



Rye & District
Financial Services Ltd

ABN 67 095 766 895

**ANNUAL
REPORT
2013**

Rye & District **Community Bank**[®] Branch
Dromana **Community Bank**[®] Branch

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Chairman's report

For year ending 30 June 2013

For most businesses – both small and large – the financial year just concluded was not without its challenges.

I am pleased to report that our company, Rye & District Community Financial Services Limited, met all the challenges that befell it, overcame them and prospered.

Against a background of interest reductions by the Reserve Bank of Australia (RBA) where the cash rate fell from 3.5% to 2.75% in the course of the year, diminished consumer confidence and the uncertainty caused by the knowledge that a federal election had to be called by November 2013, trading conditions have been difficult.

Yet your company continued to grow, albeit at a slower rate than in previous years, and recorded another year of satisfactory profit.

Our revenues increased (\$3,474,340 compared to \$3,459,053 in 2011/12), our expenses fell (\$2,601,811 compared to \$2,635,663) and, consequently, our after tax profit rose to \$610,389 (compared to \$592,419).

As is detailed elsewhere in this report, our increased revenues were achieved despite a decline in deposits and the impact of two adjustments to our revenue sharing model with our partner, Bendigo and Adelaide Bank Limited. These adjustments were made in two tranches of the Bendigo Bank's "Restoring The Balance" program –the first impacting a full year of operations and the second being implemented in April 2013.

The deposit decline was a direct result of the RBA's cash rate cuts during the year which, whilst beneficial to customers with housing mortgages, caused investors to seek other avenues to secure higher income from their investment portfolio. The rise in the various indices associated with the Australian Stock Exchange provides testimony to the better yields available from investment in equities as against term deposits and this had an adverse effect on upon our deposit balances.

Thanks to the prudent cost control of our management team, expenses were held to a lower level than last year, despite a significant increase of \$80,597 in our community sponsorships and donations.

I am pleased that we have been able to return an amount of \$531,024 back to the local community in the form of grants, sponsorships and donations. Your company takes great pride in its position as one of the major philanthropic benefactors on the Mornington Peninsula.

As a company, we are indebted to the contribution made by our management team and, indeed, all our staff to our ongoing success. We thank Gary Sanford, Julie Nolo and Bronwyn Ralph and the teams that they lead for their business development prowess and for the service they provide to all of our customers.

I express my thanks to my fellow Directors for the conscientious way in which they tackle their Directors' responsibilities. Our shareholders should take great comfort in the knowledge that your Directors accept their fiduciary and statutory duties in such a professional way and are committed to acting in the best interests of the company and its shareholders.

It is a pleasure to lead such a professional and cohesive team of people and I thank them for their support.

I would also like to make special reference to our Board Assistant, Tony Harford, whose expertise and professionalism is a significant factor in the manner in which the Board complies with its statutory duties and manages the day-to-day administration of your company.

We have been extremely pleased to see construction commence on the development of our new Rosebud premises and we are excited by the opportunities we believe will become available to us, once our new Rosebud branch is fully functional.

Chairman's report (continued)

The branch will be officially opened on Tuesday 29 October 2013, immediately following the staging of our Annual General Meeting. Full details of both events will be forwarded to shareholders within the coming weeks.

We thank Bendigo and Adelaide Bank Limited for the positive way in which they engage with us in delivering the **Community Bank**[®] model to our communities. We enjoy a very special relationship with our commercial partner and thank our Regional Manager, Cora Clough, for the role she has played in overseeing the growth and development of our business. Cora is being transferred to another business unit of the Bendigo and Adelaide Bank Limited early in the new financial year and we will miss her friendship, her wise counsel and her support. We wish her well in her new role.

Again, we are indebted to the support provided to us by our shareholders and our customers. Without this support, our company would not have achieved its remarkable successes over the past 12 years.

The confidence shown to the company by these groups has enabled it to embark upon such ventures as ownership of both its Dromana and Rosebud premises, the ownership of which has had such a significant, positive impact on the company's balance sheet.

In the absence of mainstream media in our area of operation to effectively promote our company, we are very dependent on the 'word of mouth' testimony of our customers and shareholders to provide advocacy of our products and customer service standards to those members of our community who are yet to embrace the **Community Bank**[®] model. I urge all our shareholders and customers to continue to share their positive banking experiences with their families, neighbours, friends and associates.

Finally, it is my pleasant task to advise that the dividend for this year will be 7.75 cents (\$0.0775) per share, fully franked, with a record date of 27 September 2013. This is a 9.1% increase over the 2012 dividend (\$0.071) and reflects another successful year of operation. It is anticipated that dividends will be paid on Friday 1 November 2013.

We look forward to the coming year, with special anticipation of the impact of our new Rosebud Branch, and expect that the company will continue to grow its banking business and its contribution to the community of the southern Mornington Peninsula.



Shane McCarthy
Chairman

Manager's report

For year ending 30 June 2013

The 2013 financial year has presented challenges related to low interest rates.

Borrowers have benefitted from lower rates but also been conservative in their approach to increase their debts on new assets or investments. Depositors, including self-funded retirees in particular, have seen their earnings from interest reduced. This has seen many deposit customers look for higher returns rather than having their funds deposited in our branches.

Both branches have performed extremely well with lending growth above budgets but neither has achieved their budgeted deposit growth for the year.

As at 30 June 2013, we experienced growth in lending and decrease in both deposit and financial planning balances on a consolidated basis. We saw a small drop in accounts at Rye & District **Community Bank**[®] Branch from 9,618 to 9,614 and an increase at Dromana **Community Bank**[®] Branch from 4,878 to 5,028. Our combined balances totalled \$427.59 million, which included total deposits at \$205.35 million and total lending at \$212.55 million, which is the first time our lending has exceeded our deposits. This still represents a very good mix of business. Reported financial planning products under management were \$9.69 million, contributing to the overall total of \$427.59 million. These balances reflect a 4.20% decrease in deposits and a 8.56% growth in lending across the company. The balances also reflect a 6.55% decrease in financial planning products under management over the year.

Rye & District **Community Bank**[®] Branch balances as at 30 June 2013 were \$128.83 million in deposits and \$126.58 million in lending and financial planning under management at \$6.89 million. Combined balances stood at \$262.3 million, reflecting a \$1.00 million growth overall against a budget of \$10 million. However, lending growth for the year was \$12.7 million against budget of \$7.45 million with a drop in deposits of \$10.8 million. This was an excellent lending result!

Dromana **Community Bank**[®] Branch balances as at 30 June 2013 were \$76.52 million in deposits and \$85.98 million in lending and financial planning under management at \$2.79 million. Combined balances stood at \$165.29 million, reflecting an \$11.55 million growth overall against a budget of \$10.29 million. Lending growth for the year was \$9.54 million against budget of \$6.04 million with a growth in deposits of \$1.80 million, which was also an excellent lending result!

The combined business growth of \$12.56 million against combined budgeted growth of \$20.29 million is the first financial year that we have not achieved our combined budgeted target. However, considering the current economic climate, with very low investment rates, creating a difficult environment to retain and attract deposit funds, and the cautious approach towards borrowing, the overall growth achieved was a sound result.

During the review period both branches have undertaken a data cleanse process to consolidate customer details where we had the same customer with multiple customer and account numbers. This resulted in many accounts being consolidated under one customer account number. This is part of the reason why Rye & District **Community Bank**[®] Branch's overall account numbers dropped marginally during the review period.

The 2012/13 growth results reflect the maturity of both branches with Rye & District **Community Bank**[®] Branch now over 12 years old and Dromana **Community Bank**[®] Branch over six years. This makes any growth more challenging as existing customers are repaying loans and using funds invested for their own asset growth initiatives.

This makes the opening of our Rosebud **Community Bank**[®] Branch in October 2013 very exciting for our company with an anticipated growth in new customers from the local Rosebud area.

Manager's report (continued)

Board Support

We have had another year of stability and clear direction from our Board, which makes my role as Senior Manager so much easier.

I thank Shane McCarthy, Chairman and all the Directors of the Board for the trust, and respect they show me.

I would also like to acknowledge the importance of Tony Harford as the Board Administration Officer, not only for the jobs that he performs but also for the guidance and experience he provides to the Board and me.

Staff

I thank and congratulate all our staff on another very successful year, in particular, their continued engagement with the local community.

Julie Nolo, Rye & District **Community Bank**[®] Branch Manager and Bronwyn Ralph, Dromana **Community Bank**[®] Branch Manager have performed their managerial responsibilities in an exemplary fashion. They have both grown into the role of a **Community Bank**[®] Manager, which requires many hours worked outside the normal 9.00am to 5.00pm hours. I thank them for their dedication and commitment to our success.

I would like to thank Gemma Hodgson who has been my Personal Assistant since early 2011 for the support she has provided me. Gemma has also provided ongoing support to some of the Board administration functions and has worked very closely with our Company Treasurer, Pat Tonks. I congratulate her on her positive attitude to all her tasks and responsibilities.

Diane Kennedy, as our Mobile Relationship Manager, based at Rye & District **Community Bank**[®] Branch, continues to provide her customers with high levels of professional service.

Our staff at both branches have worked very well together with several moves between both sites.

I would like to thank all our staff at both branches, Elizabeth Clark, Christine Gray, Chris Broderick, Tim Ling, Patreece Topp, Melissa Bosomworth, Ann Morris, Michelle Owen, Elizabeth Cairns and Luke Sweet for their support and commitment to our success.

On 1 March 2013 we welcomed back Tara Delgrosso from maternity leave who returned to Rye & District **Community Bank**[®] Branch on a part time basis.

Two of our part time Customer Service Officers, Tyla McKinley and Deborah Harper, resigned from our company on 20 April 2013 and 10 May 2013 respectively, and I would like to thank them for their service to our company over their years of employment.

We have continued to receive strong support from our partners Bendigo and Adelaide Bank Limited, primarily through our Regional Manager, Cora Clough. I wish to thank Cora for her support of our Board, Managers and myself personally. Through Bendigo and Adelaide Bank Limited's State Support structures for lending and operations, our branches have received ongoing support which has been greatly appreciated.

Summary

As we move closer to opening our third **Community Bank**[®] branch at Rosebud, now planned to open on Monday 21 October 2013, I am pleased that we have continued to grow our two mature branches.

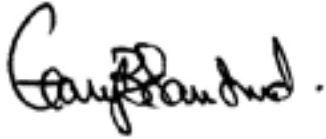
In a very competitive environment our strengths are; customer service, community engagement and a strong desire to work with and for our local community, which I believe we will assist us to grow our business in the Rosebud area.

Our existing customers remain our best source of referrals for new business growth. We must ensure we provide our customers with all their banking and finance needs providing the highest level of customer service will result in our customers recommending us to their family and friends as the best option for all their banking needs.

Manager's report (continued)

As I look to the 2014 financial year, I am excited and apprehensive about our third **Community Bank**[®] branch at Rosebud, and the challenges this will provide. We will not only grow our business, initially we will increase our group's staffing by four, which is exciting in itself.

We need to strive to be the best **Community Bank**[®] branches in the network, by providing the highest levels of customer service, and remain committed to continue our increasing engagement with the local community.

A handwritten signature in black ink that reads "Gary Sanford". The signature is written in a cursive style with a period at the end.

Gary Sanford
Senior Manager

Directors' report

For the financial year ended 30 June 2013

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

Directors

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

Shane Christopher McCarthy Lib GAICD

Chairman & Director

Occupation: Solicitor & Notary Public

Qualifications, experience and expertise: Chair, Sponsorship & Marketing Committee, 36 years experience as Legal Practitioner.

Special responsibilities: Chair of Sponsorship & Marketing

Interest in shares: 7,404

Eileen Naylor

Secretary

Occupation: Retiree

Qualifications, experience and expertise: B.A (Hons), 15 years experience Human Resource Management, Rosebud Country Club Ladies Committee Member.

Special responsibilities: Sponsorship & Marketing Committee

Interest in shares: 24,000

Andrew Ross Emerson

Director

Occupation: Home Furnishing Industry

Qualifications, experience and expertise: 40 years experience Furnishing Industry, Member Lions Club, Member Dromana Primary School Council & Dromana Gymnastics Club.

Special responsibilities: Property Maintenance

Interest in shares: 4,000

Patricia Tonks

Treasurer

Occupation: Retiree

Qualifications, experience and expertise: Former Councillor Flinders Shire, 36 years experience Business Administration and President Rye Community Centre.

Special responsibilities: Finance Committee

Interest in shares: 42,236

Barry Leonard Irving

Director

Occupation: Retiree

Qualifications, experience and expertise: Photography, 3 Terms as President Rye Rotary Club, Former Secretary Southern Peninsula Rescue Squad and 17 years experience Senior Laboratory Craftsman with C.S.I.R.O.

Special responsibilities: Marketing, Promotion & Advertising

Interest in shares: 3,600

Gary Michael Cain

Director

Occupation: Accountant, CPA

Qualifications, experience and expertise: CPA Qualified and Former President Rosebud Football Club Inc.

Special responsibilities: Finance Committee

Interest in shares: 5,000

Directors' report (continued)

Directors (continued)

Stephen Bernard Edmund

Director & Deputy Chairman

Occupation: Real Estate Agent

Qualifications, experience and expertise: 23 years experience Retail Hardware, previously served on National Marketing Committee of Home Hardware, Paul Harris Fellowship of Rotary Club Dromana and Chairman Dromana Chamber of Commerce.

Special responsibilities: Deputy Chairman & Marketing Committee

Interest in shares: 7,200

Dorothy Mortlock

Director

Occupation: Retiree

Qualifications, experience and expertise: Former President Rosebud Country Club, Secretary Peninsula Community Fund Inc and Volunteer Peninsula Health.

Special responsibilities: Governance Committee

Interest in shares: 3,000

Janet Iris Hall

Director

Occupation: Interior Decorator

Qualifications, experience and expertise: 30 years experience and Sole Operator of Interior Decorating and Chairperson Southern Mornington Peninsula Uniting Church.

Special responsibilities: Governance Committee

Interest in shares: 4,800

Vincent de Paul Cheers

Director (appointed 24th July 2012)

Occupation: Managing Director

Qualifications, experience and expertise: Has successfully run small businesses for the past thirty years. Currently runs a successful waste and recycling business on the Mornington Peninsula, employing over 30 staff. President of St Francois Foundation, a voluntary not-for-profit NGO serving medical and educational needs in Papua New Guinea.

Special responsibilities: Sponsorship & Marketing Committee

Interest in shares: Nil

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Eileen Naylor. Eileen was appointed to the position of secretary on 24th November 2004. Eileen completed a Bachelor of Arts with Honours in 1969 and has 15 years experience in Human Resources Management.

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 franchised branches of Bendigo and Adelaide Bank Limited.

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

Directors' report (continued)

Operating Results

Operations have continued to perform in line with expectations. The profit/(loss) of the company for the financial year after provision for income tax was:

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
	610,389	592,419

Operating and Financial Review

Operations

Rye & District Community Financial Services Limited is a public company listed on the National Stock Exchange of Australia (NSX) and is a franchisee of the Bendigo and Adelaide Bank Limited (BBL), operating Bendigo Bank **Community Bank**[®] branches in Rye and Dromana on Victoria's Mornington Peninsula.

Established in 2001 in Rye, the company has continued to grow into a pre-eminent position among Bendigo Bank **Community Bank**[®] branches in Australia, opening its Dromana Branch in 2007 – the 200th **Community Bank**[®] Branch in the Bendigo Bank network.

The company will open its third branch at 1087 Point Nepean Road in Rosebud on Monday 21 October 2013.

The branches of the Bendigo Bank **Community Bank**[®] branch operated by the company offer an extensive range of Bendigo Bank products and derive income in six ways:

- Fees
- Margin Income
- Up Front Commissions
- Trailer Commissions
- Interest
- Market Development Fund contributions from BBL

The rates of fees, margins and commissions are determined by BBL as specified in the Franchise Agreement and its various amendments issued from time to time, existing between BBL and the company. It is the objective of this agreement to share margin income from eligible products equally between the company and BBL.

The Franchise Agreement provides for a tenure of 5 years (initial term) x 5 years (1st Renewal period) x 5 years (2nd Renewal Period). The company is currently in the 1st Renewal Period which expires on 30 April 2016.

The company entertains reasonable expectations that this Franchise Agreement will be renewed at the completion of the 2nd Renewal Period, being 30 April 2021.

The year under review produced some of the most challenging trading conditions since the company was formed in 2001.

The lingering effects of the Global Financial Crisis, the ongoing reduction of the cash rate by the Reserve Bank of Australia and the improved performance of the Australian equity markets placed great stress upon the company's ability to retain and increase its deposit base and to maintain margin on its lending operations.

Nevertheless, the total of funds under management rose to \$427,586,366 as at 30th June 2013 compared with an amount of \$415,026,718 for the previous year.

The changed market conditions were evident by comparing the change in loan and deposit funds year on year.

Directors' report (continued)

Operating and Financial Review (continued)

Operations (continued)

Loan funds recorded an increase of \$21,116,058 whilst deposit funds decreased by \$9,003,813. Other financial products increased by a slim margin of \$447,403.

Undoubtedly, the strength of the company lies in the staff it employs and the customer service they deliver.

Staff numbers have remained relatively stable during the year, with only two resignations being recorded from a staff strength of 17 employees. Both resignations were unavoidable, with one transferring to a Bendigo Bank branch in Melbourne and the other as a result of family circumstances. Both employees would be willingly re-engaged should their circumstances alter.

The company is proud of its ability to support 120 community organisations by way of its grants, donations and sponsorships which, this year, amounted to \$530,652. This brings total donations to the community since the inception of the business to an amount in excess of \$4 million.

Financial

The company's revenue continues to grow to record levels, achieving \$3,486,168 during the 2012-2013 financial year – an increase of 0.8% over the previous year.

Due to effective cost control by our management team, expenses actually fell during the year from \$2.635million in 2012 to \$2.613million in 2013.

Revenue recorded an increase of 0.8% during the year, whilst profit increased by 3.03%.

The impact of rising revenue and decreased costs provided the company with a record after tax profit of \$610,389 – up from \$592,419 in the previous year.

This increase in profit is even more remarkable given the difficult trading conditions and, more particularly, when compared with the growth in profit since 2005, as is evidenced from the table below. To increase profit from \$86,202 in 2005 to \$610,389 in 2013 – a period of nine years – is a remarkable achievement and is testimony to the efforts of our staff and to the loyalty and support of our customers.

After Tax Profit Performance 2005 - 2013									
	2013	2012	2011	2010	2009	2008	2007	2006	2005
After-tax profit/(loss)	\$610,389	\$592,419	\$543,969	\$445,806	\$169,150	\$94,257	(\$13,427)	\$28,114	\$86,202

During the year, our partner BBL introduced the second phase of its program "Restoring the Balance", a program whereby the margins afforded to its **Community Bank**[®] partners were reduced to better reflect the even split intended under the Franchise Agreement. (The split had become unbalanced in the wake of the Global Financial Crisis and was in need of adjustment).

This decision, whilst understandable and in the best interests of all parties, still had a considerable adverse impact upon our revenue during the year, and with the second wave of adjustment – Restoring The Balance Mk II – being implemented in April 2013, will continue to challenge our revenue earning capabilities for the coming years.

The company's Balance Sheet continued to strengthen during the year, due largely to the increase in equity caused by retained profits from earlier years.

Retained earnings rose from \$1.272 million to \$1.674 million resulting in an increase in net assets from \$2.572 million to \$2.974 million – reflecting increased shareholder value.

Directors' report (continued)

Operating and Financial Review (continued)

Financial (continued)

Accordingly, the company has been able to increase its dividend rate from \$0.071 in 2012 to \$0.0775 for the current year – a 9.2% increase.

The escalating rate of fully franked dividend payments is shown on the table below:

Dividend Distributions 2007-2013							
	2013	2012	2011	2010	2009	2008	2007
Dividend per share	7.75c	7.1c	6.7c	6.5c	4.5c	2.0c	3.0c
Total dividends paid	\$227,199	\$208,144	\$196,417	\$190,554	\$131,922	\$58,632	\$87,948

Business Strategies

The company awaits, with great expectation, the opening of its third branch in Rosebud on 21 October 2013.

The establishment of a **Community Bank**[®] branch in Rosebud is the culmination of a long term strategic plan developed by directors in 2008 and was seen as both an offensive and defensive strategy to protect and grow the company's presence on the southern Mornington Peninsula, now stretching from Dromana to Rye.

However, with its opening, the geographic opportunities for company expansion in the southern peninsula area become severely restricted and future growth will become dependent on organic, rather than territorial, growth.

There is great scope to increase the company's market share within its region as well as increasing the number of products utilised or purchased by its existing customers. These will continue to be explored.

The company's involvement with local sport, utilising the advertising and marketing opportunities it affords, will continue to be an area of focus. Directors see this involvement as a means by which the **Community Bank**[®] message can be relayed to a wide section of the community, particularly given the involvement of local youth, our future customers.

The company is also pursuing a strategy of acquiring the premises from which it operates and is doing so with the approval of our partner, BBL, as is required under the terms of the Franchise Agreement.

It already owns the building in which its Dromana Branch is located as it will the new premises at Rosebud.

It has secured an option to purchase the space it currently utilises for its Rye Branch at an agreed price. This option is one which the board intends to exercise within the terms of the option agreement.

Ownership of our branch premises gives us security of tenure not normally available to other businesses of our type and is seen as a way of ensuring the maintenance and growth in shareholder value.

It is our strategic objective to ensure that future ownership of these premises and the reduction of any debt associated with them, will enable us to significantly increase our investment into our community and to provide a major contribution to the funding of a significant piece of infrastructure to meet the needs of the community of our immediate catchment area.

Prospects for Future Financial Years

External circumstances are likely to continue to impact the operations of your company within the next financial year.

Speculation persists that the Reserve Bank has another cash rate cut to implement during the current financial year which, if implemented, would create the lowest official interest rate in Australia's history.

Directors' report (continued)

Operating and Financial Review (continued)

Prospects for Future Financial Years (continued)

Even if this cut fails to materialise, the behaviour of borrowers will most likely remain cautious, creating further uncertainty in the minds of consumers.

A further rate cut, whilst advantageous to those with home mortgages, may cause a change in the mix of fixed versus variable interest rate borrowers. Any such change has the capability of moving our revenue stream from a margin share to a commission share with adverse consequences.

As the Australian equity market continues to strengthen, the flight of investment funds from term deposits to equities will continue, with the potential of further erosion to our deposit base.

Until such time as it establishes a new customer base, the new Rosebud branch will be a drain on our expenditure during the coming year. There will be a component of fixed expenditure that will be unavoidable during the start up phase of the new branch and will be a drain on the company's profit earning capability in 2013-2014.

Additionally, the company's revenue will have been subjected to a full year under the BBL 'Restoring The Balance Mk II' program, as opposed to the three months of exposure in 2013.

These circumstances have been factored into the approved budgets for the company for the coming year.

Your directors have approved the budget providing for another profitable year but in all likelihood, at a level marginally lower than the year under review.

Operational focus will be on increasing the lending activity in all branches with an emphasis on business banking. It is this market segment that has driven much of the company's growth in recent years.

Once the new branch in Rosebud has established itself and attracts a platform of new business to the company, subject to no other fiscal phenomenon such as the Global Financial Crisis, your directors remain confident that the future prospects for the company remain positive.

The company remains hostage to growth and all shareholders and customers are urged to maintain their word of mouth endorsement of their banking experience with our branches in Rye, Dromana and Rosebud to ensure that our market share continues to expand for the coming year and the years to come.

Remuneration Report

Remuneration Policy

The remuneration policy of Rye & District Community Financial Services Limited has been designed to align to key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the company's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

Key Management Personnel Remuneration Policy

Key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the board's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long-term growth in shareholders wealth.

Directors' report (continued)

Remuneration Report (continued)

Key Management Personnel Remuneration Policy (continued)

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Employment agreements were entered into with key management personnel.

Remuneration Structure

All directors are independent non-executive Directors and are paid Directors' fees as disclosed below.

Non-executive director remuneration policy

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on market practices, duties and accountability.

The maximum aggregate amount of fees that can be paid to non-executive Directors requires approval by shareholders as required by the Corporations Act 2001 and NSX listing rules.

Fees for non-executive Directors are not linked to the performance of the Company.

Performance based remuneration

The key performance indicators (KPIs) are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

The Company does not pay performance based remuneration to any Director.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Performance-based bonus is based on the achievement of KPIs as disclosed above.

The Senior Manager is paid a base salary, which is between \$130,000 and \$145,000 plus the use of a company car. In addition the Senior Manager receives a bonus if the company exceeds the performance criteria established by the Board. The bonus is subject to the board's review of performance and will be in the range of \$5,000 to \$10,000.

Directors' report (continued)

Remuneration Report (continued)

Company performance, shareholder wealth and director's and executives' remuneration

The following table shows the gross revenue, profits and dividends for the last six years of the entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows excellent growth in revenue, increased payments to community groups and projects as well as consistent returns to shareholders. The company share price at the end of the 2011/2012 financial year is a reflection of the company performance and growth, as well as recognition of the strengthening of the Company's balance sheet. The board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall trend in shareholder wealth over the past five years.

	2013	2012	2011	2010	2009	2008
Revenue	3,486,168	3,459,053	3,218,264	2,760,156	2,339,744	1,979,714
Net Profit	610,389	592,419	543,969	445,806	169,150	94,257
Share price at Year End	1.05	1.10	0.80	1.20	0.95	1.00
Dividend paid per share	7.75c	7.1c	6.7c	6.5c	4.5c	2.0c
Gross dividend paid	227,199	208,144	196,418	190,554	131,922	58,632

Directors' Remuneration

For the year ended 30 June 2013, the directors received total remuneration, as follows:

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

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

Directors' report (continued)

Remuneration Report (continued)

Options issued as part of remuneration for the year ended 30 June 2013

No options have been issued as part of remuneration for the year ended 30 June 2013.

Employment Contracts for Directors

There are no employment contracts for Directors.

Dividends

	Year Ended 30 June 2013	
	Cents	\$
Final dividends recommended:	7.75c	227,199
Dividends paid in the year:		
- As recommended in the prior year report	7.1c	208,144

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Year

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.

It is with keen anticipation that the directors await the opening of our third branch in Rosebud. The branch is located at 1087 Point Nepean Road in Rosebud in a building development being undertaken by your company to enhance our balance sheet and to ensure permanency of tenure. The new branch will be open on Monday 21st October and will be open for business between 9.00am and 5.00pm Monday to Friday and from 9.00am to midday on Saturdays. The official opening of the branch will be conducted on Tuesday 29th October at 12noon, immediately following the 2013 Annual General Meeting being held at the Rosebud Memorial Hall.

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 21 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.

Directors' report (continued)

Indemnification and Insurance of Directors and Officers

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

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

Directors' Meetings

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

	Board Meetings Attended		Committee Meetings Attended					
			Audit & Governance		Sponsorship & Marketing		Finance	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Shane Christopher McCarthy	13	10	-	-	11	9	-	-
Patricia Tonks	13	12	-	-	-	-	2	2
Eileen Naylor	13	11	-	-	11	7	-	-
Barry Leonard Irving	13	11	-	-	-	-	-	-
Andrew Ross Emerson	13	11	-	-	-	-	-	-
Gary Michael Cain	13	8	-	-	-	-	2	2
Stephen Bernard Edmund	13	12	-	-	-	-	-	-
Dorothy Mortlock	13	11	4	4	-	-	-	-
Janet Iris Hall	13	11	4	4	-	-	-	-
Vincent de Paul Cheers	12	12	-	-	5	5	-	-

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.

Directors' report (continued)

Non Audit Services (continued)

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

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

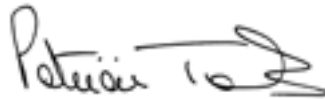
Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

Signed in accordance with a resolution of the board of directors on 19 September 2013.



**Shane Christopher McCarthy Lib GAICD,
Chairman**



**Patricia Tonks,
Director**

Auditor's independence declaration



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 2013 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'David Hutchings', is written over a light blue horizontal line.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 19 September 2013

Liability limited by a scheme approved under Professional Standards Legislation. ABRN 51 961 290 207.

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Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Revenues from ordinary activities	4	3,486,168	3,459,053
Employee benefits expense		(1,287,672)	(1,383,327)
Charitable donations, sponsorship, advertising and promotion		(595,725)	(506,682)
Occupancy and associated costs		(185,293)	(189,860)
Systems costs		(133,818)	(152,358)
Depreciation and amortisation expense	5	(89,618)	(92,870)
Finance costs	5	(98,905)	(101,369)
General administration expenses		(222,518)	(209,197)
Profit before income tax expense		872,619	823,390
Income tax expense	6	(262,230)	(230,971)
Profit after income tax expense		610,389	592,419
Total comprehensive income for the year		610,389	592,419
Earnings per share (cents per share)		c	c
- basic for profit for the year	23	20.82	20.21

The accompanying notes form part of these financial statements.

Financial statements (continued)

Balance Sheet as at 30 June 2013

	Note	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	761,224	779,715
Trade and other receivables	8	289,897	297,265
Total Current Assets		1,051,121	1,076,980
Non-Current Assets			
Property, plant and equipment	9	3,508,084	2,998,683
Financial assets	10	10,000	10,000
Intangible assets	11	67,661	91,546
Deferred tax assets	12	39,217	43,178
Total Non-Current Assets		3,624,962	3,143,407
Total Assets		4,676,083	4,220,387
LIABILITIES			
Current Liabilities			
Trade and other payables	13	122,134	92,064
Current tax liabilities	12	52,358	70,623
Borrowings	14	224,032	219,085
Provisions	15	101,114	116,143
Total Current Liabilities		499,638	497,915
Non-Current Liabilities			
Borrowings	14	1,159,007	1,105,920
Provisions	15	43,676	44,950
Total Non-Current Liabilities		1,202,683	1,150,870
Total Liabilities		1,702,321	1,648,785
Net Assets		2,973,762	2,571,602
Equity			
Issued capital	16	1,299,400	1,299,400
Retained earnings	17	1,674,362	1,272,202
Total Equity		2,973,762	2,571,602

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the Year Ended 30 June 2013

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2011	1,299,400	876,201	2,175,601
Total comprehensive income for the year	-	592,419	592,419
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(196,418)	(196,418)
Balance at 30 June 2012	1,299,400	1,272,202	2,571,602
Balance at 1 July 2012	1,299,400	1,272,202	2,571,602
Total comprehensive income for the year	-	610,389	610,389
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(208,229)	(208,229)
Balance at 30 June 2013	1,299,400	1,674,362	2,973,762

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cashflows for the Year Ended 30 June 2013

	Note	2013 \$	2012 \$
Cash Flows From Operating Activities			
Receipts from customers		3,450,655	3,403,249
Payments to suppliers and employees		(2,473,087)	(2,360,753)
Interest received		40,006	28,434
Interest paid		(98,806)	(101,369)
Income taxes paid		(276,534)	(238,495)
Net cash provided by operating activities	18	642,234	731,066
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(520,927)	(327,338)
Payments for office furniture and equipment		(512)	(2,208)
Proceeds from sale of property, plant and equipment		10,908	-
Net cash used in investing activities		(510,531)	(329,546)
Cash Flows From Financing Activities			
Proceeds from borrowings		185,980	217,000
Repayment of borrowings		(127,945)	(152,836)
Dividends paid		(208,229)	(196,418)
Net cash used in financing activities		(150,194)	(132,254)
Net increase/(decrease) in cash held		(18,491)	269,266
Cash and cash equivalents at the beginning of the financial year		779,715	510,449
Cash and cash equivalents at the end of the financial year	7(a)	761,224	779,715

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended Accounting Standards

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

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

The branches operate as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**[®] branches on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**[®] branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

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

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**[®] branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

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

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**[®] partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**[®] companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

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

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

h) Intangibles

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

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Notes to the financial statements (continued)

Note 2. Financial Risk Management

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

Risk management is carried out directly by the board of directors.

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) Capital management

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

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

(i) the distribution limit is the greater of:

(a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Notes to the financial statements (continued)

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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 2013 can be seen in the statement of comprehensive income.

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

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

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

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

Estimation of useful lives of assets

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

Notes to the financial statements (continued)

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets

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

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

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

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

	2013 \$	2012 \$
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	3,438,403	3,377,359
- other revenue	-	1,710
Total revenue from operating activities	3,438,403	3,379,069
Non-operating activities:		
- interest received	39,672	28,434
- rental revenue	5,593	51,550
- other revenue	2,500	-
Total revenue from non-operating activities	47,765	79,984
Total revenues from ordinary activities	3,486,168	3,459,053

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 5. Expenses			
Depreciation of non-current assets:			
- motor vehicles		13,216	11,705
- office furniture and equipment		4,574	4,530
- leasehold improvements		47,943	52,750
Amortisation of non-current assets:			
- franchise agreement		4,314	4,314
- franchise renewal fee		19,571	19,571
		89,618	92,870
Finance costs:			
- interest paid		98,905	101,369
Bad debts		5,310	7,001
Loss on disposal of non current assets		11,738	-

Note 6. Income Tax Expense

The components of tax expense comprise:

- Current tax		258,270	258,050
- Future income tax benefit attributed to losses		-	-
- Movement in deferred tax		3,960	(10,882)
- Recoup of prior year tax loss		-	-
- Amendments to tax from prior periods		-	(16,197)
		262,230	230,971

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

Operating profit		872,619	823,390
Prima facie tax on profit from ordinary activities at 30%		261,786	247,017
Add tax effect of:			
- non-deductible expenses		975	1,569
- timing difference expenses		(3,960)	10,681
- other deductible expenses		(531)	(1,217)
		258,270	258,050
Movement in deferred tax	12	3,960	(10,882)
Over provision of income tax in the prior year		-	(16,197)
		262,230	230,971

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 7. Cash and Cash Equivalents		
Cash at bank and on hand	25,142	46,950
Term deposits	736,082	732,765
	761,224	779,715

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

Note 7.(a) Reconciliation of cash

Cash at bank and on hand	25,142	46,950
Term deposits	736,082	732,765
	761,224	779,715

Note 8. Trade and Other Receivables

Trade receivables	273,350	277,843
Prepayments	16,547	19,422
	289,897	297,265

Note 9. Property, Plant and Equipment

Land & Buildings

At cost	3,385,055	2,849,538
Less accumulated depreciation	(227,553)	(198,173)
	3,157,502	2,651,365

Motor Vehicles

At cost	92,617	96,877
Less accumulated depreciation	(26,861)	(54,269)
	65,756	42,608

Office Furniture & Equipment

At cost	71,182	67,929
Less accumulated depreciation	(38,276)	(33,702)
	32,906	34,227

Leasehold improvements

At cost	302,018	302,018
Less accumulated depreciation	(50,098)	(31,535)
	251,920	270,483

Total written down amount	3,508,084	2,998,683
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Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 9. Property, Plant and Equipment (continued)		
Movements in carrying amounts:		
Land & Buildings		
Carrying amount at beginning	2,651,365	2,657,967
Additions	535,517	25,119
Disposals	-	-
Less: depreciation expense	(29,380)	(31,721)
Carrying amount at end	3,157,502	2,651,365
Motor Vehicles		
Carrying amount at beginning	42,608	54,313
Additions	59,012	-
Disposals	(22,646)	-
Less: depreciation expense	(13,216)	(11,705)
Carrying amount at end	65,758	42,608
Office Furniture and equipment		
Carrying amount at beginning	34,227	34,330
Additions	3,251	4,427
Disposals	-	-
Less: depreciation expense	(4,574)	(4,530)
Carrying amount at end	32,904	34,227
Leasehold improvements		
Carrying amount at beginning	270,483	291,512
Additions	-	-
Disposals	-	-
Less: depreciation expense	(18,563)	(21,029)
Carrying amount at end	251,920	270,483
Total written down amount	3,508,084	2,998,683

Note 10. Financial Assets

Loan - Edenhope & District Financial Services Limited	10,000	10,000
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The loan is an interest free loan with repayment of the principal due five years from the date of the loan agreement, being 27 March 2017.

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 11. Intangible Assets		
Franchise fee		
At cost	129,570	129,570
Less: accumulated amortisation	(117,349)	(113,035)
	12,221	16,535
Establishment/Renewal processing fee		
At cost	97,853	97,853
Less: accumulated amortisation	(42,413)	(22,842)
	55,440	75,011
Total written down amount	67,661	91,546

Note 12. Tax

Current:

Income tax payable	52,358	70,623
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Non-Current:

Deferred tax assets

- accruals	100	-
- employee provisions	43,437	48,354
- tax losses carried forward		
	43,537	48,354

Deferred tax liability

- accruals	-	23
- deductible prepayments	4,320	5,153
	4,320	5,176

Net deferred tax asset	39,217	43,178
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Movement in deferred tax charged to statement of comprehensive income	3,961	(10,883)
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Note 13. Trade and Other Payables

Trade creditors	86,962	1,700
Other creditors and accruals	35,172	90,364
	122,134	92,064

Notes to the financial statements (continued)

	Note	2013 \$	2012 \$
Note 14. Borrowings			
Current:			
Lease liability	19	15,560	-
Bank loans		208,472	219,085
		224,032	219,085
Non-Current:			
Lease liability	19	41,432	-
Bank loans		1,117,575	1,105,920
		1,159,007	1,105,920

Bank loans are repayable monthly with the final instalment due on 22nd May 2016. Interest is recognised at an average rate of 8.48% (2012: 7.56%). The loans are secured by a fixed and floating charge over the company's assets.

The Honda Civic's x 2 chattel mortgage, which commenced in 2013, are 4-year contracts. Interest is recognised at an average rate of 5.65% .

Note 15. Provisions

Current:			
Provision for dividend		-	(86)
Provision for annual leave		40,750	53,578
Provision for long service leave		60,364	62,651
		101,114	116,143
Non-Current:			
Provision for long service leave		43,676	44,950

Note 16. Contributed Equity

2,931,605 Ordinary shares fully paid (2012: 2,931,605)		1,340,732	1,340,732
Less: equity raising expenses		(41,332)	(41,332)
		1,299,400	1,299,400

Notes to the financial statements (continued)

Note 16. Contributed Equity (continued)

Rights attached to shares

(a) Voting rights

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

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

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

(b) Dividends

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

(c) Transfer

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

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

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 270. As at the date of this report, the company had 522 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.

Notes to the financial statements (continued)

Note 16. Contributed Equity (continued)

Prohibited shareholding interest (continued)

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

The National Stock Exchange (NSX) 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 NSX.

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

	2013 \$	2012 \$
Note 17. Retained Earnings		
Balance at the beginning of the financial year	1,272,202	876,201
Net profit from ordinary activities after income tax	610,389	592,419
Dividends paid or provided for	(208,229)	(196,418)
Balance at the end of the financial year	1,674,362	1,272,202

Note 18. Statement of Cashflows

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

Profit from ordinary activities after income tax	610,389	592,419
Non cash items:		
- depreciation	65,733	68,985
- amortisation	23,885	23,885
- loss on sale of assets	11,738	-

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 18. Statement of Cashflows (continued)		
Changes in assets and liabilities:		
- (increase)/decrease in receivables	4,493	(27,370)
- (increase)/decrease in other assets	6,836	(7,524)
- increase/(decrease) in payables	(46,272)	59,000
-increase/(decrease) in provisions	(16,303)	38,391
-increase/(decrease) in current tax liabilities	(18,265)	(16,720)
Net cashflows provided by operating activities	642,234	731,066

Note 19. Leases

Finance lease commitments

Payable - minimum lease payments		
- not later than 12 months	18,382	-
- between 12 months and 5 years	44,422	-
- greater than 5 years	-	-
Minimum lease payments	62,804	-
Less future finance charges	(5,812)	-
Present value of minimum lease payments	56,992	-

The Honda Civic's x 2 chattel mortgage, which commenced in 2013, are 4-year contracts. Interest is recognised at an average rate of 5.65% .

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments		
- not later than 12 months	84,000	84,000
- between 12 months and 5 years	133,000	217,000
- greater than 5 years	-	-
	217,000	301,000

The Rye Rental lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance.

Notes to the financial statements (continued)

	2013	2012
	\$	\$
Note 20. Auditors' Remuneration		
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	6,458	7,131
- share registry services	-	-
- non audit services	420	1,944
	6,878	9,075

Note 21. Director and Related Party Disclosures

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

Shane Christopher McCarthy
Patricia Tonks
Eileen Naylor
Barry Irving
Andrew Ross Emerson
Janet Iris Hall
Stephen Bernard Edmund
Gary Michael Cain
Dorothy Mortlock
Vincent de Paul Cheers

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 9.25% 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 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 and are outlined below:

Shane McCarthy is a director of McCarthy Partners Solicitors which supplied the company with legal services during the financial year. During the financial year the total benefit received by McCarthy Partners Solicitors was \$Nil (2012 \$4,105).

No director or related entity has entered into a material contract with the company.

Notes to the financial statements (continued)

Note 21. Director and Related Party Disclosures (continued)

Directors Shareholdings	2013	2012
Shane Christopher McCarthy	7,404	7,404
Patricia Tonks	42,236	42,236
Eileen Naylor	24,000	24,000
Barry Irving	3,600	4,100
Andrew Ross Emerson	4,000	4,000
Janet Iris Hall	4,800	4,800
Stephen Bernard Edmund	7,200	7,200
Gary Michael Cain	5,000	5,000
Dorothy Mortlock	3,000	-
Vincent de Paul Cheers	-	-

There was movement in directors shareholdings during the year.

	2013	2012
	\$	\$

Note 22. Dividends Paid or Provided

a. Dividends paid during the year

Prior year proposed final		
100% (2012: 100%) franked dividend - 7.1 cents (2012: 6.7 cents) per share	208,144	196,418

b. Dividends proposed and not recognised as a liability

Current year final dividend		
100% (2012: 100%) franked dividend - 7.75 cents (2012: 7.1 cents) per share	227,199	208,144

The tax rate at which dividends have been franked is 30% (2012: 30%).

Dividends proposed will be franked at a rate of 30% (2012: 30%).

Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 22. Dividends Paid or Provided (continued)		
c. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	779,421	592,091
- franking credits that will arise from payment of income tax payable as at the end of the financial year	52,358	70,623
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	831,779	662,714
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	(97,371)	(89,205)
Net franking credits available	734,408	573,509

Note 23. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	610,389	592,419
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,931,605	2,931,605

Note 24. Events Occurring After the Balance Sheet Date

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

Note 25. Contingent Liabilities

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

Note 26. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services in Rye District pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Notes to the financial statements (continued)

2013
\$ **2012**
\$

Note 27. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
Rye & District Community Financial Services Ltd 2271 Point Nepean Road Rye Vic 3941	Rye & District Community Financial Services Ltd 2271 Point Nepean Road Rye Vic 3941
	Rye & District Community Financial Services Ltd 239 Point Nepean Road Dromana Vic 3936

Note 28. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 %	2012 %
Financial Assets												
Cash and cash equivalents	148,176	171,639	612,573	668,828	-	-	-	-	475	475	3.74	0.00
Receivables	-	-	-	-	-	-	-	-	272,092	276,251	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	15,560	-	41,432	-	1,325,847	1,324,806	-	-	8.48	0.00
Payables	-	-	-	-	-	-	-	-	111,466	32,971	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 2013 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 AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



**Shane Christopher McCarthy Lib GAICD,
Chairman**

Signed 19 September 2013.

Independent audit report



Independent auditor's report to the members of Rye & District Community Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Rye & District Community Financial Services Limited, which comprises the balance sheet as at 30 June 2013, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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. BBN 01 063 795 027

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TAXATION - AUDIT - BUSINESS SERVICES - FINANCIAL PLANNING

Independent audit report (continued)

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:


- 1) The financial report of Rye & District Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2013 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.



David Hutchings

Andrew Frewin Stewart

61 Bull Street Bendigo Vic 3550

Dated: 19 September 2013

NSX report

Share Information

In accordance with National Stock Exchange of Australia listing rules, the company provides the following information as at 13 September 2013, 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	84
1,001 to 5,000	321
5,001 to 10,000	63
10,001 to 100,000	56
100,001 and over	1
Total shareholders	525

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 2 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.

The following table shows the 10 largest shareholders.

Shareholder	Number of shares	Percentage of capital
Planned Living Pty Ltd <Superannuation Fund A/C>	101,000	3.45
Thomas Leigh Atf The Waring Superannuation Fund	80,400	2.74
John Leonard Seeber	60,000	2.05
Bernard Wilfred & Patricia Tonks	42,236	1.44
Kadan Superannuation Pty Ltd	39,199	1.34
Louise Rose Whitehead	35,088	1.20
Fund Raising Management Services Pty Ltd as trustee for <Trevorrow Superannuation Fund A/C>	34,000	1.16
Kenneth Jack & Gloria Peggy Spinner	32,000	1.09
James Lyndon Naylor	26,000	0.89
Richard Gorman & Marilla Gorman as trustee for <Gorman Super Fund A/C>	26,000	0.89
	475,923	16.25

NSX report (continued)

Registered office and principal administrative office

The registered office of the company is located at:

2271 Point Nepean Road,
Rye, Victoria 3941
Phone: 03 5985 9755

The principal administrative office of the company is located at:

239 Point Nepean Road,
Dromana, Victoria 3936
Phone: 03 5987 0754

Security register

The security register (share register) is kept at:

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

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 & Governance 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 allocations

Community Group/recipient	Total investment
1st Tootgarook Scout Group	\$840
ABCD Inc Dromana	\$500
Anglican Parish of St Mark's Dromana	\$750
Art Red Hill	\$500
B&ABL Business Awards Sponsorship	\$1,200
BBL Joint Sponsorship Committee	\$3,700
Blairgowrie Tennis Club	\$1,000
Boneo Primary School	\$5,000
Boneo Tennis Club	\$1,000
Braden G & Tyson G – Rye Primary School	\$500
Capel Sound Foreshores Committee of Management	\$2,000
Caroline Chisholm Education Foundation	\$20,000
Carrington Park Golf Club	\$200
Chaplaincy C'tee – Rosebud Secondary College	\$7,500
Community Enterprise Foundation	\$50,000
Dromana Art & Craft Show	\$1,500
Dromana Bay Life Saving Club	\$1,800
Dromana Bowls Club	\$3,000
Dromana Chaplaincy Committee	\$2,500
Dromana Fire Brigade	\$8,000
Dromana Football & Netball Club	\$10,000
Dromana JFC	\$3,000
Dromana Potters' Group Inc	\$500
Dromana Sea Scouts	\$1,545
Dromana Secondary College	\$5,000
Dromana Tennis Club	\$1,000
Dromana Valley Probus Club	\$560
Eastbourne Primary School	\$8,000
Fight 4 Life Youth Club	\$500
Fit 2 Drive - Arthurs Seat Challenge	\$7,200
Flinders Bowls Division	\$2,500
Flinders District Lions Club	\$2,000
Ingham Growers Association	\$1,800
Learn Local Mornington Peninsula	\$3,500

Community Group/recipient	Total investment
Light Up Autism Foundation	\$10,000
Lions Club of McCrae & District	\$1,000
Main Ridge Cricket Club	\$2,000
Marine Alliance Expo	\$926
McCrae Yacht Club	\$2,500
Morn Pen & Frankston Business Excellence Awards	\$1,000
Mornington Peninsula Cricket Assoc	\$11,000
Mornington Peninsula Junior Football League	\$8,250
Mornington Peninsula Nepean Football League	\$11,000
Mornington Peninsula Shire	\$5,250
MPCA / 3RPP	\$800
MPJFL Youth Girls Team	\$2,500
National Seniors Australia Morn Pen Branch	\$500
National Servicemen's Association	\$500
Nepean Netball Association	\$5,000
Peninsula Magpies Supporters Club	\$500
Peninsula Speaks	\$500
Red Hill Consolidated School	\$8,400
Red Hill Country Music Festival	\$1,500
Red Hill District Lions Club	\$895
Red Hill Football Club	\$10,000
Red Hill Gardening Society	\$1,500
Rosebud Bowls Club	\$3,000
Rosebud Country Club Bowls Division	\$3,000
Rosebud Cricket Club	\$1,000
Rosebud Football Netball Club	\$10,000
Rosebud Junior Football Club	\$3,000
Rosebud Police Senior Citizens Register	\$2,370
Rosebud Rock 'n Rod Festival	\$500
Rosebud Rockers	\$500
Rosebud Soccer Club	\$2,000
Rosebud Tennis Club	\$1,000
Rosebud West Community Hub	\$2,000
Rosebud West Women's Drawing Group	\$500

Sponsorship allocations (continued)

Community Group/recipient	Total investment
Rotary Club of Sorrento	\$2,000
Rye Beach Community Centre	\$500
Rye Beach Probus Club	\$2,619
Rye Business Awards & Customer Service Award	\$2,000
Rye Cemetery Trust	\$2,200
Rye Cricket Club	\$3,000
Rye Football Club Annual Golf Day	\$540
Rye Football Netball Club	\$10,540
Rye Junior Football Club	\$3,000
Rye Pre-school	\$1,178
Rye Primary School	\$5,000
Rye RSL Cheviot Club	\$500
Rye Sports & Social Club	\$5,000
Rye Tennis Club	\$1,000
Rye Yacht Club	\$2,500
Rye's Up Playground	\$50,000
Safety Beach – Dromana Men's Shed	\$500
Safety Beach Golf Club	\$2,000
Sorrento Bowls Club	\$3,000
Sorrento Cricket Club	\$2,000
Sorrento Football Club	\$10,000
Sorrento JFC	\$3,000
Sorrento Netball Club	\$1,000
Sorrento/Blairstown Play Group	\$500
Sorrento/Portsea RSL Bowls Club	\$500
Southern Mornington Peninsula Uniting Church	\$750
Southern Peninsula Basketball Assoc	\$10,000
Southern Peninsula Little Athletics Centre	\$1,000
St Andrews Beach Petanque Club	\$500
St Vincent de Paul Rye	\$4,000
Sthn Pen Classic & Historic Car Club	\$500
Sthn Pen Food for All	\$4,800
Sthn Peninsula Cancer Support Centre	\$12,000
Sthn Peninsula Indoor Bias Bowls Association	\$400
Studio 13 & Friends	\$500

Community Group/recipient	Total investment
Studio Sorrento	\$500
Studio Sorrento Players	\$500
The Briars School Environment Week	\$1,000
The Studio@Flinders Gallery	\$500
The Village Glen Bowls Club	\$3,000
The Village Glen Fidelity Club	\$500
The Village Glen Golf Club	\$2,500
Tootgarook Cricket Club	\$1,000
Tootgarook Netball Club	\$1,000
Tootgarook Primary School	\$30,000
Various Bowls Clubs	\$500
Vic Farmers Federation – Chicken Meat Group	\$1,600
Vinnies Kitchen	\$4,800
West Rosebud Community Hub	\$5,000
Women's Drawing Group	\$500
Wurru-Wurru Inc	\$4,980
YMCA/Rye Youth Centre	\$25,000



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