

2004

Rye & District Community Financial Services Limited

ABN 67 095 766 895

# Annual Report

2004



To Shareholders

16<sup>th</sup> November 2004

Dear Shareholder

**'Erratum'**

Following the printing of our Annual Report for 2003-2004 a mistake in the listing of Directors and their associates shareholding (page 9) was discovered. This should read as follows:

<b>No. of Shares Held</b>	
<b>Peter J Van Duren</b>	<b>12,000</b>
Janette M Bancroft	2,000
Patricia Tonks	10,558
Shane C McCarthy	1,250
Andrew G Blease	500
<b>Brian Earles</b>	<b>26,250</b>
<b>Eileen Naylor</b>	<b>10,000</b>
Guiseppe Glavici	1,000

No Director holds shares in any related body corporate of the Company.

We sincerely apologise for any confusion or misunderstanding that this may have caused.

Yours faithfully,



Peter J Van Duren  
Chairman



Shane C McCarthy  
Director

# Contents

---

	Page
Chairman's report . . . . .	2
Manager's report . . . . .	4
Bendigo Bank Ltd report . . . . .	6
Directors' report . . . . .	8
Financial statements . . . . .	11
Notes to financial statements . . . . .	14
Directors' declaration . . . . .	24
Independent audit report. . . . .	25

# Chairman's report

---

**For year ending 30 June 2004**

As I reported in the July newsletter, the time since our last AGM seems to have flown by so quickly and again I am looking at the financial figures for the year 2003 – 2004 and I am extremely pleased with the results that our Community Bank® branch has achieved.

Your support of the Rye & District Community Bank® Branch throughout the year has again proven that the community sees the advantage of banking with your own community-owned branch and this support and belief along with the dedication and hard work of Gary Sanford and the staff at the branch, has created one of the most prosperous businesses on the Mornington Peninsula.

As promised in the July newsletter and as was outlined in our Prospectus, the first dividend will be announced at the AGM and I think that all of our shareholders will be happy following the three year wait.

During the latter part of the financial year, your Board of Directors made the decision to list our Company on the Bendigo Stock Exchange (BSX). By the time our AGM takes place, or shortly thereafter, you will be able follow the share movements via the BSX website at [www.bsx.com.au](http://www.bsx.com.au) or view the movements in print in the Financial Review either in the Thursday or Friday editions.

Our Corporate partner, Bendigo Bank, continues to provide us with sound business information and we are well supported by our Relationship Manager, Bill den Hartog and I would like to thank Bill personally for his guidance during the past 12 months.

Bendigo Bank not only assists us with staff training and advice but also with financial support by way of our Sponsorship and Marketing levy, which this year has enabled us to provide numerous groups within the community with funds to carry out their specific projects.

The approximate total of the funds distributed to local community groups was around \$36,600 and I envisage that next year this amount will grow substantially. If your community group is in need of funding, enquire with Gary Sanford as to the requirements for this funding. You will be helping us to help you.

Our Constitution requires that at least one third of the Directors retire each year and these Directors, if eligible may offer themselves for re-election if they wish. The attached voting form outlines those Directors who will be retiring at the AGM and standing for re-election along with those shareholders who have accepted nomination to the Board. I take this opportunity to thank the retiring Directors for their loyal support and in particular, those Directors who were on the original Steering Committee for their hard work, belief and dedication to this fantastic project.

For those members who have offered themselves for re-election and those newly elected Board members, I can promise you exciting times to come as we expand and grow our business.

## **What the future holds for our Community Bank® branch**

I am sure that as shareholders, you will agree that the opportunity to have a Community Bank® branch which supports the local community has been a huge benefit. As I mentioned above, as our business grows with your support, so do our profits, which in turn will enable us to put more money back into the local community. We will be looking at ways in the future to expand our involvement locally and in other areas of the Peninsula.

## Chairman's report continued

---

Gary and his staff will continue to provide a valuable service in the community and of course he will be available for you to approach and is always willing to talk to your organisation about our Community Bank® branch.

Thank you again for your support, sincerely,



**Peter Van Duren**  
Chairman

# Manager's report

---

For year ending 30 June 2004

The third financial years performance has been extremely satisfying and has strengthened our very healthy position from our first two years of operation.

As at 30 June 2004, we experienced growth in all areas of our business in excess of what was budgeted and anticipated for a Community Bank® branch in its third year. We were the first Community Bank® branch to reach \$100 million and eventually \$110 million in total balances within three years of operation.

We increased total accounts by 1,051 to 5,531, which included over 744 loan facilities. Our combined balances totalled \$113.03 million, which included total deposits at \$53.36 million and total lending at \$52.49 million, making for a good mix of business. Financial services products currently under management grew by 3.64 million to \$7.18 million, assisting to make up the \$113.03 million. These balances reflect a 32.97% growth in deposits and 42.21% growth in lending over the financial year, against a budgeted growth of 17.50% in both areas.

The success of the Community Bank® concept is reflected in the above results "Successful customers and communities create a successful bank – in that order". This community is full of successful people who are involved in personal, business or community activities, all seeking the same thing; "service". I feel that, as a much needed bank in this town, we have helped individuals, businesses and groups become more successful, which has enhanced the community and created our own successful Community Bank® branch.

This success has increased the number of satisfied customers, who with word of mouth continue to be our best source of new business. More businesses from all around the Mornington Peninsula are moving their banking to our branch. Schools, clubs, societies, volunteer groups, fire brigades and personal account numbers continue to grow.

As our business grows so does our ability to support the local community and return dividends back to you as shareholders. I am always looking for opportunities to talk to local groups or organisations about our banking options but also the concept of community banking. In a very short time I have noticed the more we support the community the more business opportunities and inquiries we receive.

## **Board support**

I would like to thank our Chairman, Peter Van Duren and all existing Board members for the support they have provided to me personally and to the branch.

I know our business has grown from the initiatives the Board has undertaken and the support they show for the Community Bank® concept. My understanding of the Company and the support I receive from the Board enables me to confidently discuss in the community our position and future goals. This could not be done if I did not feel they have confidence in me, for this I thank them.

## **Staff**

The growth that we have achieved would not have occurred without the support I receive from my Customer Relations Manager, Julie Toward. She is one of the success stories of our short history. The feedback I receive from customers, personal and business and from the Board reflects my high regard for her efforts. Julie has been asked to take on more and more challenges as we have grown, and I think with that has developed a better understanding of overall banking and business management.

## Manager's report continued

---

My Customer Services staff; Bronwyn Ralph, Deborah Gourlay, Carol O'Connell, Cheryl Rogers and Annmaree Thomas are the refreshing faces on the counter. I thank them for the level of service and professionalism they have displayed. As long as our first priority remains the customers, I know our business will continue to grow on service alone.

### **Community involvement**

The Community Bank® concept, I keep mentioning, to me is all about our branch and Company being able to be actively involved in the community. Not only providing financial support but developing individuals and local community areas. One such activity initiated by Bendigo Bank involved local students from various communities writing 'their' story about how the local Community Bank® branch eventuated. These stories have just been published into a book titled "Banking on Community Spirit".

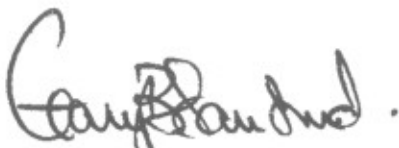
Rye & District Community Bank® Branch is one of those stories included in the book. At the time of writing the story, Candice Grigsby was a local 17-year-old Padua College, Mornington student. It is great to think that part of our success is not only recorded in the book, but we have also helped a local student become a published author at only 17 years of age!

The book can be purchased in book stores, or obtained on order through any of Bendigo Bank's 278 branches throughout Australia – including our own Rye & District Community Bank® Branch

I'm sure we will be involved in many very satisfying initiatives like this in the years ahead.

### **Summary**

When I made my decision to join the Community Bank® movement over three years ago, I had no idea of the personal satisfaction it was going to bring. For that I thank the Board, my staff and my family, who support me in too many ways to mention.



**Gary Sanford**  
Manager

# Bendigo Bank Ltd report

---

**For year ending 30 June 2004**

It is sometimes hard to believe that the Community Bank® concept started just six years ago with a need, an idea, a willingness and more than a dash of enthusiasm from your community and my staff.

Today, there are 134 communities throughout Australia which have taken the Community Bank® journey. Each with the prime motivation to either return a traditional bank branch to their community or to ensure the presence of branch banking into the future.

As the Community Bank® branch network continues to grow, it is appropriate to take a moment to reflect on the significance of the achievements of these communities to date.

- Communities have so far received more than \$100 million in revenue paid to them by Bendigo Bank.
- Seventy communities are now recording sustainable monthly surpluses. Forty have repaid the debts incurred by any new business and are in a position to pay shareholder dividends.
- More than 8,000 community shareholders have received dividends totalling \$1.5 million.
- Local Boards have delved out more than \$2 million in community project grants.
- Last year they spent \$22.9 million in their communities on wages, rent, accounting, cleaning, and so on. Given a multiplier effect of three, this means branches inject nearly \$70 million into their communities each year.
- More than 1,100 Australians are now Directors of the locally owned public companies that run Community Bank® branches. They are developing the skills needed to run enterprises, which will further improve their communities' prospects.
- More than 700 jobs have been created in local branches.

The Community Bank® branch network continues to go from strength to strength, with a 62 per cent increase, to \$13.6 million, in its contribution to Bendigo Bank's 2003/04 result. Twenty-nine new branches were opened in 2003/04 and at 30 August 2004 the total was 134. Community Bank® branches are located in all States and the ACT and demand remains strong, with a further 30 sites due to open in the current year and good prospects in sight for 2005/06.

Most media attention has focused on Community Bank® branches securing face-to-face banking in communities where branch banking was withdrawn. This ignores its tremendous social and economic contribution as more capital is retained locally, commercial activity is stimulated and community leaders acquire new skills and confidence.



## Bendigo Bank Ltd report continued

Bendigo Bank participates in the development of Community Bank® branch network with an enormous sense of pride. We are indeed fortunate to be your partner. We cannot think of another Company that is so openly welcomed into the communities it serves. That is an honor we value and jealously guard, not only for the pleasure it gives us as individuals but because we know the future of our Company depends on the relationships we build with our communities.



**Bill Den Hartog**  
**Relationship Manager**  
**Bendigo Bank Ltd**

# Directors' report

---

For year ending 30 June 2004

The Directors submit the financial accounts of the Company for the year ended 30 June 2004.

## Directors

The names and details of the Directors of the Company in office during the financial year and until the date of this report are:

**Peter John Van Duren**

Chairperson

Age 49

Real Estate Agent

**Janette Marie Bancroft**

Company Secretary

Age 47

Secretary

**Patricia Tonks**

Treasurer

Age 62

Business Partner – Administrator

**Shane Christopher McCarthy**

Director

Aged 52

Solicitor

**Guiseppe Oscar Glavici**

Director

Age 51

Dentist

**Andrew George Blease**

Director

Age 48

Retailer

**Brian Earles**

Director

Age 52

Building Designer

**Eileen Naylor**

Director

Age 56

Retiree

Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

The number of Director's meetings attended by each of the Directors of the Company during the period were:

	No. of Meetings Attended	No. of Meeting Held
Peter J Van Duren	12	12
Janette M Bancroft	9	12
Patricia Tonks	11	12
Shane C McCarthy	10	12
Andrew G Blease	9	12
Brian Earles	10	12
Eileen Naylor	9	12
Guiseppe Glavici	10	12

# Directors' report continued

---

The Directors and their associates held the following shares in Rye & District Community Financial Services Ltd as at 30 June 2004.

	No. of Shares Held
Peter J Van Duren	13,000
Janette M Bancroft	2,000
Patricia Tonks	10,558
Shane C McCarthy	1,250
Andrew G Blease	500
Brian Earles	31,500
Eileen Naylor	15,000
Guiseppe Glavici	1,000

No Director holds shares in any related body corporate of the Company

## Principal activities

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

There have been no significant changes in the nature of these activities during the year.

## 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 provision for income tax was \$209,936 for 30 June 2004 (2003: (\$172,772)).

## 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.

## Dividends

The Directors have recommended that a fully franked dividend be paid to shareholders for the previous year, but at time of printing this Directors' report the final declaration had not been announced. This will be performed at the Annual General Meeting.

## Significant events after the balance date

The Directors have agreed to list the entity with the Bendigo Stock Exchange (BSX). This will occur during the 2004-05 financial year. There are no other matters or circumstances that have arisen since the end of the reporting period that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

## Likely developments

The Company will continue its policy of providing banking services to the community.

# Directors' report continued

---

## **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, other than Mr. McCarthy whose Company McCarthy Partners Pty Ltd who provides legal services. This statement excludes a benefit included in the aggregate amount, 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 of the contract of insurance. The Company has not provided any insurance for an auditor of the Company or a related body corporate.

Signed in accordance with a resolution of the Board of Directors at Rye on 8th September 2004.



**Peter J Van Duren**  
Chairman



**Shane McCarthy**  
Director

# Financial statements

## Statement of financial performance For year ending 30 June 2004

	Notes	2004 \$	2003 \$
Revenues from ordinary activities	2	851,317	628,840
General administration		(163,631)	(99,749)
Salaries and employee benefits expense	3	(273,402)	(217,814)
Advertising and promotion		(10,745)	(4,550)
Occupancy and associated costs	3	(34,862)	(34,414)
System costs		(21,317)	(28,595)
Depreciation and amortisation expense	3	(53,224)	(51,438)
Borrowing cost expense		(522)	(21)
<b>Profit from ordinary activities before income tax</b>		<b>293,614</b>	<b>192,259</b>
Income tax expense relating to ordinary activities	4	83,678	19,487
<b>Profit from ordinary activities after related income tax</b>		<b>209,936</b>	<b>172,772</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>209,936</b>	<b>172,772</b>

The accompanying notes form part of these financial statements

# Financial statements continued

## Statement of financial position For year ending 30 June 2004

	Notes	2004 \$	2003 \$
<b>Current assets</b>			
Cash	5	632,304	325,276
Receivables	6	77,774	65,859
<b>Total current assets</b>		<b>710,078</b>	<b>391,135</b>
<b>Non-current assets</b>			
Property, plant and equipment	7	122,317	142,060
Intangible assets	8	20,000	30,000
<b>Total non-current assets</b>		<b>142,317</b>	<b>172,060</b>
<b>Total assets</b>		<b>852,395</b>	<b>563,195</b>
<b>Current liabilities</b>			
Payables	9	62,070	31,580
Interest-bearing liabilities	10	5,049	-
Current tax liabilities		34,868	19,487
Provisions	11	21,702	14,606
<b>Total current liabilities</b>		<b>123,689</b>	<b>65,673</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	10	21,249	-
<b>Total non-current liabilities</b>		<b>21,249</b>	<b>-</b>
<b>Total liabilities</b>		<b>144,938</b>	<b>65,673</b>
<b>Net assets</b>		<b>707,457</b>	<b>497,522</b>
<b>Equity</b>			
Contributed equity	13	504,155	504,155
Retained profits (accumulated losses)	14	203,302	(6,633)
<b>Total equity</b>		<b>707,457</b>	<b>497,522</b>

The accompanying notes form part of these financial statements

# Financial statements continued

## Statement of cash flows For year ending 30 June 2004

	Notes	2004 \$	2003 \$
<b>Cash flows from operating activities</b>			
Cash received from customers		814,834	589,837
Cash paid to suppliers and employees		(505,414)	(369,349)
Interest received		24,568	4,410
Interest paid		(522)	(21)
<b>Net cash provided by operating activities</b>	<b>24 (b)</b>	<b>333,466</b>	<b>224,877</b>
<b>Cash from investing activities</b>			
Payments for property improvements		-	(12,116)
Payments for office furniture & equipment		(800)	-
Payment for motor vehicle		(25,638)	-
<b>Net cash used in investing activities</b>		<b>(26,438)</b>	<b>(12,116)</b>
<b>Net increase in cash held</b>		<b>307,028</b>	<b>212,761</b>
Cash at the beginning of the financial year		325,276	112,515
<b>Cash at the end of the financial year</b>	<b>24 (a)</b>	<b>632,304</b>	<b>325,276</b>

The accompanying notes form part of these financial statements

# Notes to financial statements

---

For year ending 30 June 2004

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 including applicable Accounting Standards.

Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The accounting policies are consistent with the previous year.

### **Income tax**

Income tax has been brought to account using the liability method of tax effect accounting whereby income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expenses are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised.

### **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 statement of financial position. 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 operating cash flows.



## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

### Employee entitlements

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

### Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

### Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

### Property, plant and equipment

Property, plant and equipment are carried at cost or at independent or Directors' valuation, less where applicable any accumulated depreciation or amortisation. The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets employment and subsequent disposal.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rate (%)
Plant and equipment	2.5 - 25
Furniture and fittings	2.5 - 25
Motor Vehicles	22.5

### Comparative figures

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

### Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST).

### Payment terms

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

### 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.

## NOTE 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES continued

### Interest bearing liabilities

All loans are 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 capital

Issued and paid up capital is 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.

	2004	2003
	\$	\$
<b>NOTE 2. REVENUE FROM ORDINARY ACTIVITIES</b>		
<b>Operating revenue</b>		
Gross margins received	498,388	372,403
Upfront & trailer commissions	163,479	83,943
Products/services commission	18,947	36,675
Fee income	95,505	81,055
Market development fund	50,000	49,584
<b>Sale of goods</b>	<b>826,319</b>	<b>623,660</b>
<b>Non-operating revenue</b>		
Interest received	24,568	4,410
Sundry income	430	770
	<b>24,998</b>	<b>5,180</b>
	<b>851,317</b>	<b>628,840</b>

	2004 \$	2003 \$
<b>NOTE 3. EXPENSES FROM ORDINARY ACTIVITIES</b>		
Employee benefits expense	273,402	217,814
Depreciation of non-current assets:		
- Motor vehicles	4,988	4,608
- Office furniture & equipment	197	145
- Leasehold improvement	38,039	36,684
- Amortisation of non-current assets:		
- Intangibles	10,000	10,000
- Occupancy & associated costs	34,862	34,414
- Loss on sale of non-current assets	(2,957)	-
- Other expenses	193,288	132,895
	<b>554,776</b>	<b>436,560</b>

#### NOTE 4. INCOME TAX EXPENSES

The prima facie tax payable on operating profit is reconciled to the income tax expense as follows:

Prima facie tax payable on operating profit at 30%	88,084	57,677
Adjust for tax effect of:		
Different tax treatments of depreciation	(15,035)	(3,538)
Non-deductible permanent differences		
Setup costs	3,000	3,000
Timing differences deductible when incurred		
Provision for holiday pay & accrued wages	7,629	4,257
Prior year losses not previously brought to account	-	(41,909)
<b>Income tax expense</b>	<b>83,678</b>	<b>19,487</b>

#### NOTE 5. CASH ASSETS

Cash on hand	200	200
Cash at bank	71,451	26,484
Bendigo Bank - term deposits	560,653	298,592
	<b>632,304</b>	<b>325,276</b>

#### NOTE 6. RECEIVABLES

Current:

<b>Sundry debtors</b>	<b>77,774</b>	<b>65,859</b>
-----------------------	---------------	---------------

	2004 \$	2003 \$
<b>NOTE 7. PROPERTY, PLANT &amp; EQUIPMENT</b>		
<b>Plant &amp; equipment</b>		
Motor vehicles at cost	36,093	26,425
Less accumulated depreciation	2,529	10,554
	33,564	15,871
Office furniture & equipment at cost	2,432	1,632
Less accumulated depreciation	520	323
	1,912	1,309
Leased improvements	190,189	190,189
Less improvements amortisation	103,348	65,309
	86,841	124,880
<b>Total written down amount</b>	<b>122,317</b>	<b>142,060</b>
<b>Movements in carrying amounts</b>		
<b>Motor vehicles</b>		
Carrying amount at beginning	15,871	20,479
Additions	36,093	-
Disposals	15,871	-
Less depreciation expense	2,529	4,608
<b>Carrying amount at end</b>	<b>33,564</b>	<b>15,871</b>
<b>Office furniture and equipment</b>		
Carrying amount at beginning	1,309	1,454
Additions	800	-
Disposals	-	-
Less depreciation expense	197	145
<b>Carrying amount at end</b>	<b>1,912</b>	<b>1,309</b>
<b>Leasehold improvements</b>		
Carrying amount at beginning	124,880	149,448
Additions	-	12,116
Disposals	-	-
Less depreciation expense	38,039	36,684
<b>Carrying amount at end</b>	<b>86,841</b>	<b>124,880</b>
<b>Total written down amount</b>	<b>122,317</b>	<b>142,060</b>

## NOTE 8. INTANGIBLE ASSETS

<b>Franchise fee</b>		
At cost	50,000	50,000
Less accumulated amortisation	(30,000)	(20,000)
	<b>20,000</b>	<b>30,000</b>

	2004	2003
	\$	\$
<b>NOTE 9. PAYABLES</b>		
<b>Current</b>		
Trade creditors	6,752	16
Accrued salaries & wages	22,419	9,290
Superannuation payable	4,341	4,994
Sundry creditors	28,558	17,280
	<b>62,070</b>	<b>31,580</b>

#### NOTE 10. INTEREST BEARING LIABILITIES

Current lease liabilities	5,049	-
Non-current lease liabilities	21,249	-
	<b>26,298</b>	<b>-</b>

#### NOTE 11. PROVISIONS

<b>Current</b>		
Provision for holiday pay	21,702	14,606

#### NOTE 12. EMPLOYEES

As at the end of the financial year, the business had the following employees:	7	7
--	---	---

#### NOTE 13. CONTRIBUTED EQUITY

<b>Issued capital</b>		
Ordinary \$1 Shares	530,280	530,280
<b>Share movements</b>		
Shares on issue at beginning of the year	504,155	504,155
Issue Ordinary \$1 Shares	-	-
Less equity raising costs	-	-
<b>Shares on issue at end of the year</b>	<b>504,155</b>	<b>504,155</b>

- (a) Fully paid ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.
- (b) At shareholders meetings, each ordinary shareholder is entitled to one vote when a poll is called, or via a show of hands.

	2004	2003
	\$	\$
<b>NOTE 14. ACCUMULATED LOSSES</b>		
Retained profit (losses) at the beginning of the financial year	(6,633)	(179,405)
Net profit for the financial year	209,936	172,772
<b>Retained profit (losses) at the end of the financial year</b>	<b>203,302</b>	<b>(6,633)</b>

#### NOTE 15. AUDITORS RENUMERATION

David Hutchings Partner Andrew Frewin & Stewart were the auditors of the Company.

<b>Audit fees</b>	<b>2,700</b>	<b>2,400</b>
-------------------	--------------	--------------

#### NOTE 16. BUSINESS DETAILS

The principal place of business is:

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

The principal activities of the business operates as a franchise Company.

#### NOTE 17. SEGMENT REPORTING

##### (a) Industry segments

Rye & District Community Financial Services Limited operates predominantly in one industry segment, being the facilitation of Bendigo Bank Limited and services.

##### (b) Geographical segment

Rye & District Community Financial Services Limited operates predominantly in the geographic area of Rye, Victoria.

#### NOTE 18. RENUMERATION OF DIRECTORS AND EXECUTIVE

No income was paid, or is payable or was otherwise made available to any Directors of the Company by the Company, and any related parties in respect of the financial period.

#### NOTE 19. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which 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 subsequent financial years, other than the matters disclosed in the "After Balance Date Events" section of the Directors' report.

#### NOTE 20. EARNINGS PER SHARE

	c	c
Earnings per share for the financial year were:	39.6	32.6

## NOTE 21. CONTINENT LIABILITIES

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

## NOTE 22. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The entity has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalent of International Financial Reporting Standards (IFRS). With consultation with our external auditors, the Company is ensuring that the impact of the transition to IFRS is fully reviewed and completed.

Based on current requirements, the financial statements of the Company prepared at 30 June 2006 will need to comply with IFRS. Comparative figures for the year ended 30 June 2005, within the 30 June 2006 financial statements, will also need to comply with IFRS.

The potential impacts of transition to IFRS have not been fully assessed due to the short timeframe between finalisation of the IFRS standards and completing this report. The impact on future years will depend on circumstances prevailing at the time of preparing relevant financial reports.

The current identified key potential implications to the Community Bank® branch of the conversion to IFRS are:

- a) income tax will be calculated based on the "balance sheet" approach, which may result in more deferred tax assets and liabilities;
- b) changes in accounting policies will be recognised by restating prior year figures, rather than making current adjustments and the impact will be disclosed in the notes to the financial statements.

## NOTE 23. FINANCIAL INSTRUMENTS

### Net Fair Value

The net fair value 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

### 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					
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 %	2003 %
<b>Financial assets</b>										
Cash assets	71,451	26,484	560,653	298,592			200	200	5.4	5.3
Receivables							77,774	65,859		N/A
<b>Financial liabilities</b>										
Interest bearing										
liabilities			5,049		21,249				7.7	
Payable							96,938	51,067	N/A	N/A



	2004	2003
	\$	\$
<b>NOTE 24. (a) RECONCILIATION OF CASH</b>		
For the purpose of the Statement of Cash Flows cash includes cash on hand and in banks and in at call deposits with banks and financial institutions, less the outstanding bank overdraft. Cash at the end of the financial year is shown in the Statement Financial Position as:		
Cash on hand	200	200
Cash at bank	71,451	26,484
Bendigo Bank - term deposits	560,653	298,592
	<b>632,304</b>	<b>325,276</b>

**NOTE 24 (b) RECONCILIATION OF OPERATING  
LOSS FOR THE YEAR TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating profit for the year	209,936	172,772
Add non-cash Items:		
Depreciation & amortisation	53,224	51,438
Movement in provisions	7,096	4,899
Loss on sale of non-current assets	2,956	-
Changes in assets & liabilities:		
Increase in receivables	(11,915)	(34,593)
Increase in payables	26,697	10,874
Increase in other current liabilities	45,472	19,487
	<b>333,466</b>	<b>224,877</b>

# Directors' declaration

---

**For year ending 30 June 2004**

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

In the opinion of the Directors:

- a) the accompanying 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 2004 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australian and Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become payable.



**Peter J Van Duren**  
**Chairman**



**Shane McCarthy**  
**Director**

Dated this 8th day of September 2004

# Independent audit report

---

**For year ending 30 June 2004**

To the members of Rye & District Community Financial Services Limited

## Scope

We have audited the financial report of Rye & District Community Financial Services Limited for the financial year ended 30 June 2004 including the Directors' declaration. The Company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia, so as to present a view which is consistent with our understanding of the Company's financial position and performance as presented by the results of its operations and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

## Audit opinion

In our opinion the financial report of Rye & District Community Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



**David Hutchings**

**Andrew Frewin & Stewart**

61-65 Bull Street, Bendigo 3550

Dated this 10th day of September 2004

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

Franchisee: Rye & District Community Financial Services Limited  
PO Box 301, Rye, VIC 3941  
Phone: (03) 5985 9755 Fax: (03) 5985 9299  
ABN 67 095 766 895