

Chairman's Report FY2009-2010

It gives me great pleasure to report on a year of outstanding achievement for North Ryde Community Finance Limited (NRCF). Our community bank has performed extremely well at every level. Significant achievements include the extension of the franchise agreement with Bendigo & Adelaide Bank and the extension of our lease arrangements at the Cox's Road premises. In addition, our staff has turned in an excellent all round performance in terms of customer service and community engagement.

Financial Results

Your Board of Directors is pleased to report that revenues increased over the reporting period by 29% to \$794K. This resulted in a profit after tax of \$190K, an increase of 68% for the year. More pleasing was the increase in our total banking business book from \$72M (30 June 2009) to \$92M (30 June 2010). Since June 30, our total banking business now stands at approximately \$100M.

Prudent approaches to costs within the business resulted in a relatively small increase in operating costs over the period.

During the reporting period, there were some significant cash outflows to make upfront payments for the renewal of the franchise agreement (\$69K) legal costs necessary during that process and a motor vehicle for company use. Notwithstanding these cash outflows, the net cash in the business increased from \$684K to \$806K, giving a credible increase in net cash asset backing to shares in NRCF. It is my view that the strategic focus of your Board in the finance areas, which is underpinned by a conservative approach, continues to protect the value of shareholders' capital and gives confidence to our customers and shareholders and the business going forward in the future.

Dividend Announcement

As a result of the strong financial performance, your Board, at its September meeting, approved an 8c dividend per share. This was announced to the Bendigo Stock Exchange following this decision on 30 September 2010. The dividend will be provided to shareholders during December this year. This dividend will be unfranked.

The business is now moving into a taxable position and your Board envisages that future dividends may be provided with 100% franking credits.

Extension of Franchise Agreement with Bendigo & Adelaide Bank

During the reporting period, negotiations were entered into with respect to an extension of our franchise agreement with Bendigo & Adelaide Bank. We were offered a new franchise agreement with a five year option. We sought expert legal advice on this matter and referred this advice to our franchisor. As a result, an option was exercised on the current franchise agreement as our legal advice indicated that elements of the new franchise agreement were not in alignment with the Franchise Code. Bendigo & Adelaide Bank have reviewed the legal advice and agreed to consider incorporating elements of this advice into new franchise agreements. We have accepted the current term of five years without a further five year option which Bendigo & Adelaide Bank have agreed, in good faith, to provide a Deed of Amendment regarding a further five year option.

The Bendigo Bank Foundation & Community Outreach

The vision of NRCF in establishing a community based banking franchise has been to engage with our local community in providing levels of financial support using our Market Development Fund. As a part of this initiative, NRCF has formed a partnership with the

Bendigo Bank Foundation which provides a fund distribution mechanism for the provision of financial support for local community projects. During the reporting period, NRCF has placed an initial sum of \$25,000 into the Foundation with a view to progressively build funds for North Ryde community projects. We expect to make at least one major project happen in North Ryde using these funds this financial year. In addition, our aim is also to provide a number of smaller investments supporting a number of community based organisations.

Our General Manager, Pat Italiano, will provide further information on funds invested in community projects over the past year in his report.

Our Customers and Clients

We are pleased to report a steady increase in local customers of the community bank with an increasing number of personal and business accounts being opened. The sustainable growth of our business model, based on community support enables the confidence and future success of the bank. It allows us to contribute in a meaningful way to our local community and improve the social capital that is critical to our society.

We are Proud of our Staff

One of the most pleasant experiences in banking is entering our premises and feeling welcome. Often our customers and clients may require assistance with their accounts and our staff are there and willing to provide solutions for any problems that may arise.

Accordingly, I'm sure that the high standard of customer service and care shown by our staff is much appreciated by our shareholders and customers and continues to bring a very strong sense of community trust and engagement.

Managing a community bank is not an easy exercise and in this regard, our special thanks go to Pat Italiano for his capable management. Congratulations to Pat and all our staff at the bank for a job extremely well done!

Our Directors

As you are aware, our Directors give their time and talents to NRCF on a totally voluntary basis. They do this in the full knowledge that they are acting under Corporations Law and accept full responsibility for the proper governance of the Company. As Chairman, my thanks go to the entire Board for their efforts, particularly our Secretary, Pat Perrin and our Treasurer, Tony Wise.

This year three Directors retire by rotation. These Directors are Mathew Walker, Bob Talbot and Pat Perrin. Each Director is offering himself/herself for re-election at the Annual General Meeting. The election of Directors will be conducted by Elections Australia in the same manner as at our previous AGM. Instructions on this matter will be made available to each shareholder on a separate mail out basis.

As we are a listed public company on the Bendigo Stock Exchange, we are required to comply with the listing rules of the Exchange and provide relevant information regarding our business to the Exchange in a manner that provides information to our shareholders and the general public. This allows a proper and transparent process for company announcements to be made and for providing information for those who wish to sell or purchase shares in NRCF. This information can be easily obtained from the BSX website under community banks. Our code on the BSX is **NRC**.

Trading our Shares

Shareholders wishing to trade our shares can do so by registering with approved broking firms of the Bendigo Exchange. Currently there are two firms operating as follows:

RBS Morgans Limited
Tel No: (07) 3334-4888
Email: info@rbsmorgans.com

Strategem Financial Group
Tel No: (03) 5445-4777
Email: info@strategem.com.au

Our Suppliers

Partnership with Bendigo & Adelaide Bank Limited

Bendigo & Adelaide Bank Ltd have continued to provide solid support to our business over the period. They provide the banking license necessary for our business to operate in this industry and the levels of probity and general procedures provided gives our business a very good level of protection. The Bendigo & Adelaide Bank continue to expand both community banks and their own branches and now have over 400 sites across Australia. Of these, 264 are community branches with NSW growing steadily with 52 Bendigo and community branches in total.

Bendigo & Adelaide Bank have successfully integrated their businesses and are providing new and innovative products for our customers. They are not a big bank compared with the four majors, but nevertheless, have had a very successful financial year. My understanding at the time of writing this report is that Bendigo & Adelaide Bank have expanded their interests in Elders Rural Bank to acquire 100% of the shares.

Special thanks go to our Regional Manager, Alex Hughes, our State Manager, Chris Bone and the staff at the Pymble office for their continued support.

Landlord – The Bietola Family

On behalf of our Board and shareholders, I wish to thank Sam and Mary Bietola, together with all of the Bietola family, who continue to provide complete support to our community vision. They appreciate and understand the importance of having the community bank supporting the overall business of Cox's Road. I am pleased to report that we have extended the lease on our current premises for a further five years.

AFS & Associates Pty Ltd

AFS & Associates provide our audit services, assist in our reporting to the BSX and also to ASIC on behalf of NRCF. In addition, they manage our Share Register in an 'arms length' manner. Our thanks go to David Hutchings and Leo Bruinier for their audit work and to Rose Abbott who attends to our Share Register.

The Future Five Years

Our first five years have allowed us to lay down a solid business platform. It allowed us to prove the business model and achieve wonderful support from our shareholders and customers and give confidence in the sustainability of an excellent banking service in the North Ryde and surrounding areas.

Your Board is developing further strategies to strengthen the business, improve our communication with the community and shareholders and to become more engaged in supporting local community activities.

On reflection, as your Chairman, I continue to be amazed at the teamwork and community enthusiasm for this business. Establishing a start up business such as this has a lot of risks attached to the initiative. Together we have all succeeded in managing those risks and creating a banking service of which we can all feel proud. I feel that our community bank can go on to bigger and better things on the basis of what has already been achieved and I ask for your continued support and continued enthusiasm in what can only be described as a very exciting future.

Graham McMaster
Chairman

October 2010

Company Secretary's Report

General

It is with great pleasure that I provide the following Secretary's Report. Most people are now aware that the Company Secretary is responsible for the overall governance of the company and also for compliance and reporting to relevant bodies such as ASIC (Australian Securities and Investments Commission) and to BSX (Bendigo Stock Exchange) as we are a listed company. The implementation of good governance practices in our community bank has resulted in a continual improvement in the management of board processes and the transparency of governance for shareholders.

Over the past year my role has encompassed the following:

- The overall management of board processes.
- Ensuring members' and directors' meetings are properly called and held.
- Provision of agendas for general meetings and directors' meetings.
- Providing minutes of meetings.
- Ensuring records of members' and directors' meetings are kept in compliance with the Corporations Act and our own constitution.
- Ensuring legal requirements with ASIC and other various regulations are met.
- Ensuring that the continuous disclosure rules of the BSX are met.
- Ensuring that any directors' interests or conflicts of interest are recorded as stated at directors meetings.

As you are aware from the Annual Report, directors meetings are held each month and may be called more often if required for special issues. Our experience has been that the company's business has been adequately dealt with at monthly directors' meetings.

The Share Registry

In January 2009, the directors accepted an offer by AFS & Associates to maintain the Share Register of the Company and provide any new share certificates required. AFS & Associates maintain the register in full accordance with the BSX requirements. As you are aware, AFS & Associates are also our auditors. Your board is satisfied that AFS & Associates manage both these processes in an independent and professional manner.

Trading Shares in North Ryde Community Finance Ltd

In order to trade shares, shareholders will need to contact brokers that are approved/ registered with the BSX. Once you are registered, it is a relatively easy matter to sell or purchase shares on the BSX. Currently, there are two broking firms registered and their contact details are as follows:

RBS Morgans Limited
Tel No: (07) 3334-4888
Email: info@rbsmorgans.com

Strategem Financial Group
Tel No: (03) 5445-4777
Email: info@strategem.com.au

It is also easy to monitor the share trades by visiting the BSX website (bsx.com.au) and typing in **NRC** which is the code for North Ryde Community Finance. There is an ability to monitor trades in all listed community banks by using the website. For example, the most recent trade of shares in North Ryde Community Finance Ltd reported by the BSX was a trade of shares at \$1.05 per security.

Registered Office of North Ryde Community Finance Ltd

The registered office of our Community Bank is: 203-213 Cox's Road, North Ryde NSW 2113.

Pat Perrin

Company Secretary

October 2010

General Managers Report

This year we celebrated our 5th full year of trading and it is with a great deal of satisfaction, that I am able to report on another successful year for your Community Bank. Confidence in our business continues to grow and our results are a strong endorsement of the efforts of both the staff and board of directors. Our financial results speak for themselves with our overall balance sheet growing by \$20 million (increase of 27%) for the last financial year, resulting in an after tax profit of \$190,000.00.

Community Engagement

The strength of our business has meant that we have again been able to share our success with the local community. This year your community bank has supported several local organisations, schools and sporting clubs, with major financial support being provided to:

- North Ryde Rotary
- Ryde Eastwood Touch Football
- Holy Spirit School

We have also set aside an amount of \$25,000.00 with the Community Enterprise Foundation which will be used to fund Community projects in the future.

For me the most pleasing outcome from our Community Engagement activities has been the implementation of our School Banking program at Holy Spirit School. We have had an excellent response I would like to thank the parents and children for their support. We will actively encourage other local schools to participate in this worthwhile program over the coming months.

Staff

The key to success for any business is it's people, and the contribution from our staff is nothing short of outstanding. As they have done for the past 5 years, Gina, Helen, Karen, Michelle and more recently Jodi, continue to provide professional, friendly service to all our customers.

I would also like to thank all our Directors, who give their time on a voluntary basis to ensure that the business is run in a professional and prudent manner. Their contribution to the success of our business should not be underestimated.

Our Commitment to Service

In an age where a significant amount of banking happens in "cyberspace" the success of our business is built on the ability to continue to provide face to face banking services to our Community. The Community Banking concept ensures that we can run a profitable business and provide Banking services which not only benefit our shareholders, but the community at large. We would encourage all of you to be a part of your Community Bank and appreciate the great service we provide.

Pat Italiano
General Manager

October 2010

North Ryde
Community Finance Limited

Financial Statements

as at

30 June 2010

North Ryde Community Finance Limited
ABN 74 112 673 506
Directors' Report

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

Directors

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

Graham John McMaster

Chairman
Age: 59
Occupation: Company Director
Experience and expertise:
Broad experience in grains and food industries, and research management. Chairman, Rosewood Research Limited. Fellow of Institute of Company Directors. BScAgr. MSc Agr. PhD. FAICD, FAST.
Other current directorships: Nil
Former Directorships in last 3 years: Nil
Special Responsibilities: Chairman

Interests in shares: 63,501

Russell Milton Robinson

Director
Age: 58
Occupation: Company Director
Experience and expertise:
Varied career in commercial management at a national and international level, and current business owner. Bachelor of Arts.

Other current directorships: Nil
Former Directorships in last 3 years: Nil
Special Responsibilities: Personnel Committee and Audit Committee
Interests in shares: 65,001

Helen Patricia Perrin

Secretary
Age: 72
Occupation: Retired Health Care Professional Management
Experience and expertise:
Board member of New Horizons Enterprises, North Ryde Community Aid and Holy Spirit Church. Strong involvement in local community associations including North Ryde Rotary Club.
Other current directorships: Nil
Former Directorships in last 3 years: Nil
Special Responsibilities: Nil
Interests in shares: 44,752

Phillip Warren Perrin ("Steve")

Director
Age: 69
Occupation: Retired Developer/Company Director

Experience and expertise:
Local resident for over 20 years. Lifetime experience in the building and construction industry. Past President of North Ryde Rotary Club, NSW Chairman of ROMAC
Other current directorships: Nil
Former Directorships in last 3 years: Nil
Special Responsibilities: Marketing
Interests in shares: 44,752

Ivan John Petch

Director
Age: 71
Occupation: Ryde City Councillor
Experience and expertise:
Deputy Mayor. Long career in Local and State politics. Strong involvement in Lions Club, Red Cross and Legacy. Honorary member North Ryde Rotary and ROMAC patron.
Other current directorships: Nil
Former Directorships in last 3 years: Nil
Special Responsibilities: Nil
Interests in shares: 1,001

Robert John Talbot

Deputy Chairman
Age: 65
Occupation: Property Consultant
Experience and expertise:
Background in wool broking/agriculture. Since 2000 has run own property consulting business servicing the commercial and industrial property market.
Other current directorships: Nil
Former Directorships in last 3 years: Nil
Special Responsibilities: Facilities Committee
Interests in shares: 21,000

North Ryde Community Finance Limited
ABN 74 112 673 506
Directors' Report

Directors (continued)

Matthew Phillip Walker

Director
Age: 36
Occupation: Retailer (Butchery)
Experience and expertise:
Proprietor of Butchery in North Ryde. Active supporter of sporting groups in the North Ryde area.

Other current directorships: Nil
Former Directorships in last 3 years: Nil
Special Responsibilities: Market Development Committee.
Interests in shares: 15,001

Thomas Gordon MacAulay

Director *(Appointed 26 November 2009)*
Age: 69
Occupation: Economist
Experience and expertise:
Experience on Boards, Councils and an Authority; Deputy Chair Greening Aust. Ltd. (NSW), Council of Research Institute for Asia and the Pacific, University of Sydney; Wheat Export Authority; Professor of Agricultural Economics, University Degrees; BAgricSc, MAgricSc, PhD.
Other current directorships: Greening Australia Ltd (NSW) Deputy Chair.
Former Directorships in last 3 years: Nil
Special Responsibilities: Audit Committee
Interests in shares: 1,000

Harold Anthony Wise

Treasurer *(Appointed 26 November 2009)*
Age: 62
Occupation: Consultant
Experience and expertise:
Diploma Commerce, Justice of the Peace.

Other current directorships: Nil
Former Directorships in last 3 years: Nil
Special Responsibilities: Treasurer; Audit, Remuneration, Franchise Renewal.
Interests in shares: 5,000

John Francis Booth AM

Director *(Resigned 26 November 2009)*
Age: 77
Occupation: Managing Director The Weekly Times
Experience and expertise:
journalism and business in the Ryde Area.
Director Illawarra Broadcasters Pty Ltd, Ryde Business Forum Executive and President Ryde Chamber of Commerce.
Strong involvement in community based organisations including Scouting and Rotary
Other current directorships: Nil
Former Directorships in last 3 years: Nil
Special Responsibilities: Nil
Interests in shares: 27,402

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 Mrs Helen Patricia Perrin. Pat was appointed to the position of secretary on 27 January 2005. Pat is now retired after a career in Health Care Professional Management. She is also a Board Member of New Horizons Enterprises, a well known health facility in the Ryde area. She has been involved in a number of community associations, including North Ryde Rotary Club.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating community banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

North Ryde Community Finance Limited
ABN 74 112 673 506
Directors' Report

Operating Results

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

Year ended 30 June 2010	Year ended 30 June 2009
\$	\$
194,588	112,908

Dividends

Dividends paid in the year:

- As recommended in the prior year report

Year Ended 30 June 2010	
Cents	\$
4.00	42,350

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.

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.

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.

North Ryde Community Finance Limited
ABN 74 112 673 506
Directors' Report

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	
	<i>Eligible</i>	<i>Attended</i>	Marketing	
			<i>Eligible</i>	<i>Attended</i>
Graham John McMaster	12	10	-	-
Russell Milton Robinson	12	10	1	1
Helen Patricia Perrin	12	12	-	-
Phillip Warren Perrin ("Steve")	12	11	1	1
John Francis Booth AM	5	5	-	-
Ivan John Petch	12	12	-	-
Robert John Talbot	12	10	-	-
Matthew Phillip Walker	12	5	-	-
Harold Anthony Wise	6	6	-	-
Thomas Gordon MacAulay	6	4	-	-

Non Audit Services

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

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

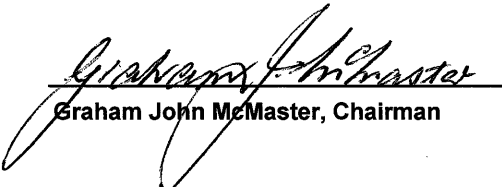
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

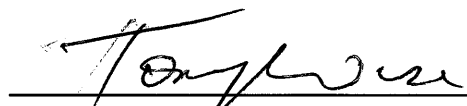
- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, 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 5.

Signed in accordance with a resolution of the board of directors at North Ryde, New South Wales on 13 September 2010.

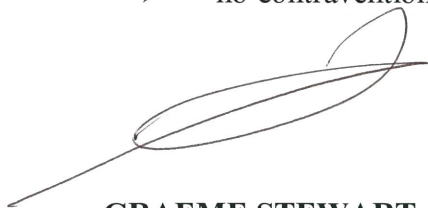

Graham John McMaster, Chairman


Harold Anthony Wise, Treasurer

**Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001
to the directors of North Ryde Community Finance Limited**

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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



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

Dated this 13th day of September 2010

North Ryde Community Finance Limited
ABN 74 112 673 506
Statement of Comprehensive Income
for the Year Ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Revenues from ordinary activities	4	794,114	617,149
Employee benefits expense		(283,107)	(261,016)
Charitable donations, sponsorship, advertising and promotion		(28,186)	(7,429)
Occupancy and associated costs		(67,469)	(72,792)
Systems costs		(19,412)	(20,350)
Depreciation and amortisation expense	5	(29,711)	(27,710)
General administration expenses		(94,608)	(66,931)
Profit before income tax expense		271,621	160,921
Income tax expense	6	(77,033)	(48,013)
Profit after income tax expense		194,588	112,908
Total comprehensive income for the year		194,588	112,908
Earnings per share (cents per share)		<u>c</u>	<u>c</u>
- basic for profit for the year	20	18.38	10.66
- dividends paid per share	19	4	6

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited
ABN 74 112 673 506
Balance Sheet
as at 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	805,758	684,086
Trade and other receivables	8	75,871	50,988
Total Current Assets		<u>881,629</u>	<u>735,074</u>
Non-Current Assets			
Property, plant and equipment	9	184,887	164,452
Intangible assets	10	68,588	11,000
Deferred tax assets	11	-	13,952
Total Non-Current Assets		<u>253,475</u>	<u>189,404</u>
Total Assets		<u>1,135,104</u>	<u>924,478</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	7,344	16,028
Current tax liabilities	11	59,929	-
Provisions	13	7,675	5,560
Total Current Liabilities		<u>74,948</u>	<u>21,588</u>
Non-Current Liabilities			
Provisions	13	5,583	3,707
Deferred tax liabilities	11	3,152	-
Total Non-Current Liabilities		<u>8,735</u>	<u>3,707</u>
Total Liabilities		<u>83,683</u>	<u>25,295</u>
Net Assets		<u>1,051,421</u>	<u>899,183</u>
Equity			
Issued capital	14	1,012,038	1,012,038
Retained earnings/(Accumulated losses)	15	39,383	(112,855)
Total Equity		<u>1,051,421</u>	<u>899,183</u>

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited
ABN 74 112 673 506
Statement of Changes in Equity
for the Year Ended 30 June 2010

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2008	<u>1,012,038</u>	<u>(162,237)</u>	<u>849,801</u>
Total comprehensive income for the year	<u>-</u>	<u>112,908</u>	<u>112,908</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(63,526)	(63,526)
	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2009	<u><u>1,012,038</u></u>	<u><u>(112,855)</u></u>	<u><u>899,183</u></u>
 Balance at 1 July 2009	 <u>1,012,038</u>	 <u>(112,855)</u>	 <u>899,183</u>
Total comprehensive income for the year	<u>-</u>	<u>194,588</u>	<u>194,588</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(42,350)	(42,350)
	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June 2010	<u><u>1,012,038</u></u>	<u><u>39,383</u></u>	<u><u>1,051,421</u></u>

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited
ABN 74 112 673 506
Statement of Cashflows
for the Year Ended 30 June 2010

	<u>Notes</u>	2010 \$	2009 \$
Cash Flows From Operating Activities			
Receipts from customers		694,966	629,008
Payments to suppliers and employees		(469,038)	(472,547)
Interest received		45,828	33,834
Net cash provided by operating activities	16	<u>271,756</u>	<u>190,295</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(37,983)	(7,765)
Payments for intangible assets		(69,751)	-
Net cash used in investing activities		<u>(107,734)</u>	<u>(7,765)</u>
Cash Flows From Financing Activities			
Dividends paid		(42,350)	(63,526)
Net cash provided by used in financing activities		<u>(42,350)</u>	<u>(63,526)</u>
Net increase in cash held		121,672	119,004
Cash and cash equivalents at the beginning of the financial year		684,086	565,082
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>805,758</u></u>	<u><u>684,086</u></u>

The accompanying notes form part of these financial statements

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2010

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, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

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

Critical accounting estimates

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

Financial statement presentation

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

Historical cost convention

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

Comparative figures

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

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the Community Bank® branch at North Ryde, New South Wales.

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

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

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

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

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

b) Revenue

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

c) Income Tax

Current tax

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

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2010

d) Employee Entitlements

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

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

e) Cash and Cash Equivalents

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

f) Trade Receivables and Payables

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

g) Property, Plant and Equipment

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

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

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

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

h) Intangibles

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

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) *Loans and receivables*

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

(ii) *Held-to-maturity investments*

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

(iii) *Financial liabilities*

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

Impairment

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

l) Leases

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

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

m) Provisions

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

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

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2010

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(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.

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2010

(vi) Capital management

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

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

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

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

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

Note 3. Critical Accounting Estimates and Judgements

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

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

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

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

Taxation

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

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

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.

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2010

Estimation of useful lives of assets

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

Goodwill

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

The calculations require the use of assumptions.

Impairment of assets

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

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

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

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

Note 4. Revenue from Ordinary Activities	2010	2009
	\$	\$
Operating activities:		
- services commissions	748,286	577,985
Total revenue from operating activities	<u>748,286</u>	<u>577,985</u>
Non-operating activities:		
- interest received	45,828	39,164
Total revenue from non-operating activities	<u>45,828</u>	<u>39,164</u>
Total revenues from ordinary activities	<u><u>794,114</u></u>	<u><u>617,149</u></u>

North Ryde Community Finance Limited

ABN 74 112 673 506

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

Note 5. Expenses

Depreciation of non-current assets:

- plant and equipment	9,906	8,175
- leasehold improvements	7,643	7,535

Amortisation of non-current assets:

- franchise agreement	11,193	12,000
- franchise renewal fee	969	-

<u>29,711</u>	<u>27,710</u>
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Bad debts	<u>8,512</u>	<u>2,498</u>
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Note 6. Income Tax Expense/Credit

The components of tax expense comprise:

- Current tax	59,929	48,335
- Future income tax benefit attributed to losses	-	-
- Movement in deferred tax	3,703	(322)
- Recoup of prior year tax loss	13,401	-
- Under/(Over) provision of tax in the prior period	-	-

<u>77,033</u>	<u>48,013</u>
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The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit	271,621	160,921
Prima facie tax on profit from ordinary activities at 30%	81,487	48,276
Add tax effect of:		
- non-deductible expenses	3,649	3,639
- timing difference expenses	(3,704)	(490)
- investment deduction	(5,298)	(287)
- other deductible expenses	(2,803)	(2,803)
	<u>73,331</u>	<u>48,335</u>
Movement in deferred tax	11 17,104	48,013
Recoupment of prior year tax losses	(13,402)	(48,335)
	<u>77,033</u>	<u>48,013</u>

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	25,758	63,770
Term deposits	780,000	620,316
	<u>805,758</u>	<u>684,086</u>

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	25,758	63,770
Term deposits	780,000	620,316
	<u>805,758</u>	<u>684,086</u>

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 8. Trade and Other Receivables

Trade receivables	46,003	36,612
Other receivables & accruals	23,796	8,420
Prepayments	6,072	5,956
	<u>75,871</u>	<u>50,988</u>

Note 9. Property, Plant and Equipment

Plant and equipment

At cost	79,733	77,397
Less accumulated depreciation	(32,572)	(27,457)
	<u>47,161</u>	<u>49,940</u>

Motor Vehicles

At cost	32,987	-
Less accumulated depreciation	(4,790)	-
	<u>28,197</u>	<u>-</u>

Leasehold improvements

At cost	146,624	143,964
Less accumulated depreciation	(37,095)	(29,452)
	<u>109,529</u>	<u>114,512</u>

Total written down amount	<u>184,887</u>	<u>164,452</u>
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	49,940	50,350
Additions	2,336	7,765
Less: depreciation expense	(5,115)	(8,175)
Carrying amount at end	<u>47,161</u>	<u>49,940</u>

Motor Vehicles

Carrying amount at beginning	-	-
Additions	32,987	-
Less: depreciation expense	(4,790)	-
Carrying amount at end	<u>28,197</u>	<u>-</u>

Leasehold improvements

Carrying amount at beginning	114,512	122,047
Additions	2,660	-
Less: depreciation expense	(7,643)	(7,535)
Carrying amount at end	<u>109,529</u>	<u>114,512</u>

Total written down amount	<u>184,887</u>	<u>164,452</u>
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North Ryde Community Finance Limited

ABN 74 112 673 506

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

Note 10. Intangible Assets

Franchise fee

At cost	71,625	60,000
Less: accumulated amortisation	(60,194)	(49,000)
	<u>11,431</u>	<u>11,000</u>

Renewal processing fee

At cost	58,126	-
Less: accumulated amortisation	(969)	-
	<u>57,157</u>	<u>-</u>

Total written down amount	<u>68,588</u>	<u>11,000</u>
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Note 11. Tax

Current:

Income tax payable	<u>59,929</u>	<u>-</u>
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Non-Current:

Deferred tax assets

- accruals	9	297
- employee provisions	3,978	2,780
- tax losses carried forward	-	13,401
	<u>3,987</u>	<u>16,478</u>

Deferred tax liability

- accruals	7,139	2,526
- deductible prepayments	-	-
	<u>7,139</u>	<u>2,526</u>

Net deferred tax asset/(liability)	<u>(3,152)</u>	<u>13,952</u>
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Movement in deferred tax charged to statement of comprehensive income	<u>17,104</u>	<u>48,013</u>
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Note 12. Trade and Other Payables

Trade creditors	2,164	9,132
Other creditors & accruals	5,180	6,896
	<u>7,344</u>	<u>16,028</u>

Note 13. Provisions

Current:

Provision for annual leave	<u>7,675</u>	<u>5,560</u>
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Non-Current:

Provision for long service leave	<u>5,583</u>	<u>3,707</u>
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Number of employees at year end	<u>4</u>	<u>4</u>
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Note 14. Contributed Equity

1,058,759 Ordinary shares fully paid (2009: 1,058,759)	1,058,759	1,058,759
Less: equity raising expenses	(46,721)	(46,721)
	<u>1,012,038</u>	<u>1,012,038</u>

Rights attached to shares(a) *Voting rights*

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

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

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

(b) *Dividends*

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

(c) *Transfer*

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

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

Prohibited shareholding interest

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

In summary, a person has a prohibited shareholding interest if they control or own 10% or more of the shares in the company (the "10% limit").

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

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

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

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.

North Ryde Community Finance Limited

ABN 74 112 673 506

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

Note 15. Retained Earnings/Accumulated Losses

Balance at the beginning of the financial year	(112,855)	(162,237)
Net profit from ordinary activities after income tax	194,588	112,908
Dividends paid or provided for	(42,350)	(63,526)
Balance at the end of the financial year	<u>39,383</u>	<u>(112,855)</u>

Note 16. 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	194,588	112,908
Non cash items:		
- depreciation	17,549	15,710
- amortisation	12,162	12,000
Changes in assets and liabilities:		
- increase in receivables	(24,883)	(12,576)
- decrease in other assets	77,033	48,013
- increase/(decrease) in payables	(8,684)	11,489
- increase in provisions	3,991	2,751
Net cashflows provided by operating activities	<u>271,756</u>	<u>190,295</u>

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	58,884	54,720
- between 12 months and 5 years	265,523	-
- greater than 5 years		
	<u>324,407</u>	<u>54,720</u>

The business premises lease is a non-cancellable lease with rent payable monthly in advance.
The option for a 2nd 5 year term commenced on 10 June 2010.

Note 17. Auditors' Remuneration

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

- audit & review services	4,500	4,500
- share registry services	1,773	1,831
- non audit services	3,410	3,598
	<u>9,683</u>	<u>9,929</u>

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 18. Director and Related Party Disclosures

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

Graham John McMaster
 Russell Milton Robinson
 Helen Patricia Perrin
 Phillip Warren Perrin ("Steve")
 John Francis Booth AM
 Ivan John Petch
 Robert John Talbot
 Matthew Phillip Walker
 Harold Anthony Wise
 Thomas Gordon MacAulay

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

Directors Shareholdings	<u>2010</u>	<u>2009</u>
Graham John McMaster	63,501	63,501
Russell Milton Robinson	65,001	64,501
Helen Patricia Perrin	42,752	42,752
Phillip Warren Perrin ("Steve")	42,752	42,752
John Francis Booth AM	27,402	27,402
Ivan John Petch	1,001	1,001
Robert John Talbot	21,000	21,000
Matthew Phillip Walker	15,001	15,001
Harold Anthony Wise	5,000	-
Thomas Gordon MacAulay	1,000	-

There was no movement in directors shareholdings during the year.

Note 19. Dividends Paid or Provided

	<u>2010</u>	<u>2009</u>
	<u>\$</u>	<u>\$</u>
a. Dividends paid during the year		
Current year interim dividend		
100% (2009: 100%) unfranked dividend - 4 cents (2009: 6 cents) per share	<u>42,350</u>	<u>63,526</u>

Note 20. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	194,588	112,908
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,058,759	1,058,759

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2010

Note 21. 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 22. Contingent Liabilities

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

Note 23. Segment Reporting

The economic entity operates in the service sector where it facilitates community banking services in North Ryde, New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 24. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office
Shop 14/203-213 Coxs Road
North Ryde NSW 2113

Principal Place of Business
Shop 14/203-213 Coxs Road
North Ryde NSW 2113

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements for the Year Ended 30 June 2010

Note 25. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Financial instrument	Floating interest rate	Fixed interest rate maturing in								Non interest bearing		Weighted average effective interest rate	
		1 year or less		Over 1 to 5 years		Over 5 years							
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial Assets													
Cash and cash equivalents	25,758	63,770	780,000	620,316	-	-	-	-	-	-	4.32	4.68	
Receivables	-	-	-	-	-	-	-	-	75,871	50,988	N/A	N/A	
Financial Liabilities													
Payables	-	-	-	-	-	-	-	-	7,344	16,028	N/A	N/A	

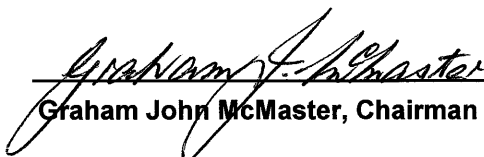
North Ryde Community Finance Limited
ABN 74 112 673 506
Directors' Declaration

In accordance with a resolution of the directors of North Ryde Community Finance Limited, we state that:

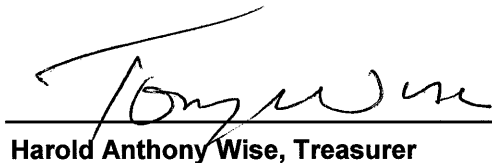
In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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


Graham John McMaster, Chairman

Signed on the 13th of September 2010.


Harold Anthony Wise, Treasurer

INDEPENDENT AUDITOR'S REPORT

To the members of North Ryde Community Finance Limited

We have audited the accompanying financial report of North Ryde Community Finance Limited, which comprises the balance sheet as at 30 June 2010, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

Independence

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

Auditor's Opinion on the Financial Report

In our opinion:

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

Report on the Remuneration Report

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

Auditor's Opinion

In our opinion, the Remuneration Report of North Ryde Community Finance Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



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

Dated this 13th day of September 2010