Carrying amount at beginning	36,674	20,159
Additions	62,267	38,477
Disposals	-	(16,741)
Less: depreciation expense	(14,154)	(5,221)
Carrying amount at end	84,787	36,674
Office furniture & equipment		
Carrying amount at beginning	10,453	10,160
Additions	36,628	1,315
Disposals	-	-
Less: depreciation expense	(7,326)	(1,022)
Carrying amount at end	39,755	10,453
Leasehold improvements		
Carrying amount at beginning	13,322	23,417
Additions	14,130	3,150
Disposals	-	-
Less: depreciation expense	(6,579)	(13,245)
Carrying amount at end	20,873	13,322
Total written down amount	1,482,504	1,403,840

Notes to the financial statements continued

	2008 \$	2007 \$
--	------------	------------

Note 9. Intangible assets

Franchise fee

At cost	108,000	108,000
Less: accumulated amortisation	(74,000)	(62,000)
	34,000	46,000

Note 10. Deferred tax assets

Deferred tax assets

Opening balance		
Deferred tax on provisions	20,746	-
Closing balance	20,746	-

Note 11. Trade and other payables

Trade creditors	749	-
Other creditors & accruals	100,377	85,222
	101,126	85,222

Note 12. Borrowings

Current

Motor vehicle - Holden

Lease liability	12,034	12,034
Unexpired charges	(2,010)	(2,741)
	10,024	9,293

Motor vehicle - Ford

Lease liability	8,058	-
Unexpired charges	(2,511)	-
	5,547	-

Notes to the financial statements continued

	2008 \$	2007 \$
Note 12. Borrowings (continued)		
Motor vehicle - Honda		
Lease liability	7,892	-
Unexpired charges	(2,584)	-
	5,308	-
Bank loan	77,280	77,280
Total current borrowings	98,159	86,573
Non current		
Motor vehicle - Holden		
Lease liability	22,025	34,059
Unexpired charges	(1,075)	(3,084)
	20,950	30,975
Motor vehicle - Ford		
Lease liability	29,974	-
Unexpired charges	(3,993)	-
	25,981	-
Motor vehicle - Honda		
Lease liability	30,230	-
Unexpired charges	(4,270)	-
	25,960	-
Bank loan	383,995	425,065
Total non current borrowings	456,886	456,040

Motor Vehicle - Holden lease liability is repayable by monthly instalments of \$1,002.82 with the final instalment due in April 2010. Interest is recognised at an average rate of 7.60% (2007: 7.60%).

Motor Vehicle - Ford lease liability is repayable by monthly instalments of \$671.50 with the final instalment due in December 2011. Interest is recognised at an average rate of 8.65%.

Motor Vehicle - Honda lease liability is repayable by monthly instalments of \$657.65 with the final instalment due in January 2012. Interest is recognised at an average rate of 8.95%.

Bank loans are repayable by monthly instalments of \$6,440 with the final instalment due on 22nd May 2016. Interest is recognised at an average rate of 7.50% (2007: 7.50%). The loans are secured by a fixed and floating charge over the Company's assets.

Notes to the financial statements continued

	2008 \$	2007 \$
Note 13. Provisions		
Current		
Provision for holiday pay	48,211	28,822
Provision for dividend	940	1,663
	49,151	30,485
Non current		
Provision for long service leave	30,629	20,964
Number of employees at year end	14	13

Note 14. Contributed equity

1,340,732 Ordinary shares fully paid of \$1 each (2007: 1,340,732)	1,340,732	1,340,732
Less: equity raising expenses	(41,332)	(41,332)
	1,299,400	1,299,400
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 12 February 2007.		
Share Issue - 2007		
810,441 Ordinary shares fully paid of \$1 each		
Issue of share capital fully paid of \$1 each	810,441	810,441
Less preliminary expenses	(15,207)	(15,207)
	795,234	795,234

Notes to the financial statements continued

	2008 \$	2007 \$
Note 15. Retained earnings		
Balance at the beginning of the financial year	92,074	179,742
Net profit/(loss) from ordinary activities after income tax	94,257	(13,427)
Dividends paid	(87,948)	(74,241)
Balance at the end of the financial year	98,383	92,074

Note 16. Statement of cash flows

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

Profit/(Loss) from ordinary activities after income tax	94,257	(13,427)
Non cash items:		
- depreciation	84,506	20,992
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(79,117)	7,345
- (increase)/decrease in other assets	(37,695)	-
- increase/(decrease) in payables	15,234	6,748
-increase/(decrease) in provisions	28,331	7,443
Net cashflows provided by operating activities	117,516	41,101

Note 17. Auditors' remuneration

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

- audit & review services	4,000	4,460
- non audit services	1,033	4,800
	5,033	9,260

Notes to the financial statements continued

Note 18. 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
Barry Leonard Irving
Trevor William Lloyd
Stephen Bernard Edmund
Andrew Ross Emerson
Guiseppe Oscar Glavici

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.

Directors fees are determined by the Board and are not to exceed \$100,000 in aggregate, the allocation of which is determined at the discretion of the Board. This was policy was approved by the shareholders at the 2007 Annual General Meeting held 31 October 2007.

During the normal course of business operations, Rye & District Community Financial Services Limited utilised services offered by local community business. Some of these transactions included businesses which some Directors have direct or indirect interest. These transactions are considered to be made at an arms length basis and are on normal commercial terms.

During the 2008 financial year Rye & District Community Financial Services Limited made a payments to The House of Emerson of \$2,137 for the purchase of a sun blinds. Director Andrew Emerson is the owner of The House of Emerson. The purchases were made on normal commercial terms.

During the 2008 financial year Rye & District Community Financial Services Limited made a payments to Lloydco Pty Ltd of \$56,980 for the redevelopment of the toilet block at the Rowley Reserve Youth Centre. Director Trevor Lloyd is the owner of Lloydco. The purchases were made on normal commercial terms however the amount paid will be reimbursed to Rye & District Community Financial Services Limited by the Mornington Peninsula Shire in the coming years.

Notes to the financial statements continued

Note 18. Director and Related party disclosures (continued)

Directors shareholdings	2008	2007
Peter John Van Duren	48,000	48,000
Patricia Tonks	42,336	42,336
Eileen Naylor	50,000	50,000
Janet Iris Hall	4,800	4,800
Shane Christopher McCarthy	7,404	7,404
Trevor William Lloyd	16,000	16,000
Barry Leonard Irving	4,100	4,100
Stephen Bernard Edmund	7,200	7,200
Andrew Ross Emerson	4,000	4,000
Guiseppe Oscar Glavici	6,800	6,800

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

	2008	2007
	\$	\$

Note 19. Dividends paid or provided

(a) Ordinary shares

Final dividend for the year ended 30 June 2007 of 14 cents per fully paid share	87,948	74,241
Fully franked - cents per share (2,931,605 shares)	0.03	0.14

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the Directors have recommended the payment of a final dividend of 2 cents per fully paid ordinary share, (2007 - 3 cents) fully franked based on tax paid at 30%. The aggregate amount proposed dividend expected to be paid on 20 November 2008 out of retained profits at 30 June 2008, but not recognised as a liability at year end, is	58,632	87,948
--	---------------	---------------

Notes to the financial statements continued

	2008 \$	2007 \$
--	------------	------------

Note 20. Earnings per share

(a) Profit attributable to the ordinary equity holders of the

Company used in calculating earnings per share	94,257	(13,427)
--	--------	----------

	2008 Number	2007 Number
--	----------------	----------------

(b) Weighted average number of ordinary shares used as the

denominator in calculating basic earnings per share	2,931,605	2,170,012
---	-----------	-----------

Note 21. 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.

Note 22. Contingent liabilities

During the year Rye & District Community Financial Services Limited entered an agreement with The Portsea Camp to provide sponsorship of \$10,000 per annum for a 10 year period commencing 14 March 2008. The sponsorship is payable monthly with instalments:

Amount already paid	2,499.99
Payable in 1 year or less	10,000.00
Payable in over 1 to 3 years	30,000.00
Payable in over 3 years	57,500.01
Total payable	100,000.00

During the year Rye & District Community Financial Services Limited also entered an agreement with the Rye Football Club Inc to provide support for the renovations at Rowley Reserve by providing sponsorship of \$8,000 per annum for a 4 year period commencing:

Amount already paid	8,000.00
Payable in 1 year or less	8,000.00
Payable in over 1 to 3 years	16,000.00
Total payable	32,000.00

Notes to the financial statements continued

Note 23. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in the geographic areas of Rye & Dromana districts, Victoria.

Note 24. Registered office/principal place of business

The registered office and principal place of business is:

Registered office

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

Principal places of business

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

Rye & District Community Financial Services Ltd
239 Point Nepean Road,
Dromana Vic 3936

Note 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.

Notes to the financial statements continued

Note 25. Financial instruments (continued)

Interest rate risk

Financial instrument	Fixed interest rate maturing in											
	Floating interest rate		1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	74231	3,704	248,039	439,735	-	-	-	-	400	400	5.50	5.40
Receivables	-	-	-	-	-	-	-	-	- 232,350	113,757	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	93,770	40,268	461,275	502,345	-	-	7.57	7.43
Payables	-	-	-	-	-	-	-	-	- 47,625	85,222	N/A	N/A

Director's declaration

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

In the opinion of the Directors:

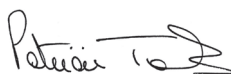
- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting 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
Chairman



Patricia Tonks
Director

Signed at Rye on 27 September 2008.

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

INDEPENDENT AUDITOR'S REPORT

To the members of Rye & District Community Financial Services

We have audited the accompanying financial report of Rye & District Community Financial Services, which comprises the balance sheet as at 30 June 2008, 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.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

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 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. In note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the director's report.

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 and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our 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, we consider internal controls 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 audit report continued


Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

- 1) The financial report 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 as of 30 June 2008 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) The financial report also complies with International financial reporting standards as disclosed in Note 1.
- 3) The remuneration disclosures that are contained in the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures.



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

Dated 27th September 2008

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules, the Company provides the following information as at 31 August 2008, 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	77
1,001 to 5,000	351
5,001 to 10,000	62
10,001 to 100,000	58
100,001 and over	1
Total Shareholders	549

Each of the above shareholders is 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 5 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 12 largest Shareholders.

Shareholder	Number of shares	Percentage of capital
Planned Living Pty Ltd Superannuation Fund	101,000	3.45
John Leonard Seeber	60,000	2.05
Bernard Wilfred Tonks and Patricia Tonks	42,236	1.44
Kadan Superannuation Pty Ltd	39,195	1.34
Martin John Naylor	26,000	0.89
Steven Frank Burley	24,000	0.82
Hilmi Kusari	24,000	0.82
Ian John McBeath & Carmel Ann Davis	24,000	0.82
Eileen Naylor	24,000	0.82
Norma Maureen Pitt	24,000	0.82
Kenneth Jack Spinner & Gloria Peggy Spinner	24,000	0.82
Van Duren Family Superannuation Fund	24,000	0.82
	436,431	14.91

Registered office and principal administrative office

The registered office of the Company is located at:

2349 Point Nepean Road,
Rye VIC 3941
Phone: (03) 5985 9755

The principal administrative office of the Company is located at:

239 Point Nepean Road,
Dromana VIC 3936
Phone: (03) 5987 0754

Security register

The security register (share register) is kept at:

Richmond Sinnott Delahunty Pty Ltd
PO Box 30,
Bendigo VIC 3552

BSX report continued

Other information

Please refer to the Directors report, within the annual report, for details of the Company Secretary and main 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.

Rye & District **Community Bank**[®] Branch
2349 Point Nepean Road, Rye VIC 3941
Phone: (03) 5985 9755 Fax: (03) 5985 9299

Dromana **Community Bank**[®] Branch
239 Point Nepean Road, Dromana VIC 3936
Phone: (03) 5981 8327 Fax: (03) 5987 3172

Franchisee: Rye & District Community Financial Services Ltd
2349 Point Nepean Road, Rye VIC 3941
ABN 67 095 766 895

www.bendigobank.com.au

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8014) (08/08)