

annual report 2009



Rye & District Community
Financial Services Limited
ABN 67 095 766 895

Rye and Dromana
Community Bank® branches of Bendigo Bank

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Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2009

2008/09 will go down as one of the most tumultuous financial years in history. The global financial crisis and its aftermath wiped trillions of dollars off the world's net wealth. Some of the biggest names in international banking disappeared; many other banks – vastly bigger than Bendigo and Adelaide Bank Ltd – turned to governments to bail them out. Not surprisingly, confidence sagged, reflected in rising unemployment and stock markets falling by around half their former valuations.

In short, we have seen the biggest financial meltdown since the Great Depression of nearly 80 years ago.

Amidst all that turmoil, though, our grassroots banking movement marched steadily on. Twenty new **Community Bank**[®] branches joined Bendigo and Adelaide Bank Ltd's national network. Around 120,000 new customers switched to the Bendigo style of banking. And 70 more communities continued their local campaign to open a **Community Bank**[®] branch.

Those statistics are impressive in themselves, but it is the story behind them that is really important.

That's the story of ordinary people – an awful phrase, but you know what I mean – who inherently understand that the role of a bank is to feed into prosperity, rather than profit from it. That lesson was forgotten by many bankers across the globe, with devastating consequences. But it is now well understood by the residents of 237 towns and suburbs that own their own **Community Bank**[®] branch, because every day they see the fruits of their investment in locally owned banking.

Again, the statistics are impressive enough – \$29 million paid out in community projects and nearly \$11 million in local shareholder dividends. But again, the real stories lie behind the numbers – new community centres and fire trucks, more local nurses, new walking tracks and swimming pools, safer young drivers, more trees and fewer wasteful incandescent globes, innovative water-saving projects... the list goes on.

And of course more money retained and spent locally. And more jobs. Fifteen hundred or so just in the branches alone. More because of the flow-on, or multiplier, effect of those wages being spent locally. And yet more because of the extra shopping now done in communities made more prosperous and active by having their own bank branch.

Community Bank[®] branches have not escaped the fallout from the global turmoil. Like Bendigo and Adelaide Bank Ltd, they have received less income than in normal times. But also like Bendigo and Adelaide Bank Ltd, they have not needed anyone's help to get through this crisis. And every day we are reminded that banks that are relevant and connected locally will be valued by their customers and communities. For the better of all.



Russell Jenkins
Chief General Manager

Chairman's report

For year ending 30 June 2009

It is with a sense of some satisfaction that I present this, my first report as Chairman of our Company, Rye & District Community Financial Services Limited – satisfaction derived from the fact that I am able to report on yet another successful and profitable year of our Company's operations.

As shareholders would know, and as can be read in other sections of this Annual Report, the financial year just concluded has proven to be one of the most challenging ever experienced in the financial services sector. The Global Financial Crisis or "Economic Meltdown of 2008" has been an economic phenomenon, the likes of which has never been experienced by most of our shareholders nor seen by our country since the Great Depression of the 1930's.

To be able to report a profitable year for our Company under these conditions is a testimony to the strength of the products, systems and processes developed by our partner, Bendigo and Adelaide Bank Ltd, and deployed by our Board and Company staff. But, just as importantly, it is testimony to the level of trust and support provided to our institution by our shareholders and customers – a legacy of which we should all be truly appreciative and ever mindful.

It is therefore with great pleasure that I can report that your Company has derived an after-tax profit of \$169,150 for the financial year ending 30 June 2009 and recommends a dividend of 4.5 cents per share payable on 26 November 2009 for those shareholders with shareholding as of 31 October 2009. This is a substantial improvement over the 2 cent per share dividend paid last financial year – a year in which the full effect of the start-up costs of our recently-opened branch in Dromana were brought to full account.

Dividend distributions 2007 - 2009

Year	2007	2008	2009
Dividend per share	\$0.03	\$0.02	\$0.045
Total dividends paid	\$87,948	\$58,632	\$131,922

In receiving this good news, shareholders should not be left with the mistaken impression that the year has been 'steady as she goes'.

Whilst the Federal Government guaranteed deposits of up to \$1 million held in bank accounts, including those of Bendigo and Adelaide Bank Ltd, the cost of guaranteed wholesale funds to the smaller banks were considerably higher than for the 'Big Four' banks.

This had a material, adverse effect on the margins earned by our Company on the range of banking products and services offered.

However, I am delighted to report that your Company returned a consolidated profit in every month of the financial year – a record beating many **Community Bank**[®] branches around Australia.

Chairman's report continued

This result was possible because of the ongoing growth of both the Rye and Dromana **Community Bank**[®] branches and the extremely responsible way in which expenditure was controlled by Gary Sanford and his staff. Cost control initiatives ranged from limiting spending on promotional items to the taking of annual leave without pay – all initiatives involving some level of sacrifice on the part of staff and all of which contributed to the outstanding financial result.

Specific details of the growth in the business of both branches are provided in the Senior Manager's report elsewhere in this report, but your Board of Directors is extremely appreciative of the dedicated efforts of Gary and all the staff at both Rye and Dromana on our behalf.

I am constantly reassured when I observe the rapport between staff members and our customers that the level of service provided is of the highest possible standard and I take this opportunity to thank all of our staff on your behalf.

Under the terms of its franchise agreement with Bendigo and Adelaide Bank Ltd, the Company is required to return up to 80% of its Gross profit to the community in the form of grants, sponsorships and donations.

It is with great pleasure that I report that this year, your Company has returned an amount of \$474,759 to 115 community organisations in honour of this obligation. This brings the total returned to the community since our formation eight years ago to almost \$3,000,000 – an incredible contribution to the Southern Peninsula community.

No other bank or financial institution can claim this level of community support.

As a result of a question from the floor at last year's Annual General Meeting, included in this Annual Report is a table of all the organisations which have benefited from sponsorships and donations from your Company during the year. This table shows the total of all funds committed by the Company. (The total in the annual accounts shows all funds paid by the Company during the financial year. Any difference in the amount of payment to organisations of similar categories (eg. football clubs) has been caused by timing issues associated with the receipt of invoices).

Your Board takes great pride in this achievement and is mindful that this level of community reward is a direct result of the support given to **Community Bank**[®] branches, in turn, by members of our community. Again, we are grateful for this ongoing support.

I am also grateful to the level of support provided to our Company by our business partner, Bendigo and Adelaide Bank Ltd. They, too, have endured a difficult year but their support provided to our business and to our Board has been exceptional.

I am particularly grateful to the support given to me as Chairman, and to our Board of Directors, by the Bendigo and Adelaide Bank Ltd Regional Manager for the Mornington Peninsula area, Michael Petering.

Michael has subsequently been transferred to another area within the bank, but the practical support provided to our Company over recent years, laced with large doses of common sense, has been truly appreciated. We wish Michael continued success in his career with the bank.

The diligent application to the process of governance by your Board of Directors is also to be commended.

Chairman's report continued

Your Directors show exceptional commitment to their task, ensuring that their statutory and fiscal responsibilities are met in accordance with the law and in the best interests of your Company and I thank them for the ongoing contribution to our success.

The Directors of your Board continue to perform their duties with great conscientiousness in developing and overseeing the implementation of the policies and processes which enable the staff to achieve the results we have enjoyed during the year.

I am particularly indebted to, and wish to acknowledge the contributions, of:

Eileen Naylor who, as Company Secretary, maintains our corporate conscience and is responsible for overseeing the Human Resources aspects of our Company. Eileen is also a member of the Sponsorship & Marketing Committee.

Pat Tonks who, as Treasurer, and integral member of the Finance Committee, maintains the financial records of the Company and oversees the receipt of income from Bendigo and Adelaide Bank Ltd and the accounts payable operations of the business.

Janet Hall who, as Chair of the Audit & Governance Committee, ensures that we maintain the compliance standards demanded of us by our commercial partner, Bendigo and Adelaide Bank Ltd.

Steve Edmund, Deputy Chairman and Chairman of the Marketing sub-committee, who ensures that our public face is before our customers and broader communities in a consistent and meaningful way.

Barry Irving, who as member of the Marketing sub-committee and Community Liaison Officer, monitors our involvement with the YMCA and the Rye Youth Centre, and ensures that our activities are recorded for posterity through his experience as a commercial photographer.

Andrew Emerson, who as the Director responsible for our Property portfolio, ensures that our fixed assets are maintained in a manner mindful of our responsibilities to our shareholders and other stakeholders.

Gary Cain, who, as our most recently elected Board member, brings his experience as a Certified Practising Accountant to assist in our financial deliberations and is an important member of our Finance Committee.

I also acknowledge the contribution made to the Company by our Board Administration Officer, Tony Harford, who assists all Board members in the execution of their governance responsibilities and ensures that our regulatory responsibilities are met in a timely and accurate way.

It was with some regret that we accepted the resignation of one of our Directors, Trevor Lloyd, as of 30 June 2009. Continued growth in his own business meant that Trevor could no longer devote the time he considered was warranted to fulfil his duties as a Director in an appropriate manner.

Trevor was largely responsible for the Company's major commitment to the Rye Youth Centre and maintained a close association with the day-to day running of the centre and its YMCA management team.

The Rye Youth Centre has become an essential piece of the community fabric on the Southern Peninsula thanks, in no small part, to Trevor's vision and commitment.

We are indebted to him for his contribution to its success and to the success of our Company.

Chairman's report continued

During the year, I was honoured to represent the Company at the **Community Bank**® State Conference in Hobart and was gratified to observe the reputation enjoyed by Rye & District Community Financial Services Limited amongst its peer organisations.

The success and growth of your Company is regarded as a template for **Community Bank**® branches around Australia and, in many ways, we are regarded as the benchmark for branch performance. It is a reputation of which we are proud but which also carries some responsibility and challenges in ensuring that our standards are maintained.

Your Board of Directors is mindful of its responsibilities towards developing shareholder value and, as such, is committed to exploring every opportunity seen to be capable of generating growth for the Company.

Results in the early months of the current financial year indicate positive trading conditions. We continue to experience organic growth at our Rye branch whilst Dromana branch, which is still reporting growth, is still to reach its full potential.

However, there are limits to the volume of internal growth capable of being generated from the existing business so we must continually explore new growth opportunities.

New **Community Bank**® branches have opened in Balnarring and Hastings within the past 12 months and steering committees have been formed at both Mount Martha and Mount Eliza with a view to exploring the feasibility of operating **Community Bank**® branches within those communities. There is already a **Community Bank**® branch operating in Pearcedale.

So, in a geographic sense, growth opportunities in the Southern Peninsula area would appear to be constrained. It is therefore necessary for your Board to continue to explore the pockets of opportunity which might still exist within our area to complement the business growth currently being experienced.

Your Board will continue to maintain a growth focus to ensure future, satisfactory shareholder return.

In thanking all shareholders for maintaining faith in their Board of Directors, I would urge you all to highlight the successes of our Company and the contribution it continues to make to community organisations to all of your family, friends and acquaintances, both social and business.

Their, and your, future support will contribute to the ongoing growth of your Company and ensure that we can continue to assist those community organisations deserving of our financial support.



Shane McCarthy
Chairman

Senior Manager's report

For year ending 30 June 2009

We have all heard of and or experienced the Financial Crisis that started late last year. The effect has been different across all areas of our finances.

I am happy to say that our two branches at Rye and Dromana have weathered this period very well. Despite our Company's margin income dropping when lending rates dropped 4% in a very short period and deposit rates were slower to adjust down, the fact that both branches were ahead in their Growth budgets partially offset this short term drop in monthly income.

In an overview, our Company averaged \$33 million growth in its first six years of operating one branch at Rye. Over the last two years, our combined growth has averaged \$64 million, which is almost double what we were able to achieve with one branch.

The impact of this growth is evident in the attached financial report with increased funding to the community, increased profit and increased dividend to shareholders.

As at 30 June 2009, we experienced growth in all areas of our business in excess of what was budgeted. We increased total accounts at Rye from 8,362 to 8,817 and Dromana from 2,318 to 3,442, which includes over 1,180 and 469 loan facilities at Rye and Dromana respectively. Our combined balances totalled \$321.13 million, which included total deposits at \$173.14 million and total lending at \$140.39 million, maintaining our good mix of business. Reported Financial Planning products under management were \$7.60 million, assisting to make up the \$321.13 million. These balances reflect a 37.24% growth in deposits and 14.67% growth in lending across the Company. The balances also reflect a 10.63% growth in financial planning facilities under management over the year.

Rye branch balances as at 30 June 2009 were \$110.86 million in deposits and \$98.67 million in lending and financial planning under management at \$6.82 million. Combined balances stood at \$216.35 million, reflecting a \$23.51 million growth overall against a budget of \$10.01 million. A fantastic result!

Dromana branch balances as at 30 June 2009 were \$62.28 million in deposits and \$41.72 million in lending and Financial Planning under management at \$0.78 million. Combined balances stood at \$104.78 million, reflecting a \$42.15 million growth overall against a budget of \$20.08 million. An amazing result!

The combined business growth of \$65.66 million, considering this has been a very difficult period for financial institutions around the world, has demonstrated the advantage of having two branches at Rye and Dromana.

The business we have attached to both branches and their respective growths now see our Company with a very strong basis to increase the success of our customers, increasing the success of our communities, which will increase the success of our Company. Both branches are to be congratulated on what they have achieved and the strength within the community they have created.

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

Manager's report continued

Board support

Each year I comment on the support I receive from our Board. Under the Chairmanship of Shane McCarthy this support has continued and enabled me to oversee both branches with a great deal of confidence.

Since last years report two Directors have retired. Gus Glavici on 30 June 2008 and Trevor Lloyd on June 2009. I would like to thank them for their personal support and contribution they have made to our Company and their community.

In particular, Gus Glavici's involvement in our Grants programs over previous years and Trevor Lloyd's initiative with the implementation of the Rye Youth Centre.

Staff

I would like to personally thank and congratulate Julie Toward for her dedication and commitment to the continued success of our Rye branch. Julie and I are the only two remaining staff from the original staff we employed to open the Rye branch in 2001.

When I look back at how far we have come and the growth of Julie into a very successful Branch Manager, it is something our Company has helped achieve. I like putting staff outside their comfort zone, giving them challenges, and seeing and hearing about Julie representing our Company at sponsorship presentations is evidence, to me, of her continued growth and value to our Company.

Since 30 June 2009, Neil McKinnon has resigned on 2 September 2009 effective from 16 September 2009. I have taken over as Dromana's Branch Manager and will work very closely with Julie Toward at Rye. I wish to thank Neil McKinnon and congratulate him on the growth Dromana branch achieved in his time as Branch Manager

Bronwyn Ralph has continued as my personal assistant and provides direct support to the Board. I acknowledge I could not have performed my role as I have without her ongoing support and professional approach to our high valued customers. She has performed her tasks to the highest level and I thank her for how she goes about her work.

Our staff at both branches should be very proud of the growth that has been achieved and just as importantly look at the financials attached to this Annual Report to see how much, in dollars, they have assisted our local community in sponsorships and donations, just by doing their job. Thank you and congratulations to all our staff.

We have continued to receive tremendous support from our partners Bendigo and Adelaide Bank Ltd, principally from our Regional Manager Michael Petering and his Regional team. I would personally like to thank him for his ongoing support and congratulate him on what he has help Dromana and Rye achieve.

Summary

Successful customers make a stronger community which makes a stronger successful bank. This is what we are all about. Our growth will continue if, as staff, Directors and shareholders, we all keep this as a prime objective.

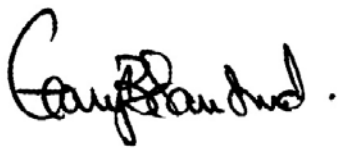
When we opened our second branch at Dromana, I did not anticipate doubling our previous year's growth on what we had achieved in each of our first six years. Achieving this over the last two years has ensured the

Manager's report continued

continued success of our Company. We remain one of the top performing **Community Bank**[®] Companies in Australia, which is an outstanding achievement for not only our towns of Rye and Dromana but the Southern Peninsula.

We now see two new **Community Bank**[®] branches opened last year at Balnarring and Hastings under their own public Company structures. There are campaigns underway at Mt Eliza and Mt Martha to open further **Community Bank**[®] branches in those towns. It all goes well for the success of the Mornington Peninsula, as our branches, and our neighbouring **Community Bank**[®] branches go from strength to strength.

I look forward to the coming year and the challenges our two branches will create.

A handwritten signature in black ink, appearing to read "Gary Sanford". The signature is written in a cursive, flowing style.

Gary Sanford
Senior Manager

Directors' report

For year ending 30 June 2009

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

Chairman & Director

Age: 57

Occupation: Solicitor, LL.B GA/CD

Chair, Sponsorship & Marketing Committee

Eileen Naylor

Secretary & Member, Sponsorship & Marketing Committee

Age: 61

Occupation: Retiree

15 years exp Human Resource Management

Andrew Ross Emerson

Director & Property Committee

Age: 62

Occupation: Home Furnishing Industry

Stephen Bernard Edmund

Director, Deputy Chairman & Marketing Committee

Age: 58

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

(Appointed 29 October 2008)

Age: 58

Occupation: Accountant, CPA

Former President Rosebud Football Club Inc

Patricia Tonks

Treasurer

Age: 67

Occupation: Retiree

Former Councillor Flinders Shire

Barry Leonard Irving

Director & Member, Marketing Committee

Age: 66

Occupation: Retiree

Photography, President Rye Rotary Club

Janet Iris Hall

Director & Chair, Audit & Governance Committee

Age: 62

Occupation: Interior Decorator

Trevor William Lloyd

Director & Chair, Youth Club Project

(Resigned 30 June 2009)

Member Sponsorship & Marketing Committee

Age: 57

Occupation: Builder

Reg Building Practitioner &

Licensed Plumbing Contractor

Peter John Van Duren

Director

(Resigned 29 October 2008)

Age: 54

Occupation: Real Estate Agent

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the Company.

Directors' report continued

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 Bank**[®] services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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 2009 \$	Year ended 30 June 2008 \$
169,150	94,257

Remuneration report

The Board is responsible for the determination of remuneration packages and policies applicable to the Senior Manager and all the staff. The Senior Manager is invited to the Board meeting as required to discuss performance and remuneration packages.

The Senior Manager is paid a base salary, which is between \$80,000 and \$90,000 including the use of a Company car. In addition the Senior Manager receives a bonus if the Company exceeds the budget estimates established by the Board. During the year a bonus was paid in the range of \$30,000 to \$40,000.

Directors' report continued

Directors' remuneration

For the year ended 30 June 2009, the Directors received total remuneration including superannuation, as follows:

	\$
Peter John Van Duren	1,875
Patricia Tonks	15,000
Eileen Naylor	10,000
Janet Iris Hall	7,500
Shane Christopher McCarthy	20,000
Barry Irving	7,500
Trevor William Lloyd	7,500
Stephen Bernard Edmund	7,500
Andrew Ross Emerson	7,500
Gary Michael Cain	5,625

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

Dividends

Dividends	Year ended 30 June 2009	
	Cents	\$'000
Final dividends recommended:	4.5c	131,922
Dividends paid in the year:		
- As recommended in the prior year report	2c	58,632

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Directors' report continued

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

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

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except as disclosed in note 19 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Manager of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' report continued

Directors' meetings

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

	Number of Board meetings eligible to attend	Number attended
Shane Christopher McCarthy	14	11
Patricia Tonks	14	14
Eileen Naylor	14	14
Barry Leonard Irving	14	12
Andrew Ross Emerson	14	10
Janet Iris Hall	14	13
Stephen Bernard Edmund	14	11
Trevor William Lloyd (Resigned 30 June 2009)	14	12
Gary Michael Cain (Appointed 29 October 2008)	9	8
Peter John Van Duren (Resigned 29 October 2008)	5	4

Non Audit services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Directors' report continued

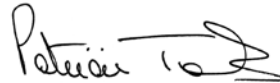
Auditors' independence declaration

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

Signed in accordance with a resolution of the Board of Directors at Dromana on 8 September 2009.



Shane Christopher McCarthy
Chairman



Patricia Tonks
Director

Auditor's independence declaration



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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 2009 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 8th day of September 2009

Financial statements

Income statement For year ending 30 June 2009

	Note	2009 \$	2008 \$
Revenues from ordinary activities	3	2,339,744	1,979,714
Salaries and employee benefits expense		(1,050,154)	(1,036,363)
Charitable donations, sponsorship, advertising & promotion		(512,982)	(290,117)
Occupancy and associated costs		(105,124)	(96,071)
Systems costs		(125,182)	(132,623)
Depreciation and amortisation expense	4	(86,495)	(96,506)
Finance costs	4	(40,374)	(42,039)
General administration expenses		(174,158)	(189,217)
Profit before income tax expense		245,275	96,778
Income tax expense	5	(76,125)	(2,521)
Profit for the period		169,150	94,257
Profit attributable to members of the entity		169,150	94,257
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	21	5.77	3.22
- dividends paid per share	20	2.00	3.00

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2009

	Note	2009 \$	2008 \$
Assets			
Current assets			
Cash assets	6	471,315	322,669
Trade and other receivables	7	264,032	228,376
Current tax asset	5	-	16,949
Total current assets		735,347	567,994
Non-current assets			
Property, plant and equipment	8	1,435,736	1,482,504
Intangible assets	9	22,000	34,000
Deferred tax assets	10	21,777	20,746
Trade and other receivables	7	-	28,490
Total non-current assets		1,479,513	1,565,740
Total assets		2,214,860	2,133,734
Liabilities			
Current liabilities			
Trade and other payables	11	71,032	101,126
Current tax liabilities	5	38,775	-
Financial liabilities	12	110,080	98,159
Provisions	13	80,720	49,151
Total current liabilities		300,607	248,436
Non-current liabilities			
Financial liabilities	12	361,725	456,886
Provisions	14	44,227	30,629
Total non-current liabilities		405,952	487,515
Total liabilities		706,559	735,951
Net assets		1,508,301	1,397,783
Equity			
Issued capital	15	1,299,400	1,299,400
Retained earnings	16	208,901	98,383
Total equity		1,508,301	1,397,783

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2009

	Note	2009 \$	2008 \$
Cash flows from operating activities			
Receipts from customers		2,315,173	1,959,528
Payments to suppliers and employees		(1,924,100)	(1,765,146)
Interest received		21,596	20,186
Interest paid		(40,374)	(42,039)
Income taxes paid		(54,052)	(55,013)
Net cash provided by operating activities	17	318,243	117,516
Cash flows from investing activities			
Payments for property, plant and equipment		(2,265)	(126,542)
Payments for motor vehicles		(450)	-
Payments for leasehold improvements		(22,044)	-
Payments for office furniture & equipment		(2,968)	(36,628)
Net cash used in investing activities		(27,727)	(163,170)
Cash flows from financing activities			
Proceeds from borrowings		-	12,432
Repayment of borrowings		(83,240)	-
Dividends paid		(58,632)	(87,947)
Net cash used in financing activities		(141,872)	(75,515)
Net increase/(decrease) in cash held		148,645	(121,169)
Cash at the beginning of the financial year		322,670	443,839
Cash at the end of the financial year	6(a)	471,315	322,670

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2009

	Note	2009 \$	2008 \$
Total equity at the beginning of the period		1,397,783	1,391,474
Net profit for the period		169,150	94,257
Total profit recognised by the entity		169,150	94,257
Dividends provided for or paid		(58,632)	(87,947)
shares issued during period		-	-
Costs of issuing shares		-	-
Total equity at the end of the period		1,508,301	1,397,783

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2009

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable 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 ATO are classified as operation cash flows.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

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

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

Intangibles

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

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Comparative figures

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

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements 40 years
- plant and equipment 2.5 - 40 years
- furniture and fittings 4 - 40 years

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

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

Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Borrowings

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

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 transactions 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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Financial instruments (continued)

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 income statement.

Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the entity 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.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 2. Financial risk management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Ltd.

Notes to the financial statements continued

Note 2. Financial risk management (continued)

(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 Ltd mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Ltd 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 Ltd 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 2009 can be seen in the Income Statement.

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

Notes to the financial statements continued

	2009 \$	2008 \$
Note 3. Revenue from ordinary activities		
Operating activities:		
- services commissions	2,318,148	1,959,528
Total revenue from operating activities	2,318,148	1,959,528
Non-operating activities:		
- interest received	21,596	20,186
Total revenue from non-operating activities	21,596	20,186
Total revenues from ordinary activities	2,339,744	1,979,714

Note 4. Expenses

Depreciation of non-current assets:		
- motor vehicles	17,014	14,154
- office furniture & equipment	9,575	7,326
- leasehold improvements	47,906	63,026
Amortisation of non-current assets:		
- franchise renewal fee	12,000	12,000
	86,495	96,506
Finance costs:		
- interest paid	40,374	42,039
Bad debts	5,372	3,884

Note 5. Income tax expense

The components of tax expense comprise:

- Current tax	77,156	23,267
- Deferred tax	(1,031)	(20,746)
	76,125	2,521

Notes to the financial statements continued

	Note	2009 \$	2008 \$
Note 5. Income tax expense (continued)			
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit		245,275	96,778
Prima facie tax on profit from ordinary activities at 30%		73,583	29,033
Add tax effect of:			
- non-deductible expenses		6,007	4,977
- timing difference expenses		1,030	(7,856)
- different tax treatments of depreciation		(2,552)	(1,976)
- blackhole expenses		(912)	(912)
Current tax		77,156	23,267
Movement in deferred tax	10	(1,031)	(20,746)
		76,125	2,521

Note 6. Cash assets

Cash at bank and on hand		60,667	74,630
Term deposits		410,648	248,039
		471,315	322,669

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

6(a) Reconciliation of cash

Cash at bank and on hand		60,667	74,630
Term deposit		410,648	248,039
		471,315	322,669

Notes to the financial statements continued

	2009 \$	2008 \$
Note 7. Trade and other receivables		
Current:		
Trade receivables	206,835	175,370
Prepayments	28,707	24,216
Other receivables	28,490	28,790
	264,032	228,376
Non-current:		
Other receivables	-	28,490

Note 8. Property, plant and equipment

Land & buildings

At cost	1,396,660	1,395,040
Less accumulated depreciation	(98,106)	(57,951)
	1,298,554	1,337,089

Motor vehicles

At cost	101,194	100,744
Less accumulated depreciation	(32,971)	(15,957)
	68,223	84,787

Office furniture & equipment

At cost	53,603	49,990
Less accumulated depreciation	(19,810)	(10,235)
	33,793	39,755

Leasehold improvements

At cost	247,847	225,803
Less accumulated depreciation	(212,681)	(204,930)
	35,166	20,873

Total written down amount	1,435,736	1,482,504
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Notes to the financial statements continued

	2009 \$	2008 \$
Note 8. Property, plant and equipment (continued)		
Movements in carrying amounts:		
Land & building		
Carrying amount at beginning	1,337,089	1,343,391
Additions	1,620	50,145
Less: depreciation expense	(40,155)	(56,447)
Carrying amount at end	1,298,554	1,337,089
Motor vehicles		
Carrying amount at beginning	84,787	36,674
Additions	450	62,267
Less: depreciation expense	(17,014)	(14,154)
Carrying amount at end	68,223	84,787
Office furniture & equipment		
Carrying amount at beginning	39,755	10,453
Additions	3,613	36,628
Less: depreciation expense	(9,575)	(7,326)
Carrying amount at end	33,793	39,755
Leasehold improvements		
Carrying amount at beginning	20,873	13,322
Additions	22,044	14,130
Less: depreciation expense	(7,751)	(6,579)
Carrying amount at end	35,166	20,873
Total written down amount	1,435,736	1,482,504

Note 9. Intangible assets

Franchise fee

At cost	108,000	108,000
Less: accumulated amortisation	(86,000)	(74,000)
	22,000	34,000

Notes to the financial statements continued

	Note	2009 \$	2008 \$
Note 10. Deferred tax			
Deferred tax			
Opening balance		20,746	-
Deferred tax on provisions		1,031	20,746
Closing balance		21,777	20,746

Note 11. Trade and other payables

Trade creditors		1,334	749
Other creditors & accruals		69,698	100,377
		71,032	101,126

Note 12. Borrowings

Current:

Chattel mortgage liability	13	32,800	20,879
Bank loans		77,280	77,280
		110,080	98,159

Non-current:

Chattel mortgage liability	13	40,092	72,891
Bank loans		321,633	383,995
		361,725	456,886

Bank loans are repayable by monthly instalments of \$6,440 with the final instalment due on 22 May 2016. Interest is recognised at an average rate of 7.50% (2008: 7.50%). The loans are secured by a fixed and floating charge over the Company's assets.

Notes to the financial statements continued

	2009 \$	2008 \$
Note 13. Chattel mortgage liability		
Chattel mortgage repayment commitments		
Payable - minimum repayments		
• not later than 12 months	37,975	27,984
• between 12 months and 5 years	44,254	82,229
• greater than 5 years	-	-
Minimum repayments	82,229	110,213
Less future finance charges	(9,337)	(16,443)
Present value of minimum lease payments	72,892	93,770

The Holden chattel mortgage, which commenced in 2007, is a 3-year contract. Interest is recognised at an average rate of 7.6% (2008: 7.6%).

The Ford chattel mortgage, which commenced in 2007, is a 4-year contract. Interest is recognised at an average rate of 8.65% (2008: 8.65%).

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

Note 14. Provisions

Current:

Provision for annual leave	44,806	48,211
Provision for bonus	35,000	-
Provision for dividend	914	940
	80,720	49,151

Non-current:

Provision for long service leave	44,226	30,629
Number of employees at year end	14	14

Notes to the financial statements continued

	2009 \$	2008 \$
Note 15. Contributed equity		
1,340,732 Ordinary shares fully paid of \$1 each (2008: 1,340,732)	1,340,732	1,340,732
Less: equity raising expenses	(41,332)	(41,332)
	1,299,400	1,299,400
Comprising:		
Share Issue - 2001		
530,291 Ordinary shares fully paid of \$1 each	530,291	530,291
Less preliminary expenses	(26,125)	(26,125)
	504,166	504,166
In addition to the above a bonus share issue on a 1:3 basis (1,590,873 shares) was issued to all existing shareholders on 12 February 2007.		
Share Issue - 2007		
810,441 Ordinary shares fully paid of \$1 each	810,441	810,441
Less preliminary expenses	(15,207)	(15,207)
	795,234	795,234

Rights attached to shares

(a) Voting rights

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

On a show of hands or a poll, each shareholder 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 shareholder and has also been appointed as proxy for another shareholder) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a shareholder and one vote for each other shareholder that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each shareholder 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 shareholders of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** branch have the same ability to influence the operation of the Company.

Notes to the financial statements continued

Note 15. Contributed equity (contributed)

(b) Dividends

Generally, dividends are payable to shareholders 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 Ltd 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 543 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 shareholder has a prohibited shareholding interest, it must serve a notice requiring the shareholder (or the shareholder'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.

Notes to the financial statements continued

Note 15. Contributed equity (contributed)

Prohibited shareholding interest (continued)

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

	2009 \$	2008 \$
Note 16. Retained earnings		
Balance at the beginning of the financial year	98,383	92,074
Net profit from ordinary activities after income tax	169,150	94,257
Dividends paid or provided for	(58,632)	(87,948)
Balance at the end of the financial year	208,901	98,383

Note 17. Statement of cash flows

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

Profit from ordinary activities after income tax	169,150	94,257
Non cash items:		
- depreciation	74,495	84,506
- amortisation	12,000	12,000
Changes in assets and liabilities:		
- increase in receivables	(2,975)	(79,117)
- (increase)/decrease in other assets	22,073	(37,695)
- increase/(decrease) in payables	(1,666)	15,234
-increase in provisions	45,166	28,331
Net cashflows provided by operating activities	318,243	117,516

Notes to the financial statements continued

	2009 \$	2008 \$
Note 18. Auditors' remuneration		
Amounts received or due and receivable by the Auditor of the Company for:		
- audit & review services	5,000	4,000
- non audit services	390	1,033
	5,390	5,033

Note 19. 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 Leonard Irving

Andrew Ross Emerson

Janet Iris Hall

Stephen Bernard Edmund

Trevor William Lloyd (Resigned 30 June 2009)

Gary Michael Cain (Appointed 28 October 2008)

Peter John Van Duren (Resigned 28 October 2008)

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 31 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.

Notes to the financial statements continued

Note 19. Director and related party disclosures (continued)

Directors' shareholdings	2009	2008
Shane Christopher McCarthy	7,404	7,404
Patricia Tonks	42,236	42,236
Eileen Naylor	50,000	50,000
Barry Leonard 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
Trevor William Lloyd	16,000	16,000
Gary Michael Cain	5,000	0
Peter John Van Duren	48,000	48,000

	2009	2008
	\$	\$

Note 20. Dividends paid or provided

a. Dividends paid during the year

Prior year proposed final		
100% (2008: 100%) franked dividend - 2 cents (2008: 3 cents) per share	58,632	87,948

b. Dividends proposed and not recognised as a liability

100% (2008: 100%) franked dividend - 4.5 cents (2008: 2 cents) per share	131,922	58,632
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The tax rate at which dividends have been franked is 30% (2008: 30%).

Note 21. Earnings per share

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

used in calculating earnings per share	169,150	94,257
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	2009	2008
	\$	\$

(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,931,605	2,931,605
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Notes to the financial statements continued

Note 22. Events occurring after the balance sheet date

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 23. 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.

	\$
Amount already paid	12,499.99
Payable in 1 year or less	10,000.00
Payable in over 1 to 3 years	30,000.00
Payable in over 3 years	47,500.01
Total payable	100,000.00

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

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

Note 24. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services pursuant to a franchise agreement with Bendigo and Adelaide Bank Ltd. The economic entity operates in one geographic area being the Rye district, Victoria.

Notes to the financial statements continued

Note 25. Registered office/principal place of business

The registered office and principal place of business is:

Registered office

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

Principal place of business

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

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

Note 26. Financial instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at the year end.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

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					
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	60,192	74,231	410,648	248,039	-	-	-	-	475	400	4.59	5.50
Receivables	-	-	-	-	-	-	-	-	235,325	232,350	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	72,892	93,770	398,913	461,275	-	-	8.56	7.57
Payables	-	-	-	-	-	-	-	-	29,473	47,625	N/A	N/A

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:

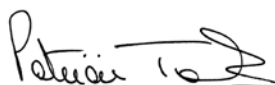
- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting 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 8 September 2009.

Independent audit report



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afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Rye & District Community Financial Services Limited

We have audited the accompanying financial statements of Rye & District Community Financial Services Limited, which comprise the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial report, comprising the financial statements and notes, complies 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 fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report continued

Independence

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

Auditor's Opinion 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
 - (a) giving a true and fair view of the company's financial position as at 30 June 2009 and of its financial performance and its cash flows for the year then ended and;
 - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and;
- 2) The financial statements and notes also complies with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. 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 2009, complies with section 300A if the Corporations Act 2001.



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

Dated this 8th day of September 2009

BSX report

Share Information

In accordance with Bendigo Stock Exchange listing rules, the Company provides the following information as at 30 September 2009, which is within 6 weeks of this report being sent to shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders
1 to 1,000	77
1,001 to 5,000	344
5,001 to 10,000	65
10,001 to 100,000	56
100,001 and over	1
Total shareholders	543

Each of the above shareholders is entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There are 4 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

BSX report continued

The following table shows the 13 largest shareholders

Shareholder	Number of shares	Percentage of capital
Planned Living Pty Ltd <Superannuation Fund A/C>	101,000	3.45
John Leonard Seeber	60,000	2.05
Bernard Wilfred & Patricia Tonks	42,236	1.44
Kadan Superannuation Pty Ltd	39,195	1.34
Louise Rose Whitehead	35,088	1.20
Martin John Naylor	26,000	0.89
Eileen Naylor	24,000	0.82
Hilmi Kusari	24,000	0.82
Ian John Mcbeath & Carmel Ann Davis	24,000	0.82
Kenneth Jack & Gloria Peggy Spinner	24,000	0.82
Norma Maureen Pitt	24,000	0.82
Peter Van Duren Atf <Van Duren Family Super A/C>	24,000	0.82
Steven Frank Burley	24,000	0.82
	471,519	16.11

Registered office and principal administrative office

The registered office of the Company is located at:

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

The principal administrative office of the Company is located at:

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

Security register

The security register (share register) is kept at:

Richmond Sinnott Delahunty Pty Ltd
Woodbury Court
172-176 McIvor Road,
Bendigo VIC 3552
Phone: (03) 5443 1177

BSX report continued

Company Secretary

The Company Secretary is Eileen Naylor who was appointed to the position of Secretary on 24 November 2004.

Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3A

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.

Sponsorship & donation

Sponsorship & donation recipients

Recipient	Total
3RPP	\$5,000
Balnarring Picnic Racing Club	\$1,000
Blairstown Tennis Club	\$500
Boneo Rural Fire Brigade	\$2,500
Carrington Park Club - Bowls Division	\$2,500
Clean Ocean Foundation	\$7,125
Community Enterprise Foundation	\$50,000
Country Women's Association	\$1,120
Dromana Art Show 2008	\$750
Dromana Australia Day Committee	\$2,000
Dromana Bowls Club	\$3,000
Dromana Football Club	\$16,000
Dromana Junior Football Club	\$2,500
Dromana Secondary College	\$500
Dromana Tennis Club	\$1,250
Dromana Urban Fire Brigade	\$2,500
Eastbourne Netball Club	\$1,000
Flinders Bowls Association Inc	\$2,500
Flinders Cricket Club	\$2,000
Flinders District Ladies Bowling Association	\$2,000
Flinders District Lions Club	\$3,000
Flinders Rural Fire Brigade	\$2,500
Flinders Tennis Club	\$500
Freemasons Victoria- Point Nepean Lodge	\$500
Good Sports	\$450
Ingham Growers Association	\$2,000
Main Ridge Bowls Club	\$5,000
Main Ridge Cricket Club	\$500
Main Ridge Volunteer Fire Brigade	\$2,500

Sponsorship & donation continued

Sponsorship & donation recipients (continued)

Recipient	Total
McCrae Homestead Coastal Group	\$500
McCrae Yacht Club	\$2,000
men's wellbeing matters	\$5,000
Moorooduc Polocrosse Club	\$500
Mornington "Pirates" Baseball Club	\$500
Mornington Life Saving Club	\$500
Mornington Little Athletics Centre	\$1,000
Mornington Peninsula Galleries Association	\$500
Mornington Peninsula Hinterland Tourist Association	\$500
Mornington Peninsula Junior Football League	\$7,500
Mornington Peninsula Netball Association	\$5,000
MPNFL	\$20,000
Mt Martha Life Saving Club	\$500
Mt Martha Bowls & Social Club	\$2,500
Mt Martha Fire Brigade	\$2,000
Mt Martha Junior Football Club	\$2,500
Mt Martha Rural Fire Brigade	\$2,500
National Seniors Association	\$500
National Servicemen's Association of Australia	\$500
Nepean Netball Association	\$5,000
Osborne Netball Club	\$500
Osborne Primary School	\$10,000
OXFAM Trailwalker Appeal	\$500
Peninsula Dog Walkers Association	\$250
Peninsula Obedience Dog Club	\$250
Peninsula Women's Information & Support Service	\$6,000
Portsea Petanque Club	\$500
Probus Club of Safety Beach	\$292
Red Hill Country Music Festival	\$1,500

Sponsorship & donation continued

Sponsorship & donation recipients (continued)

Recipient	Total
Red Hill Cricket Club	\$500
Red Hill Fire Brigade	\$2,500
Red Hill Football Club	\$16,000
Red Hill Gardening Society	\$250
Red Hill Junior Football Club	\$2,500
Rosebud & District Motorcycle Club	\$500
Rosebud Australia Day Village on the Green	\$500
Rosebud Bowls Club	\$2,500
Rosebud Country Club - Bowls Section	\$2,500
Rosebud Cricket Club	\$500
Rosebud Football Club	\$16,000
Rosebud Junior Football Club	\$2,500
Rosebud Police Senior Citizen's Register	\$500
Rosebud Rock 'n Rods Festival	\$500
Rosebud Urban Fire Brigade	\$2,500
Rotary Club of Dromana	\$500
Rotary Club of Mount Martha	\$2,000
Rotary Club of Sorrento	\$2,000
Rye Action Group	\$2,000
Rye & Peninsula Greek Women's Group	\$500
Rye Beach Community Action Group	\$750
Rye Beach Community Centre	\$500
Rye Bowls Club	\$2,500
Rye Cricket Club	\$500
Rye Fire Brigade	\$2,500
Rye Football Club	\$16,000
Rye Football Club Charity Golf Day	\$1,000
Rye Netball Club	\$1,500
Rye Sports & Social Club	\$5,500

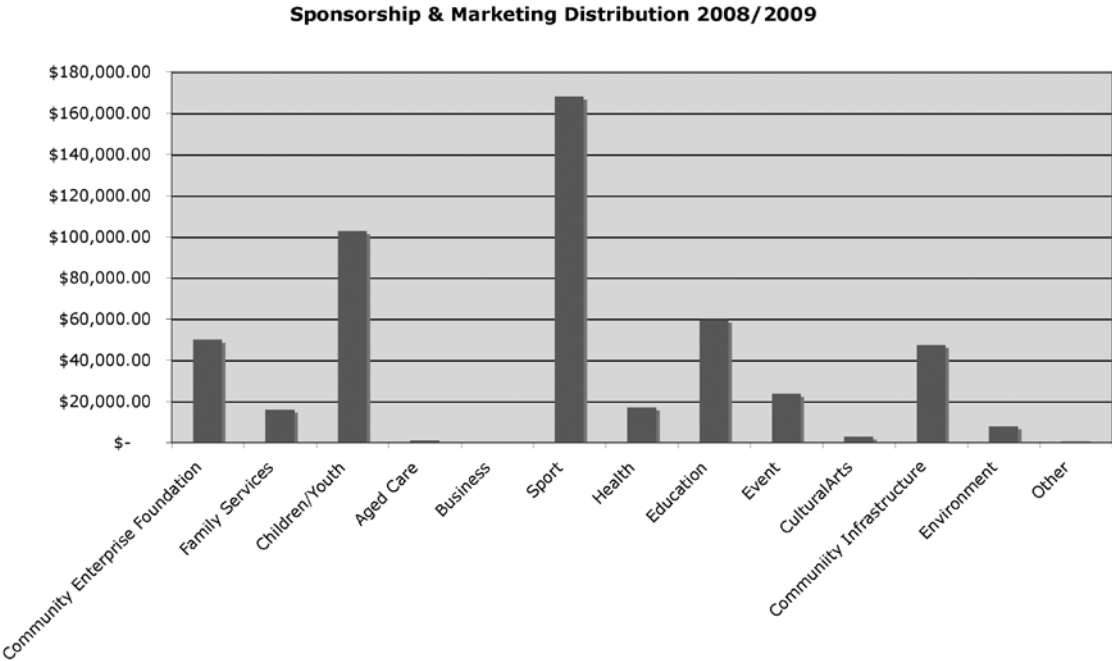
Sponsorship & donation continued

Sponsorship & donation recipients (continued)

Recipient	Total
Rye Tennis Club	\$500
Rye Yacht Club	\$2,500
Rye Youth Centre	\$87,500
Safety Beach Golf Club	\$2,500
Shoreham Rural Fire Brigade	\$2,500
Somerville Primary School	\$10,000
Sorrento Bowls Club	\$2,500
Sorrento Primary School	\$9,120
Sorrento Urban Fire Brigade	\$2,500
Southern Peninsula Basketball Association	\$2,750
Southern Peninsula Cancer Support Group	\$12,000
Southern Peninsula Classic & Historic Car Club	\$500
Southern Peninsula Community Care	\$500
Southern Peninsula Food For All	\$4,000
Southern Peninsula Little Athletics Centre	\$1,000
Southern Peninsula Rescue Squad	\$11,000
Southern Peninsula Toy Lending Library	\$600
Southern Umpires Association	\$2,500
St Andrew's Anglican Church	\$1,000
St Thomas Moore's Netball Club	\$500
Sthn Peninsula Indoor Bias Bowls Assoc	\$400
The Dunes Golf Club	\$500
The Portsea Camp	\$10,000
Tootgarook Cricket Club	\$500
Tootgarook Primary School	\$30,000
Victorian Farmers Federation - Peninsula	\$500
Village Glen Bowls Club	\$2,500
Vinnies Kitchen	\$4,000
Total	\$494,357

Sponsorship & donation continued

Sponsorship & donation allocation



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

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

Franchisee: Rye & District Community Financial Services
Limited
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