



Rye & District Community

Financial Services Limited

Financial Statements

for the half-year ended

31 December 2010

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

Your directors submit the financial report of the company for the half-year ended 31 December 2010.

Directors

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

Shane Christopher McCarthy

Eileen Naylor

Patricia Tonks

Barry Leonard Irving

Andrew Ross Emerson

Janet Iris Hall

Stephen Bernard Edmund

Gary Michael Cain

Dorothy Mortlock

Principal Activities

The principal activity of the company during the course of the financial period were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

Review and Results of Operations

Operations have continued to perform in line with expectations. The net profit of the company for the financial period after the provision of income tax was: \$314,734 [2009: \$244,840].

Matters Subsequent to the End of the Reporting Period

On 22 February 2011 the company's Franchise partner Bendigo & Adelaide Bank Limited announced that commencing 1 April 2011 two income streams (Term Deposits greater than 90 days and Fixed Rate Home Loans) will have their trailing commission cut from 0.5% to 0.375%. This reduction in commission rate is expected to have a material effect on the expected revenue and profits of the company in the 2011/2012 financial year. The Board estimates that the change will reduce income by \$156,000 based on current balances and it will continue to monitor budgets to ensure maximisation of returns to shareholders and the community. Further confirmation of the financial effect will be available in the 2011 Annual Report

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 3.

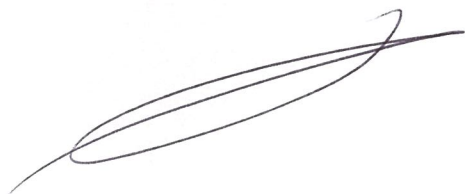
Signed in accordance with a resolution of the directors at RYE
on 25th February 2011.


Shane Christopher McCarthy, Chairman

Auditor's Independence Declaration

As lead auditor for the review of Rye & District Community Financial Services Limited for the half year ended 31 December 2010 I declare that, to the best of my knowledge and belief, 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 review.



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

Dated this 25th day of February 2011

Rye & District Financial Services Limited
ABN 67 095 766 895
Statement of Comprehensive Income
for the half-year ended 31 December 2010

	2010	2009
	\$	\$
Revenue from ordinary activities	1,558,339	1,361,805
Employee benefits expense	(585,906)	(529,526)
Charitable donations, sponsorship, advertising and promotion	(237,771)	(209,893)
Occupancy and associated costs	(57,915)	(55,632)
Systems costs	(57,148)	(61,397)
Depreciation and amortisation expense	(33,104)	(38,685)
Finance costs	(29,710)	(17,750)
General administration expenses	(101,961)	(95,104)
	<hr/>	<hr/>
Profit before income tax expense	454,824	353,818
Income tax expense	(140,090)	(108,978)
	<hr/>	<hr/>
Profit after income tax expense	314,734	244,840
	<hr/>	<hr/>
Total comprehensive income for the year attributable to members	314,734	244,840
	<hr/> <hr/>	<hr/> <hr/>
Earnings per Share	c	c
Basic for profit for the period:	10.74	8.35

The accompanying notes form part of these financial statements.

Rye & District Financial Services Limited
ABN 67 095 766 895
Balance Sheet
as at 31 December 2010

	31-Dec 2010 \$	30-Jun 2010 \$
ASSETS		
Current Assets		
Cash assets	178,594	827,436
Trade and other receivables	292,924	267,129
Total Current Assets	<u>471,518</u>	<u>1,094,565</u>
Non-Current Assets		
Property, plant and equipment	2,804,626	1,401,568
Intangible assets	4,960	10,000
Deferred tax asset	26,011	22,117
Total Non-Current Assets	<u>2,835,597</u>	<u>1,433,685</u>
Total Assets	<u>3,307,115</u>	<u>2,528,250</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	87,302	67,065
Current tax liabilities	222,988	156,738
Borrowings	250,863	90,215
Provisions	71,530	71,364
Total Current Liabilities	<u>632,683</u>	<u>385,382</u>
Non-Current Liabilities		
Borrowings	704,420	299,630
Provisions	23,646	21,052
Total Non-Current Liabilities	<u>728,066</u>	<u>320,682</u>
Total Liabilities	<u>1,360,749</u>	<u>706,064</u>
Net Assets	<u>1,946,366</u>	<u>1,822,186</u>
Equity		
Issued capital	1,299,400	1,299,400
Retained earnings	646,966	522,786
Total Equity	<u>1,946,366</u>	<u>1,822,186</u>

The accompanying notes form part of these financial statements.

Rye & District Financial Services Limited
ABN 67 095 766 895
Statement of Changes in Equity
for the half-year ended 31 December 2010

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2009	1,299,400	208,901	1,508,301
Total comprehensive income for the year	<u>-</u>	<u>244,840</u>	<u>244,840</u>
	1,299,400	453,741	1,753,141
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	<u>-</u>	<u>(131,922)</u>	<u>(131,922)</u>
Balance at 31 December 2009	<u>1,299,400</u>	<u>321,819</u>	<u>1,621,219</u>
 Balance at 1 July 2010	 1,299,400	 522,786	 1,822,186
Total comprehensive income for the year	<u>-</u>	<u>314,734</u>	<u>314,734</u>
	1,299,400	837,520	2,136,920
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	<u>-</u>	<u>(190,554)</u>	<u>(190,554)</u>
Balance at 31 December 2010	<u>1,299,400</u>	<u>646,966</u>	<u>1,946,366</u>

The accompanying notes form part of these financial statements.

Rye & District Financial Services Limited
ABN 67 095 766 895
Cash Flow Statement
for the half-year ended 31 December 2010

	2010	2009
	\$	\$
Cash Flows From Operating Activities		
Receipts from customers	1,493,427	1,363,593
Payments to suppliers and employees	(925,606)	(869,577)
Interest paid	(27,683)	(17,750)
Interest received	10,671	12,689
Income taxes paid	(115,538)	(111,479)
Net cash provided by operating activities	<u>435,271</u>	<u>377,476</u>
Cash Flows From Investing Activities		
Payments for property, plant & equipment	(1,427,759)	(480)
Payments for motor vehicles	(1,800)	(553)
Payments for office furniture & fittings	(1,564)	(1,586)
Net cash used in investing activities	<u>(1,431,123)</u>	<u>(2,619)</u>
Cash Flows From Financing Activities		
Proceeds from borrowings	537,564	-
Repayment of borrowings	-	(35,105)
Dividends paid	(190,554)	(131,922)
Net cash provided by/(used in) financing activities	<u>347,010</u>	<u>(167,027)</u>
Net increase/(decrease) in cash held	(648,842)	207,830
Cash at the beginning of the financial year	827,436	471,315
Cash at the end of the half-year	<u>178,594</u>	<u>679,145</u>

The accompanying notes form part of these financial statements.

Rye & District Financial Services Limited
ABN 67 095 766 895
Notes to the financial statements
for the half-year ended 31 December 2010

Note 1. Basis of Preparation of the Half-Year Financial Statements

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, *AASB 134: Interim Financial Reporting*, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial report is intended to provide users with an update on the latest annual financial statements and does not include all the notes of the type normally included in an annual financial report. Accordingly the report shall be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by the company during the period.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements and the previous corresponding interim period.

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

AASB 101 Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements contain a single statement of comprehensive income.

Rye & District Financial Services Limited
ABN 67 095 766 895
Notes to the financial statements
for the half-year ended 31 December 2010

Note 1. Basis of Preparation of the Half-Year Financial Statements (continued)

Adoption of new and revised Accounting Standards (continued)

Other comprehensive income – The revised version of AASB 101 introduces the concept of “other comprehensive income” which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- *AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)*

- *AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)*

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Note 2. Events Subsequent to Reporting Date

On 22 February 2011 the company's Franchise partner Bendigo & Adelaide Bank Limited announced that commencing 1 April 2011 two income streams (Term Deposits greater than 90 days and Fixed Rate Home Loans) will have their trailing commission cut from 0.5% to 0.375%. This reduction in commission rate is expected to have a material effect on the expected revenue and profits of the company in the 2011/2012 financial year. The Board estimates that the change will reduce income by \$156,000 based on current balances and it will continue to monitor budgets to ensure maximisation of returns to shareholders and the community. Further confirmation of the financial effect will be available in the 2011 Annual Report

Note 3. Contingent Assets and Liabilities

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

Note 4. Segment Reporting

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

Note 5. Related Parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2010 annual financial report.

Rye & District Financial Services Limited
ABN 67 095 766 895
Notes to the financial statements
for the half-year ended 31 December 2010

Note 6. Borrowings

	Dec-10	Jun-10
	\$	\$
Current:		
Lease liability	23,343	12,935
Bank loans	227,520	77,280
	<u>250,863</u>	<u>90,215</u>
Non-Current:		
Lease liability	10,422	27,157
Bank loans	693,998	272,473
	<u>704,420</u>	<u>299,630</u>

Bank loans are repayable monthly with the final instalment due on 10th September 2025. Interest is recognised at an average rate of 8.00% (2010: 7.50%). The loans are secured by a fixed and floating charge over the company's assets.

New loans taken out include a \$500,000 P&I fixed rate facility fully drawn, together with an \$850,000 P&I variable rate facility partially drawn, both repayable by 10th September 2025.

	Dec-10	Jun-10
	\$	\$
Note 7. Contributed Equity		
1,340,732 Ordinary shares fully paid (2009: 1,340,732)	1,340,732	1,340,732
Less: equity raising costs	(41,332)	(41,332)
	<u>1,299,400</u>	<u>1,299,400</u>

Comprising:

2,931,605

Share Issue - 2001

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

In addition to the above a bonus share issue on a 1:3 basis (1,590,873 shares) was issued to all existing shareholders on 12th February 2007.

Share Issue - 2007

810,441 Ordinary shares fully paid of \$1 each	810,441	810,441
Issue of share capital fully paid of \$1 each	(15,207)	(15,207)
Less preliminary expenses	<u>795,234</u>	<u>795,234</u>

Rye & District Financial Services Limited
ABN 67 095 766 895
Notes to the financial statements
for the half-year ended 31 December 2010

Note 8. Dividends Paid/Provided

	2010 Cents	2010 \$	2009 Cents	2009 \$
Dividend paid in the period as recommended in the annual report:	6.50	190,554	4.50	131,922

100% fully franked (2009: 100%)

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

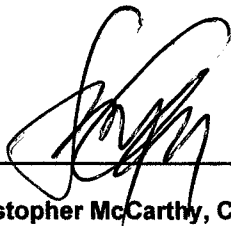
Rye & District Financial Services Limited
ABN 67 095 766 895
Directors' Declaration

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

- 1 The financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
 - (a) giving a true and fair view of the financial position of the entity as at 31 December 2010 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
- 2 There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

This declaration is made in accordance with a resolution of the board of directors.



Shane Christopher McCarthy, Chairman

Dated this 25th day of February 2011.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Rye & District Community Financial Services Limited

Report on the Half Year Financial Report

We have reviewed the accompanying half year financial report of Rye & District Community Financial Services Limited, which comprises the balance sheet as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the half year then ended, selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2010 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Rye & District Community Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

Conclusion

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

Giving a true and fair view of the company's financial position at 31 December 2010 and of its performance for the half-year ended on that date; and

Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

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

Dated this 25th day of February 2011