

# **Rye & District Community Financial Services Limited**

## **Financial Statements**

**as at**

**30 June 2010**

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

Your directors submit the financial statements of the company for the financial year ended 30 June 2010.

**Directors**

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

Shane Christopher McCarthy Lib GAICD  
Chairman & Director  
Age: 58  
Occupation: Solicitor & Notary Public  
Chair, Sponsorship & Marketing Committee

Patricia Tonks  
Treasurer  
Age: 68  
Occupation: Retiree  
Former Councillor Flinders Shire

Eileen Naylor  
Secretary & Member, Sponsorship & Marketing Committee  
Age: 62  
Occupation: Retiree  
15years exp Human Resource Management

Barry Leonard Irving  
Director & Member, Marketing Committee  
Age: 67  
Occupation: Retiree  
Photography, President Rye Rotary Club

Andrew Ross Emerson  
Director & Property Committee  
Age: 63  
Occupation: Home Furnishing Industry

Janet Iris Hall  
Director & Chair, Audit & Governance Committee  
Age: 63  
Occupation: Interior Decorator

Stephen Bernard Edmund  
Director, Deputy Chairman & Marketing Committee  
Age: 59  
Occupation: Bus Driver  
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

Gary Michael Cain  
Director & Finance Committee  
Age: 59  
Occupation: Accountant, CPA  
Former President Rosebud Football Club Inc

Dorothy Mortlock  
Director (*Appointed 15th March 2010*)  
Age: 65  
Occupation: Retiree  
Former President Rosebud Country Club

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 facilitating community banking services under management rights to operate a franchised branch of Bendigo and 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 of the company for the financial year after provision for income tax was:

Year ended 30 June 2010	Year ended 30 June 2009
\$	\$
445,806	169,150

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

**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 \$120,000 and \$130,000 plus the use of a company car. In addition the Senior Manager receives a bonus if the company exceeds the performance criteria established by the Board. The bonus is subject to the board's review of performance and will be in the range of \$10,000 to \$20,000.

**Directors' Remuneration**

For the year ended 30 June 2010, the directors received total remuneration including superannuation,

	\$
Shane Christopher McCarthy	20,000
Patricia Tonks	15,000
Eileen Naylor	10,000
Barry Irving	7,500
Andrew Ross Emerson	7,500
Janet Iris Hall	7,500
Stephen Bernard Edmund	7,500
Gary Michael Cain	7,500
Dorothy Mortlock	1,875

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.

<b>Dividends</b>	<b>Cents</b>	<b>\$</b>
Final dividends recommended:	6.5c	190,554
Dividends paid in the year:		
- As recommended in the prior year report	4.5c	131,922

**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 statements.

**Matters Subsequent to the End of the Financial Year**

A contract has been entered into to purchase a property in Rosebud for an estimated \$1.35m plus set up costs with the intention of establishing a Rosebud Branch. Loans totalling \$1.35m with a repayment term of 15 years have been approved by Bendigo and Adelaide Bank Ltd for the purpose of purchasing this property. The property settled on 10 September 2010.

**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 20 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.

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

**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 Meetings**

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

	Board Meetings		Committee Meetings Attended					
	Eligible	Attended	Audit		Marketing		Human Resources	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Shane Christopher McCarthy	12	11	0	0	10	8	0	0
Patricia Tonks	12	12	2	2	0	0	0	0
Eileen Naylor	12	10	0	0	10	8	0	0
Barry Irving	12	10	0	0	3	3	0	0
Andrew Ross Emerson	12	11	0	0	0	0	0	0
Janet Iris Hall	12	11	0	0	0	0	0	0
Stephen Bernard Edmund	12	11	0	0	3	3	0	0
Gary Michael Cain	12	9	2	2	0	0	0	0
Dorothy Morlock (Appointed 15th March 2010)	5	3	0	0	0	0	0	0

**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 APES 110 Code of Ethics for Professional Accountants, 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 4.

Signed in accordance with a resolution of the board of directors at Rye on September 2010.

  
Shane Christopher McCarthy, Chairman

  
Patricia Tonks, Director

**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 audit for the financial year ended 30 June 2010 there have been:

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



**Graeme Stewart**  
**Auditor**

**Andrew Frewin & Stewart**  
Bendigo, Victoria

Dated this 8<sup>th</sup> day of September 2010

**Rye & District Community Financial Services Limited**  
**ABN 67 095 766 895**  
**Statement of Comprehensive Income**  
**for the Year Ended 30 June 2010**

	<u>Notes</u>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
Revenues from ordinary activities	4	2,760,156	2,339,744
Employee benefits expense		(1,012,653)	(1,050,154)
Charitable donations, sponsorship, advertising and promotion		(564,031)	(512,982)
Occupancy and associated costs		(113,252)	(105,124)
Systems costs		(122,382)	(125,182)
Depreciation and amortisation expense	5	(77,214)	(86,495)
Finance costs	5	(33,739)	(40,374)
General administration expenses		(195,925)	(174,158)
<b>Profit before income tax expense</b>		<b>640,960</b>	<b>245,275</b>
Income tax expense	6	(195,154)	(76,125)
<b>Profit after income tax expense</b>		<b>445,806</b>	<b>169,150</b>
<b>Total comprehensive income for the year</b>		<b>445,806</b>	<b>169,150</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year	23	15.21	5.77
- dividends paid per share	21	4.5	2

The accompanying notes form part of these financial statements

**Rye & District Community Financial Services Limited**  
**ABN 67 095 766 895**  
**Balance Sheet**  
**as at 30 June 2010**

	<u>Notes</u>	2010 \$	2009 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	827,436	471,315
Trade and other receivables	8	267,129	264,032
<b>Total Current Assets</b>		<u><b>1,094,565</b></u>	<u><b>735,347</b></u>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	1,401,568	1,435,736
Intangible assets	10	10,000	22,000
Deferred tax assets	11	22,117	21,777
<b>Total Non-Current Assets</b>		<u><b>1,433,685</b></u>	<u><b>1,479,513</b></u>
<b>Total Assets</b>		<u><b>2,528,250</b></u>	<u><b>2,214,860</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	67,065	71,032
Current tax liabilities	11	156,738	38,775
Borrowings	13	90,215	110,080
Provisions	14	71,364	80,720
<b>Total Current Liabilities</b>		<u><b>385,382</b></u>	<u><b>300,607</b></u>
<b>Non-Current Liabilities</b>			
Borrowings	13	299,630	361,725
Provisions	14	21,052	44,227
<b>Total Non-Current Liabilities</b>		<u><b>320,682</b></u>	<u><b>405,952</b></u>
<b>Total Liabilities</b>		<u><b>706,064</b></u>	<u><b>706,559</b></u>
<b>Net Assets</b>		<u><b>1,822,186</b></u>	<u><b>1,508,301</b></u>
<b>Equity</b>			
Issued capital	15	1,299,400	1,299,400
Retained earnings	16	522,786	208,901
<b>Total Equity</b>		<u><b>1,822,186</b></u>	<u><b>1,508,301</b></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 Year Ended 30 June 2010**

	<b>Issued Capital \$</b>	<b>Retained Earnings \$</b>	<b>Total Equity \$</b>
<b>Balance at 1 July 2008</b>	<u>1,299,400</u>	<u>98,383</u>	<u>1,397,783</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>169,150</u>	<u>169,150</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(58,632)	(58,632)
<b>Balance at 30 June 2009</b>	<u><u>1,299,400</u></u>	<u><u>208,901</u></u>	<u><u>1,508,301</u></u>
 <b>Balance at 1 July 2009</b>	 <u>1,299,400</u>	 <u>208,901</u>	 <u>1,508,301</u>
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>445,806</u>	<u>445,806</u>
<b>Transactions with owners in their capacity as owners:</b>			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(131,922)	(131,922)
<b>Balance at 30 June 2010</b>	<u><u>1,299,400</u></u>	<u><u>522,786</u></u>	<u><u>1,822,186</u></u>

The accompanying notes form part of these financial statements



**Rye & District Community Financial Services Limited**  
**ABN 67 095 766 895**  
**Statement of Cashflows**  
**for the Year Ended 30 June 2010**

	<u>Notes</u>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		2,728,456	2,315,173
Payments to suppliers and employees		(1,926,778)	(1,924,100)
Interest received		28,342	21,596
Interest paid		(33,739)	(40,374)
Income taxes paid		(195,233)	(54,052)
<b>Net cash provided by operating activities</b>	17	<u>601,048</u>	<u>318,243</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(10,298)	(2,265)
Payments for motor vehicles		(34,160)	(450)
Payments for leasehold improvements		-	(22,044)
Payments for office furniture & equipment		(4,975)	(2,968)
Proceeds from sale of motor vehicles		18,388	-
<b>Net cash used in investing activities</b>		<u>(31,045)</u>	<u>(27,727)</u>
<b>Cash Flows From Financing Activities</b>			
Repayment of borrowings		(81,960)	(83,240)
Dividends paid		(131,922)	(58,632)
<b>Net cash used in financing activities</b>		<u>(213,882)</u>	<u>(141,872)</u>
<b>Net increase in cash held</b>		356,121	148,645
Cash and cash equivalents at the beginning of the financial year		471,315	322,670
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<u><u>827,436</u></u>	<u><u>471,315</u></u>

The accompanying notes form part of these financial statements

## **Note 1. Summary of Significant Accounting Policies**

### **a) Basis of Preparation**

These general purpose financial statements has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards, Urgent Issues Group Interpretations and the Corporations Act 2001.

#### Compliance with IFRS

These financial statements and notes comply with IFRS International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

#### Historical cost convention

The financial statements have been prepared under the historical cost convention 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.

#### Comparative figures

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

#### Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branch at Rye & Dromana.

The branch operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank® branch on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank® branches are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the Community Bank® branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;

**Rye & District Community Financial Services Limited**

**ABN 67 095 766 895**

**Notes to the Financial Statements**

**for the Year Ended 30 June 2010**

- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

**b) Revenue**

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. 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. All revenue is stated net of the amount of Goods and Services Tax (GST).

**c) 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 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 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 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 statement of comprehensive income, 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.

**Rye & District Community Financial Services Limited**  
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**Notes to the Financial Statements**  
**for the Year Ended 30 June 2010**

**d) 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.

**e) Cash and Cash Equivalents**

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.

**f) 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.

**g) 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

**h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

**i) Payment Terms**

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

**j) Borrowings**

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

## **k) Financial Instruments**

### Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

### Classification and subsequent measurement

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

### Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

## **l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

## **m) 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.

**Rye & District Community Financial Services Limited**  
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**Notes to the Financial Statements**  
**for the Year Ended 30 June 2010**

**n) 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.

**o) 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.

**p) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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 taxation authority are classified as operating cash flows.

**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 and Adelaide 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 and Adelaide Bank Limited mitigates this risk significantly.

**Rye & District Community Financial Services Limited**  
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**for the Year Ended 30 June 2010**

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

- (i) the distribution limit is the greater of:
  - (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
- (ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the statement of comprehensive income.

There were no changes in the company's approach to capital management during the year.

**Note 3. 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.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

**Taxation**

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

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These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

**Estimation of useful lives of assets**

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

**Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired branch/agency at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

The calculations require the use of assumptions.

**Impairment of assets**

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

<b>Note 4. Revenue from Ordinary Activities</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Operating activities:		
- services commissions	2,731,814	2,318,148
Total revenue from operating activities	<u>2,731,814</u>	<u>2,318,148</u>
Non-operating activities:		
- interest received	28,342	21,596
Total revenue from non-operating activities	<u>28,342</u>	<u>21,596</u>
Total revenues from ordinary activities	<u><u>2,760,156</u></u>	<u><u>2,339,744</u></u>



**Rye & District Community Financial Services Limited**

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**Notes to the Financial Statements  
for the Year Ended 30 June 2010**

**Note 5. Expenses**

Depreciation of non-current assets:

- motor vehicles	14,647	17,014
- office furniture and equipment	8,685	9,575
- leasehold improvements	41,882	47,906

Amortisation of non-current assets:

- franchise renewal fee	12,000	12,000
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<u>77,214</u>	<u>86,495</u>
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Finance costs:

- interest paid	<u>33,739</u>	<u>40,374</u>
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Bad debts

<u>2,511</u>	<u>5,372</u>
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Loss on Disposal of Non Current Assets

<u>3,388</u>	<u>-</u>
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**Note 6. Income Tax Expense**

The components of tax expense comprise:

- Current tax	195,494	77,156
- Movement in deferred tax	(340)	(1,031)
	<u>195,154</u>	<u>76,125</u>

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

Operating profit	640,960	245,275
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Prima facie tax on profit from ordinary activities at 30%	192,288	73,583
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Add tax effect of:

- non-deductible expenses	4,919	6,007
- timing difference expenses	339	1,030
- other deductible expenses	(2,052)	(3,464)

<u>195,494</u>	<u>77,156</u>
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Movement in deferred tax	11 (340)	(1,031)
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<u>195,154</u>	<u>76,125</u>
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**Note 7. Cash and Cash Equivalents**

Cash at bank and on hand	47,922	60,667
Term deposits	779,514	410,648

<u>827,436</u>	<u>471,315</u>
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The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

**Note 7.(a) Reconciliation of cash**

Cash at bank and on hand	47,922	60,667
Term deposits	779,514	410,648

<u>827,436</u>	<u>471,315</u>
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**Rye & District Community Financial Services Limited**  
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**Note 8. Trade and Other Receivables**

Trade receivables	238,683	206,835
Other receivables & accruals	-	28,490
Prepayments	28,446	28,707
	<u>267,129</u>	<u>264,032</u>

**Note 9. Property, Plant and Equipment**

Land & Buildings

At cost	1,396,660	1,396,660
Less accumulated depreciation	(131,914)	(98,106)
	<u>1,264,746</u>	<u>1,298,554</u>

Motor Vehicles

At cost	96,877	101,194
Less accumulated depreciation	(27,528)	(32,971)
	<u>69,349</u>	<u>68,223</u>

Office Furniture & Equipment

At cost	68,876	53,603
Less accumulated depreciation	(28,495)	(19,810)
	<u>40,381</u>	<u>33,793</u>

Leasehold Improvements

At cost	247,847	247,847
Less accumulated depreciation	(220,755)	(212,681)
	<u>27,092</u>	<u>35,166</u>

Total written down amount	<u>1,401,568</u>	<u>1,435,736</u>
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**Movements in carrying amounts:**

Land & Buildings

Carrying amount at beginning	1,298,554	1,337,089
Additions	-	1,620
Disposals	-	-
Less: depreciation expense	(33,808)	(40,155)
Carrying amount at end	<u>1,264,746</u>	<u>1,298,554</u>

Motor Vehicles

Carrying amount at beginning	68,223	84,787
Additions	34,160	450
Disposals	(15,000)	-
Less: depreciation expense	(18,034)	(17,014)
Carrying amount at end	<u>69,349</u>	<u>68,223</u>

**Rye & District Community Financial Services Limited**  
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<u>Office Furniture &amp; Equipment</u>		
Carrying amount at beginning	33,793	39,755
Additions	15,273	3,613
Disposals	-	-
Less: depreciation expense	(8,685)	(9,575)
Carrying amount at end	<u>40,381</u>	<u>33,793</u>
<u>Leasehold Improvements</u>		
Carrying amount at beginning	35,166	20,873
Additions	-	22,044
Disposals	-	-
Less: depreciation expense	(8,074)	(7,751)
Carrying amount at end	<u>27,092</u>	<u>35,166</u>
Total written down amount	<u>1,401,568</u>	<u>1,435,736</u>

**Note 10. Intangible Assets**

<u>Franchise fee</u>		
At cost	108,000	108,000
Less: accumulated amortisation	(98,000)	(86,000)
Total written down amount	<u>10,000</u>	<u>22,000</u>

**Note 11. Tax**

**Current:**

Income tax payable	<u>156,738</u>	<u>38,775</u>
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**Non-Current:**

<u>Deferred tax assets</u>		
- employee provisions	27,950	26,910
	<u>27,950</u>	<u>26,910</u>

<u>Deferred tax liability</u>		
- accruals	(233)	(89)
- deductible prepayments	(5,600)	(5,044)
	<u>(5,833)</u>	<u>(5,133)</u>

Net deferred tax asset	<u>22,117</u>	<u>21,777</u>
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Movement in deferred tax charged to statement of comprehensive income	<u>340</u>	<u>1,031</u>
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**Note 12. Trade and Other Payables**

Trade creditors	3,043	1,334
Other creditors & accruals	64,022	69,698
	<u>67,065</u>	<u>71,032</u>

**Rye & District Community Financial Services Limited**  
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**Note 13. Borrowings**

**Current:**

Lease liability	18	12,935	32,800
Bank loans		77,280	77,280
		<u>90,215</u>	<u>110,080</u>

**Non-Current:**

Lease liability	18	27,157	40,092
Bank loans		272,473	321,633
		<u>299,630</u>	<u>361,725</u>

Bank loans are repayable monthly with the final instalment due on 22nd May 2016. Interest is recognised at an average rate of 7.50% (2009: 7.50%). The loans are secured by a fixed and floating charge over the company's assets.

**Note 14. Provisions**

**Current:**

Provision for bonus	-	35,000
Provision for dividend	(86)	914
Provision for annual leave	33,596	44,806
Provision for long service leave	37,854	-
	<u>71,364</u>	<u>80,720</u>

**Non-Current:**

Provision for long service leave	<u>21,052</u>	<u>44,227</u>
Number of employees at year end	<u>14</u>	<u>14</u>

**Note 15. Contributed Equity**

1,340,732 Ordinary shares fully paid (2009: 1,340,732)	1,340,732	1,340,732
Less: equity raising expenses	(41,332)	(41,332)
	<u>1,299,400</u>	<u>1,299,400</u>

**Rights attached to shares**

**(a) Voting rights**

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

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The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank® have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is **270**. As at the date of this report, the company had **541** shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

The Bendigo Stock Exchange (BSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the 'base number test' is not as a result the base number clause does not operate whilst the company remains listed on the BSX.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

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**Notes to the Financial Statements**  
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**Note 16. Retained Earnings**

Balance at the beginning of the financial year	208,901	98,383
Net profit from ordinary activities after income tax	445,807	169,150
Dividends paid or provided for	(131,922)	(58,632)
Balance at the end of the financial year	<u>522,786</u>	<u>208,901</u>

**Note 17. Statement of Cashflows**

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	445,806	169,150
Non cash items:		
- depreciation	65,214	74,495
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- increase in receivables	(3,358)	(2,975)
- decrease in other assets	(79)	22,073
- decrease in payables	(3,967)	(1,666)
-increase/(decrease) in provisions	(32,531)	45,166
-increase in current tax liabilities	117,963	-
Net cashflows provided by operating activities	<u>601,048</u>	<u>318,243</u>

**Note 18. Leases**

Finance lease commitments

Payable - minimum lease payments		
- not later than 12 months	15,950	37,975
- between 12 months and 5 years	28,304	44,254
- greater than 5 years	-	-
Minimum lease payments	<u>44,254</u>	<u>82,229</u>
Less future finance charges	<u>(4,162)</u>	<u>(9,337)</u>
Present value of minimum lease payments	<u>40,092</u>	<u>72,892</u>

The Holden Berlina chattel mortgage, which commenced in 2007, is a 4-year contract. Interest is recognised at an average rate of 8.65% (2009: 8.65%).

The Honda Civic chattel mortgage, which commenced in 2008, is a 4-year contract. Interest is recognised at an average rate of 8.95% (2009: 8.95%).

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments		
- not later than 12 months	30,951	32,854
- between 12 months and 5 years	-	27,379
- greater than 5 years	-	-
	<u>30,951</u>	<u>60,233</u>

The Rye Rental lease is a non-cancellable lease with a five-year term commencing 1 May 2006, with rent payable monthly in advance and two further terms each of 5 years extension possible.

**Rye & District Community Financial Services Limited**

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**Notes to the Financial Statements  
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**Note 19. Auditors' Remuneration**

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

- audit & review services	7,282	5,000
- non audit services	420	390
	<u>7,702</u>	<u>5,390</u>

**Note 20. Director and Related Party Disclosures**

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

Shane Christopher McCarthy  
Patricia Tonks  
Eileen Naylor  
Barry Irving  
Andrew Ross Emerson  
Janet Iris Hall  
Stephen Bernard Edmund  
Gary Michael Cain  
Dorothy Mortlock (*Appointed 15th March 2010*)

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

- To attract and retain appropriately qualified and experienced directors; and
- 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 31st October 2008.

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.

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

<b>Directors Shareholdings</b>	<b><u>2010</u></b>	<b><u>2009</u></b>
Shane Christopher McCarthy	7,404	7,404
Patricia Tonks	42,236	42,236
Eileen Naylor	50,000	50,000
Barry Irving	4,100	4,100
Andrew Ross Emerson	4,000	4,000
Janet Iris Hall	4,800	4,800
Stephen Bernard Edmund	7,200	7,200
Gary Michael Cain	5,000	5,000
Dorothy Mortlock	-	-

There was no movement in directors shareholdings during the year.

**Rye & District Community Financial Services Limited**  
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**Notes to the Financial Statements**  
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**Note 21. Dividends Paid or Provided**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>a. Dividends paid during the year</b>		
Prior year proposed final		
100% (2009: 100%) franked dividend - 4.5 cents (2009: 2 cents) per share	<u>131,922</u>	<u>58,632</u>
<b>b. Dividends proposed and not recognised as a liability</b>		
Current year final dividend		
100% (2009: 100%) franked dividend - 6.5 cents (2009: 4.5 cents) per share	<u>190,554</u>	<u>131,922</u>

The tax rate at which dividends have been franked is 30% (2009: 30%).

Dividends proposed will be franked at a rate of 30% (2009: 30%).

**c. Franking account balance**

Franking credits available for subsequent reporting periods are:

- franking account balance as at the end of the financial year	152,624	156,322
- franking credits that will arise from payment of income tax payable as at the end of the financial year	77,530	21,431
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	<u>(56,538)</u>	<u>(25,128)</u>
Franking credits available for future financial reporting periods:	173,616	152,624
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	<u>(57,166)</u>	<u>(39,577)</u>
Net franking credits available	<u>116,450</u>	<u>113,048</u>

**Note 23. Earnings Per Share**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	445,806	169,150
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,931,605	2,931,605

**Note 24. Events Occurring After the Balance Sheet Date**

A contract has been entered into to purchase a property in Rosebud for an estimated \$1.35m plus set up costs with the intention of establishing a Rosebud Branch. Loans totalling \$1.35m with a repayment term of 15 years have been approved by Bendigo and Adelaide Bank Ltd for the purpose of purchasing this property. The property settled on 10 September 2010.



**Rye & District Community Financial Services Limited**

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**Notes to the Financial Statements  
for the Year Ended 30 June 2010**

**Note 25. Contingent Liabilities**

During 2008 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 in instalments.

	<b>\$</b>
Amount already paid	22,500
Payable in 1 year or less	10,000
Payable in over 1 to 3 years	30,000
Payable in over 3 years	37,500
Total payable	<u>100,000</u>

During 2008 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.

Amount already paid	24,000
Payable in 1 year or less	8,000
Payable in over 1 to 3 years	-
Total payable	<u>32,000</u>

During 2010 Rye & District Community Financial Services Limited also entered an agreement with the Australian Volunteer Coastguard to provide support for the Safety Beach Flotilla by providing sponsorship of \$10,000 per annum for a 5 year period.

Amount already paid	10,000
Payable in 1 year or less	10,000
Payable in over 1 to 3 years	30,000
Total payable	<u>50,000</u>

**Note 26. Segment Reporting**

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

**Note 27. Registered Office/Principal Place of Business**

The registered office and principal place of business is:

<u>Registered Office</u>	<u>Principal Place of Business</u>
Rye & District Community Financial Services Ltd 2349 Point Nepean Road Rye Vic 3941	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

**Rye & District Community Financial Services Limited**  
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**Notes to the Financial Statements for the Year Ended 30 June 2010**

**Note 28. Financial Instruments**

**Net Fair Values**

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. 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 balance sheet 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					
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial Assets												
Cash and cash equivalents	47,446	60,192	779,514	410,648	-	-	-	-	475	475	3.84	4.59
Receivables	-	-	-	-	-	-	-	-	238,683	235,325	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	-	-	40,091	72,892	349,753	398,913	-	-	8.65	8.56
Payables	-	-	-	-	-	-	-	-	27,264	29,473	N/A	N/A

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


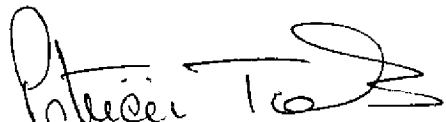
In accordance with a resolution of the directors of Rye & District Community Financial Services Limited, we state that:


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 2010 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.

  
\_\_\_\_\_  
**Shane Christopher McCarthy, Chairman**  
\_\_\_\_\_  
**Patricia Tonks, Director**

Signed on the th of September 2010.

## INDEPENDENT AUDITOR'S REPORT

To the members of Rye & District Community Financial Services Limited

We have audited the accompanying financial report of Rye & District Community Financial Services Limited, which comprises the balance sheet as at 30 June 2010, statement of comprehensive income, 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 of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and 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 fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

### 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 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 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.

## **Independence**

In conducting our audit we have complied with 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 on the Financial Report**

In our opinion:

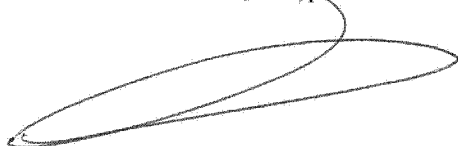
- 1) The financial report of Rye & District Community Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the company's financial position as at 30 June 2010 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## **Auditor's Opinion**

In our opinion, the Remuneration Report of Rye & District Community Financial Services Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



**GRAEME STEWART**

**ANDREW FREWIN & STEWART**

61-65 Bull Street, Bendigo, 3550

Dated this 8<sup>th</sup> day of September 2010