

North Ryde

Community Finance
Limited

(ABN 74 112 673 506)

Financial Statements

as at

30 June 2012

North Ryde Community Finance Limited

Chairman's Report FY2011-2012

Fellow Shareholders, I am very pleased to report, on behalf of the Board Directors, the progress that has been made in our community banking business over the last financial year.

Another Year of Outstanding Achievement

Ascertaining the success of a community service business such as ours can really only be done in the broad context of measuring the key aspects of success as perceived by our various stakeholders.

To our shareholders of which many of you were initial investors, taking the risks of providing capital to a community banking concept in North Ryde and taking shares in the full knowledge that this was a genuine "start-up" community business, was a brave undertaking and showed an exceptional commitment to our local North Ryde area. During the initial years you accepted that there would be no dividends during the business establishment phase. To all of you, I say a heartfelt thank you for your continued support and commitment to what only can be described as an outstanding success.

To our staff, ably led by our General Manager, Pat Italiano, who have clearly been engaged in the vision of having a sustainable community banking service and who have been striving to provide first class customer service, a service provided in a happy manner with a welcoming smile on their face, we say a "very big" thank you to your commitment.

To our faithful customers who have provided their banking business, we all say thank you knowing that you appreciate the services and the social capital that we invest back into the community to improve the quality of life in our local area. Your continued support is vital to the success of the business in future years.

To our business partner and our franchisor, Bendigo/Adelaide Bank, who provide the banking licence and model banking systems which offer a full range of banking and advisory services to our branch, our customers, our board and our staff, we also say thank you.

This last financial year has seen success on a broad range of fronts – an excellent financial report with a year of continued increases in revenues and profits, a substantial commitment to the support of various community projects and a steady build in the quality of our business overall.

Financial Results

Your Board of Directors is pleased to report that sales revenue increased by 12% over the period, resulting in a total revenue of \$976,000. An increase in profit of 35% after tax was achieved, resulting in an overall profit of \$292,000. Overall costs within the business were carefully contained over the period, which combined with the overall increase in the quality of business, resulted in outstanding financial results for FY2011/12.

The Cash Flow Statement shows that our overall cash position improved from \$978,000 to \$1,071,000 as of 30 June 2012. The Company also holds \$115,747 in other financial assets in a modest share portfolio. The earnings per security increased from 20.41c (June 2011) to 27.57c (June 2012). This shows that we have experienced another credible increase in the net cash asset backing of our shares. The net tangible asset backing of your shares has increased from \$1.07 per share (June 2011) to \$1.28 per share (June 2012).

ABN 74 112 673 506

Shop 14, 203-213 Cox's Road, North Ryde NSW 2113

Phone 02 9878 5559 Fax 02 9878 3714, Email NorthRydeMailbox@bendigobank.com.au

Franchisee of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879



Bendigo Bank

North Ryde Community Finance Limited

Dividend Announcement

I am pleased to report that the Board, at its August meeting, approved an **8c dividend** (fully franked) per share. This was announced to the National Stock Exchange following this decision on 30 August 2012. The ex dividend date is: 1 November 2012 and the record date is 9 November 2012.

It is anticipated that payments of the dividend will be made at the end of November or first week of December.

Important Note

This is the last year dividend cheques will be made. We have requested that shareholders provide bank account details to our Share Registrar for the past few years. For those shareholders that are still receiving cheques, there will be a separate form for you to fill out providing your details to the Share Registrar.

Remuneration Report

The Remuneration Report is a requirement of the Corporations Law and reporting to ASIC of the annual accounts for a listed company. This report is outlined on page 2 of the financial statements and states that "no director or secretary of the company receives payment for services as a director or committee member". Accordingly, no disclosures are required on this matter.

During the period, your Board was approached by our franchisor, Bendigo & Adelaide Bank offering a Directors' Privilege Package in recognition of the voluntary work conducted on behalf of shareholders by directors. In effect, this was to offer some favourable rates on services fees that would otherwise be charged to customers. The Board considered this offer and determined that our Company would not take up this offer. This decision was based on the reasoning that each customer of the bank has to negotiate their own business and that directors should be treated in the same way as every shareholder and customer.

National Stock Exchange

During the year, a decision was taken to continue as a formally listed company on the National Stock Exchange. Our listing with Bendigo Stock Exchange was transferred onto the new Exchange. The rationale for this decision, we believe, is in the longer term interests of our Community Bank to have formal trading platform on which shares can be actively traded and provide a more liquid and transparent market, reflecting the market value of the Company's shares. Other important advantages in being a listed company is the probity that is required to conform to the listing rules of the Exchange providing a professional approach to the governance of the Company's trading environment.

We encourage shareholders to use the Exchange to obtain company information and announcements which are required on a continuous reporting requirement for both market sensitive and non-market sensitive information. The website address for National Stock Exchange is: www.nsx.com.au.

Your Board is also encouraging all shareholders who wish to buy/sell shares to engage with approved broker participants of the Exchange. A list of these brokers is outlined on the NSX website and are listed as being approved of Certified Securities T+5. To make this easy for shareholders, I have attached a list of approved brokers and their contact details at the back of this report.

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North Ryde Community Finance Limited

One of the continuing issues we face is shareholders who do not hold what they consider to be "marketable" parcels of shares. Your Board is considering options to deal with this. However, if you are in this position and wish to sell these shares, it may be possible to trade these in an "off-market" transaction – please contact our Company Secretary, Pat Perrin, in writing at our registered office, Shop 14, 203-213 Cox's Road, North Ryde NSW 2113.

AFS & Associates

North Ryde Community Finance engages AFS & Associates to conduct our annual audit, prepare tax accounts and provide a share registry service. The directors engage AFS & Associates to ensure an "arm's length" approach to the above services to provide confidence and transparency to our shareholders and regulators.

Share Registry

There are no changes to the administration of our Share Registry. As you are aware, this is independently managed by AFS & Associates Pty Ltd. Should you have a query regarding your share holding, contact Rose Abbott at AFS & Associates by telephone: (03) 5443-0344 or email: r.abbott@afsbendigo.com.au.

The Audit Function

AFS & Associates provide a full audit function for the Company which includes reporting to ASIC on our behalf and providing half yearly and preliminary final reports to the National Stock Exchange. These half yearly reports can be found by shareholders and the general public on the National Stock Exchange website: www.nsx.com.au.

We wish to thank the staff of AFS & Associates for their support and advices throughout the year on all the above matters.

Annual General Meeting

The AGM this year will be held on Friday, 9 November at 10.00 am. The venue will be the same as last year – the Holy Spirit School Hall in Cox's Road, North Ryde. Information and procedural matters for the AGM will be made available to shareholders on a separate mail out basis containing the formal notes of meeting, statutory accounts and proxy forms.

Shareholders may attend the Annual General Meeting and register their votes on resolutions at the meeting. For the shareholders who have difficulty attending the meeting, you may vote via a proxy or choose to vote electronically. Electronic voting will again be conducted by Elections Australia.

I encourage all shareholders to attend the Annual General Meeting, after which morning tea is provided.

Our Directors

My thanks go to the entire Board of Directors for their active participation over the past 12 months. As we report to ASIC under Corporations Law, all our directors are subject to the required diligences and responsibility of the conduct of the business which, these days, is quite an onerous task. They also have to shoulder the responsibility of the listing rules of the National Stock Exchange and the overall governance and business focus of the Community Bank. Our directors continue to participate on a voluntary basis.

This year three directors retire by rotation. These directors are: Professor Gordon MacAulay, Matt Walker and Steve Perrin. Each director is offering himself for re-election for a further period of service.

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North Ryde Community Finance Limited

The majority of our directors were foundation directors of the Company and as we have been operating for a period of seven years and now into our eighth year, the topic of succession planning is becoming more relevant. The average age of our Board is 65 and we have been fortunate that this age group has brought significant business experience and wise counsel to the table. These issues will be further considered over the next 12 months by your Board in the context of the future of the business and the future skill base that will be required to sustain its successful operation at a Board level.

Our Partner - Bendigo & Adelaide Bank

Bendigo & Adelaide Bank have reported a net profit after tax and before specific items of \$312M. Their cash earnings were \$320M last financial year. Over the period, the credit ratings upgrades were seen which was an excellent achievement in a difficult market environment. Apart from a cost to income ratio of 59.1%, analysts have tended to look to Bendigo & Adelaide Bank in a reasonably favourable light, considering that the bank is relatively small in comparison to the big four. It comes as no surprise that the Bendigo brand and staff and customer engagement is still No 1 in the marketplace.

Your Board has a very good relationship with the senior management at both state and national level, with directors meeting frequently with senior executives in different areas of the bank. Given this level of communication, it engenders a good level of confidence in the future.

Restoring the Balance – the Community Banking Model

Our franchise agreement with our partner revolves around the fundamental business model that was developed over 10 years ago. With the changing business environment and external pressures at national and global levels, the community banking model continues to be “finetuned” or tailored directly to the economic environment. Accordingly, the model was changed 12 months ago to rectify perceived imbalances that had emerged. This resulted in a reduction in the revenues received by community banks and which was absorbed during the financial year. More recently, a second rebalancing is being mooted. If agreed, this would be implemented around May 2013. Your Board is currently working through this in a detailed manner with senior executives with a view to fully understanding the potential impacts on North Ryde Community Finance.

Engaging our Shareholders

A key theme for the 2012/13 year will be fully engaging our shareholders. We have a very good business platform which forms the basis of healthy profits and return on capital. This, in recent years, has translated to very healthy dividends. However, we need to seek stronger shareholder support in providing their business to the Bank. Currently, less than half our shareholders have their business with North Ryde Community Finance. Given the healthy return on shares and the net cash asset backing of the business, the further support of our shareholders can only benefit the overall business and our community.

In Conclusion

It is always pleasing to see a company with good business momentum and fulfilling its stated objectives as a community banking service which injects a proportion of its surpluses in community projects. For me as Chairman, it has been personally rewarding to see this business succeed at both a business and community level. This only comes about if the Board operates in a conservative and fully functional way and that our staff enjoy their work and love assisting our customers. I believe we have achieved this over the past seven years and that the future will be even more exciting.

Dr Graham McMaster
Chairman
30th August 2012

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North Ryde Community Finance Limited

General Managers Report

In what is now our 8th year of operation, it is with great pride that we are able to present another strong performance for the 2011-2012 financial year. Confidence in our business continues to grow and our results are a strong, despite continued despite a general lack of confidence, in the wider community. Our financial results speak for themselves as outlined in our Chairman's Report.

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, financial support being provided to:

- North Ryde Rotary (Carols By Candlelight)
- Ryde Eastwood Touch Football
- Holy Spirit School
- Kent Road Public School
- North Ryde Spirits Netball Club
- North Ryde Hawks Junior Rugby League
- North Ryde Junior Rugby Union
- North Ryde Junior Baseball
- North Ryde Community Aid
- Doug Foster Memorial Bowls Day (West Pymble Bowling Club)
- The Ryde Eisteddfod
- Ryde Sports Foundation

We have also set aside an additional amount of \$15,000.00 with the Community Enterprise Foundation which will be used to fund Community projects in the future. We now have \$40,000.00 set aside for this purpose.

We continue to invest in our youth, and this year we welcomed Kent Road Public School to our "School Banking" program. We have had an excellent response I would like to thank the parents and children for their support. We will continue to actively encourage other local schools to participate in this worthwhile program. We also made a significant contribution of \$2000.00 towards the Holy Spirit School Mathematics Program, which was introduced this year.

Staff

The key to success for our business remains its people, and the contribution from our staff remains outstanding. This year we welcomed Alison to our team, following the retirement of Helen. We are very fortunate to have retained the service of Gina, Karen & Michelle who have all been at the branch since opening, and also Jodi since 2008. The stability of our staff contributes greatly to the success of the business and is much appreciated by all our regular 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 & Community

The Community Banking concept has proven to be of great benefit to the Ryde are, and continues to provide a quality face to face banking service. Our success has also meant that we are able to engage with the community in a meaningful way, as well as a solid return to our shareholders. We can only continue to be successful with ongoing support from the community and we would encourage all of you to be a part of your Community Bank and appreciate the great service we provide.

Pat Italiano
30th August 2012

ABN 74 112 673 506
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North Ryde Community Finance Limited

Company Secretary's Report FY 2011–2012

Dear Shareholders,

It is with great pleasure that I provide the following Secretary's report for financial year 2011/2012. Most people are aware that the Company Secretary is responsible for the overall governance of the company and also for compliance and reporting to the relevant regulatory bodies such as ASIC (Australian Securities and Investment Commission).

Stock Exchange Transfer

A major change this year has been the transfer of our stock exchange from Bendigo Stock Exchange to the National Stock Exchange and we look forward to working closely with them.

Your directors have held 10 General Meetings this year on a monthly basis, commencing at 7.00am, the venue being our registered office at North Ryde Community Finance, Cox's Road, North Ryde. No Extraordinary Meetings have been held as the Company's business has been adequately dealt with at the monthly Directors' Meetings.

Share Registry

AFS & Associates continue to maintain the Share Register of our Company and provide new shares certificates as required.

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 National Stock Exchange. Once you are registered, it is a relatively easy matter to sell or buy shares on the National Stock Exchange.

A list of brokers who are approved by the National Stock Exchange is attached for your reference.

Pat Perrin
Company Secretary
30th August 2012

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APPROVED LIST OF NSX BROKERS

E L & C Baillieu Stockbroking Ltd
Level 26
360 Collins Street
Melbourne VIC 3000
Phone: 1800 339 521 (toll free)
Fax: (03) 9602-2350
Web: <http://www.baillieu.com.au>

Bell Potter Securities Limited
Level 29
101 Collins Street
Melbourne VIC 3000
Phone: 133 788 (toll free)
Fax: (03) 9256-8787
Email: info@bellpotter.com.au
Web: <http://www.bellpotter.com.au>

Burrell Stockbroking Pty Ltd
Level 4
24 Little Edward Street
Spring Hill QLD 4000
Phone: (07) 3006-7200
Fax: (07) 3839-6964
Web: <http://www.burrell.com.au>

Cameron Stockbrokers Limited
Level 6
10 Spring Street
Sydney NSW 2000
Phone: (02) 8223-5100
Fax: (02) 9232-7272
Email: sydney@camstock.com.au
Web: <http://www.camstock.com.au>

Ord Minnett Limited
Level 8
255 George Street
Sydney NSW 2000
Phone: (02) 8216-6300
Fax: (02) 8216-6311
Email: sydney@ords.com.au
Web: <http://www.ords.com.au>

Patersons Securities Limited
Level 23
Exchange Plaza
2 The Esplanade
Perth WA 6000
Phone: (08) 9263-1111
Fax: (08) 9325-6452
Email: patersons@psl.com.au
Web: <http://www.psl.com.au>

Pritchard & Partners Pty Ltd
10 Murray Street
Hamilton NSW 2303
Phone: 1800 134 234 (toll free)
(02) 4920-2877
Fax: (02) 4920-2878
Email: broking@reespritchard.com.au
Web: <http://www.pritchards.com.au>

Taylor Collison Limited
Level 16
211 Victoria Square
Adelaide SA 5000
Phone: (08) 8217-3900
Fax: (08) 8231-3506
Email: broker@taylorcollison.com.au
Web: <http://www.taylorcollison.com.au>

Triple C Consulting Pty Ltd
5 Lindsay Street
Perth WA 6000
Phone: (08) 9228-5999
Fax: (08) 9227-7158
Email: admin@tripleccc.com.au
Web: <http://www.tripleccc.com.au>

RBS Morgans Limited
Level 29
123 Eagle Street
Brisbane QLD 4000
Phone: 1800 777 946
Fax: (07) 3831-9946
Email: info@rbsmorgans.com
Web: <http://www.rbsmorgans.com>

Shaw Stockbroking
Level 15
60 Castlereagh Street
Sydney NSW 2000
Phone: 1800 636 625 (toll free)
(02) 9238-1238
Fax: (02) 9232-1296
Email: broking@shawstock.com.au
Web: <http://www.shawstock.com.au>

Strategem Investment Services Pty Ltd
35 Mundy Street
Bendigo VIC 3550
Phone: (03) 5445-4777
Fax: (03) 5441-5264
Email: info@strategem.com.au
Web: <http://www.strategem.com.au>

North Ryde

Community Finance Limited

Financial Statements

as at

30 June 2012

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 2012.

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: 61
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: 73,501

Helen Patricia Perrin

Secretary
Age: 75
Occupation: Retired Health Care
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: 48,752

Phillip Warren Perrin ("Steve")

Director
Age: 71
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 and Ryde Citizen of the year 2002.
Other current directorships: Nil
Former Directorships in last 3 years: Nil
Special Responsibilities: Marketing Committee
Interests in shares: 48,752

Ivan John Petch

Director
Age: 73
Occupation: Ryde City Councillor
Experience and expertise:
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: 67
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: 26,000

Thomas Gordon MacAulay

Director
Age: 70
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

Matthew Phillip Walker

Director
Age: 39
Occupation: Retailer (Butchery)
Experience and expertise:
Proprietor of Butchery in North Ryde. Active supporter
Other current directorships: Nil
Former Directorships in last 3 years: Nil
Special Responsibilities: Market Development
Interests in shares: 15,001

Harold Anthony Wise

Treasurer
Age: 64
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,
Interests in shares: 5,000

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

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

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

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 Bank®** 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.

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 2012	Year ended 30 June 2011
\$	\$
291,890	216,078

Remuneration Report

No Director or secretary of the company receives payment for services as a Director or committee member. There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified executives whose remuneration requires disclosure.

Dividends

Franked dividends paid in the year:

Year Ended 30 June 2012	
Cents	\$
8	84,701

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.

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

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	
	<u>Eligible</u>	<u>Attended</u>
Graham John McMaster	11	7
Helen Patricia Perrin	11	11
Phillip Warren Perrin ("Steve")	11	11
Ivan John Patch	11	11
Robert John Talbot	11	10
Thomas Gordon MacAulay	11	6
Matthew Phillip Walker	11	3
Harold Anthony Wise	11	10

The company has a marketing sub committee, however no meetings were held during the year.

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 4.

Signed in accordance with a resolution of the board of directors at North Ryde, New South Wales on 30 August 2012.


Graham John McMaster, Chairman

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 2012 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.



Graeme Stewart
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 30 August 2012

North Ryde Community Finance Limited
ABN 74 112 673 506
Statement of Comprehensive Income
for the Year Ended 30 June 2012

	<u>Notes</u>	2012 \$	2011 \$
Revenues from ordinary activities	4	975,705	868,294
Employee benefits expense		(322,326)	(319,947)
Charitable donations, sponsorship, advertising and promotion		(30,417)	(17,571)
Occupancy and associated costs		(88,406)	(77,040)
Systems costs		(17,509)	(18,222)
Depreciation and amortisation expense	5	(34,282)	(34,935)
General administration expenses		(75,188)	(85,916)
Profit before income tax expense		407,577	314,663
Income tax expense	6	(115,687)	(98,585)
Profit after income tax expense		291,890	216,078
Total comprehensive income for the year		291,890	216,078
Earnings per share (cents per share)		c	c
- basic for profit for the year	22	27.57	20.41

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 2012

	<u>Notes</u>	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	1,071,299	978,092
Financial assets	8	115,747	-
Trade and other receivables	9	73,308	56,730
Total Current Assets		<u>1,260,354</u>	<u>1,034,822</u>
Non-Current Assets			
Property, plant and equipment	10	157,062	168,714
Intangible assets	11	40,688	54,638
Total Non-Current Assets		<u>197,750</u>	<u>223,352</u>
Total Assets		<u>1,458,104</u>	<u>1,258,174</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	13	16,028	13,301
Current tax liabilities	12	38,835	44,776
Provisions	14	6,644	9,173
Total Current Liabilities		<u>61,507</u>	<u>67,250</u>
Non-Current Liabilities			
Provisions	14	3,446	7,261
Deferred tax liabilities	12	3,164	865
Total Non-Current Liabilities		<u>6,610</u>	<u>8,126</u>
Total Liabilities		<u>68,117</u>	<u>75,376</u>
Net Assets		<u>1,389,987</u>	<u>1,182,798</u>
Equity			
Issued capital	15	1,012,038	1,012,038
Retained earnings	16	377,949	170,760
Total Equity		<u>1,389,987</u>	<u>1,182,798</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 2012

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2010	1,012,038	39,383	1,051,421
Total comprehensive income for the year	-	216,078	216,078
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(84,701)	(84,701)
Balance at 30 June 2011	1,012,038	170,760	1,182,798
Balance at 1 July 2011	1,012,038	170,760	1,182,798
Total comprehensive income for the year	-	291,890	291,890
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(84,701)	(84,701)
Balance at 30 June 2012	1,012,038	377,949	1,389,987

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 2012

	<u>Notes</u>	2012 \$	2011 \$
Cash Flows From Operating Activities			
Receipts from customers		983,555	839,983
Payments to suppliers and employees		(622,420)	(510,802)
Interest received		53,689	48,691
Income taxes paid		(119,329)	(116,025)
Dividend received		6,840	-
Net cash provided by operating activities	17	<u>302,335</u>	<u>261,847</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(8,680)	(4,812)
Payments for financial assets		(115,747)	-
Net cash used in investing activities		<u>(124,427)</u>	<u>(4,812)</u>
Cash Flows From Financing Activities			
Dividends paid		(84,701)	(84,701)
Net cash used in financing activities		<u>(84,701)</u>	<u>(84,701)</u>
Net Increase in cash held		93,207	172,334
Cash and cash equivalents at the beginning of the financial year		978,092	805,758
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>1,071,299</u></u>	<u><u>978,092</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 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 revised 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 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. The adoption of the revised AASB 124 Related Party Disclosures has not resulted in the disclosure of any additional related party transactions in the current period or any prior period and is not likely to affect future periods. The adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project have not affected the disclosure of any items in the financial statements.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2011.

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 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®** branch 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.

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

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 (ie '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.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie '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 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).

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

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.

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.

Note 1. Summary of Significant Accounting Policies (*continued*)

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.

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

k) Financial Instruments (continued)

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 of 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.

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

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 2. Financial Risk Management (continued)

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%.

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 2012 can be seen in the statement of comprehensive income.

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

North Ryde Community Finance Limited
ABN 74 112 673 506
Notes to the Financial Statements
for the Year Ended 30 June 2012

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.

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.

North Ryde Community Finance Limited
 ABN 74 112 673 506
 Notes to the Financial Statements
 for the Year Ended 30 June 2012

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.

Note 4. Revenue from Ordinary Activities

	2012 \$	2011 \$
Operating activities:		
- services commissions	913,854	824,084
Total revenue from operating activities	<u>913,854</u>	<u>824,084</u>
Non-operating activities:		
- interest received	53,014	44,210
- unrealised gain on investments	1,997	-
- dividends received on investments	6,840	-
Total revenue from non-operating activities	<u>61,851</u>	<u>44,210</u>
Total revenues from ordinary activities	<u><u>975,705</u></u>	<u><u>868,294</u></u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	5,381	4,732
- leasehold improvements	6,682	8,006
- motor vehicle	8,269	8,247
Amortisation of non-current assets:		
- franchise agreement	11,625	11,625
- franchise renewal fee	2,325	2,325
	<u>34,282</u>	<u>34,935</u>
Bad debts	<u>3,289</u>	<u>5,513</u>

North Ryde Community Finance Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 6. Income Tax Expense

The components of tax expense comprise:

	2012 \$	2011 \$
- Current tax	117,921	100,872
- Movement in deferred tax	2,300	(2,287)
- Adjustments to tax expense of prior periods	(4,534)	-
	<u>115,687</u>	<u>98,585</u>

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

Operating profit	407,577	314,663
Prima facie tax on profit from ordinary activities at 30%	122,273	94,399
Add tax effect of:		
- non-deductible expenses	-	4,185
- timing difference expenses	(2,299)	2,288
- tax offset for fully franked dividends received	(2,052)	-
	<u>117,922</u>	<u>100,872</u>
Movement in deferred tax		
Adjustments to tax expense of prior periods	12 2,299	(2,287)
	(4,534)	-
	<u>115,687</u>	<u>98,585</u>

Note 7. Cash and Cash Equivalents

Cash at bank and on hand
Term deposits

71,299	78,092
1,000,000	900,000
<u>1,071,299</u>	<u>978,092</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
Term deposits

71,299	78,092
1,000,000	900,000
<u>1,071,299</u>	<u>978,092</u>

Note 8. Financial assets

Current:

Available-for-sale financial assets

8(a) <u>115,747</u>	<u>-</u>
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8(a) Available-for-sale financial assets comprise:

Current

Listed investments, at fair value

- Shares in listed corporations

<u>115,747</u>	<u>-</u>
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Note 9. Trade and Other Receivables

Trade receivables
Other receivables and accruals
Prepayments

53,114	32,364
18,640	19,315
1,554	5,051
<u>73,308</u>	<u>56,730</u>

North Ryde Community Finance Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 10. Property, Plant and Equipment	2012 \$	2011 \$
<u>Plant and equipment</u>		
At cost	88,413	79,733
Less accumulated depreciation	(42,685)	(37,304)
	<u>45,728</u>	<u>42,429</u>
<u>Motor Vehicles</u>		
At cost	32,987	32,987
Less accumulated depreciation	(21,306)	(13,037)
	<u>11,681</u>	<u>19,950</u>
<u>Leasehold Improvements</u>		
At cost	151,436	151,436
Less accumulated depreciation	(51,783)	(45,101)
	<u>99,653</u>	<u>106,335</u>
Total written down amount	<u>157,062</u>	<u>168,714</u>
Movements in carrying amounts:		
<u>Plant and equipment</u>		
Carrying amount at beginning	42,429	47,161
Additions	8,680	-
Less: depreciation expense	(5,381)	(4,732)
Carrying amount at end	<u>45,728</u>	<u>42,429</u>
<u>Motor Vehicles</u>		
Carrying amount at beginning	19,950	28,197
Additions	-	-
Less: depreciation expense	(8,269)	(8,247)
Carrying amount at end	<u>11,681</u>	<u>19,950</u>
<u>Leasehold improvements</u>		
Carrying amount at beginning	106,335	109,529
Additions	-	4,812
Less: depreciation expense	(6,682)	(8,006)
Carrying amount at end	<u>99,653</u>	<u>106,335</u>
Total written down amount	<u>157,062</u>	<u>168,714</u>

North Ryde Community Finance Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2012

Note 11. Intangible Assets	2012 \$	2011 \$
<u>Franchise fee</u>		
At cost	71,625	71,625
Less: accumulated amortisation	(64,844)	(62,519)
	<u>6,781</u>	<u>9,106</u>
<u>Renewal processing fee</u>		
At cost	58,126	58,126
Less: accumulated amortisation	(24,219)	(12,594)
	<u>33,907</u>	<u>45,532</u>
Total written down amount	<u>40,688</u>	<u>54,638</u>
 Note 12. Tax		
Current:		
Income tax payable	<u>38,835</u>	<u>44,776</u>
Non-Current:		
<u>Deferred tax assets</u>		
- employee provisions	3,027	4,930
	<u>3,027</u>	<u>4,930</u>
<u>Deferred tax liability</u>		
- accruals	5,592	5,795
- deductible prepayments	599	-
	<u>6,191</u>	<u>5,795</u>
Net deferred tax liability	<u>(3,164)</u>	<u>(865)</u>
Movement in deferred tax charged to statement of comprehensive income	<u>2,299</u>	<u>(2,287)</u>
 Note 13. Trade and Other Payables		
Trade creditors	12,728	10,001
Other creditors and accruals	3,300	3,300
	<u>16,028</u>	<u>13,301</u>
 Note 14. Provisions		
Current:		
Provision for annual leave	<u>6,644</u>	<u>9,173</u>
Non-Current:		
Provision for long service leave	<u>3,446</u>	<u>7,261</u>

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 for the Year Ended 30 June 2012

Note 16. Contributed Equity

	2012 \$	2011 \$
1,058,759 Ordinary shares fully paid (2011: 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 any of the following applies:

- 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.

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Note 16. Retained Earnings

	2012	2011
	\$	\$
Balance at the beginning of the financial year		
Net profit from ordinary activities after income tax	170,760	39,383
Dividends paid or provided for	291,890	216,078
	(84,701)	(84,701)
Balance at the end of the financial year	<u>377,949</u>	<u>170,760</u>

Note 17. 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	291,890	216,078
Non cash items:		
- depreciation		
- amortisation	20,332	20,985
	13,950	13,950
Changes in assets and liabilities:		
- (increase)/decrease in receivables		
- increase in payables	(38,470)	19,141
- increase/(decrease) in provisions	2,727	5,957
- increase/(decrease) in tax liability	(6,344)	3,176
	18,250	(17,440)
Net cashflows provided by operating activities	<u>302,335</u>	<u>261,847</u>

Note 18. Leases

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

- between 12 months and 5 years

- greater than 5 years

70,050	61,828
134,263	203,695
-	-
<u>204,313</u>	<u>265,523</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 19. Auditors' Remuneration

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

- audit and review services

- share registry services

- non audit services

5,500	4,900
3,104	2,805
2,476	3,643
<u>11,080</u>	<u>11,348</u>

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Notes to the Financial Statements
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Note 20. Director and Related Party Disclosures

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

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

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.

Note 20. Director and Related Party Disclosures (continued)

Directors' Shareholdings	2012	2011
Graham John McMaster	73,501	63,501
Helen Patricia Perrin	48,752	42,752
Phillip Warren Perrin ("Steve")	48,752	42,752
Ivan John Petch	1,001	1,001
Robert John Talbot	26,000	21,000
Thomas Gordon MacAulay	1,000	1,000
Matthew Phillip Walker	15,001	15,001
Harold Anthony Wise	5,000	5,000

Note 21. Dividends Paid or Provided

	2012	2011
	\$	\$
a. Dividends paid during the year		
100% (2011: 0%) franked dividend - 8 cents (2011: 8 cents) per share	<u>84,701</u>	<u>84,701</u>
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	163,102	116,374
- franking credits that will arise from payment of income tax payable as at the end of the financial year	38,835	44,776
- 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:	201,937	161,150
- 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	-	-
Net franking credits available	<u>201,937</u>	<u>161,150</u>

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 Notes to the Financial Statements
 for the Year Ended 30 June 2012

Note 22. Earnings Per Share

(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	291,890	216,078
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>Number</u> 1,058,759	<u>Number</u> 1,058,759

Note 23. 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 24. Contingent Liabilities

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

Note 25. Segment Reporting

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

Note 26. Registered Office/Principal Place of Business

The registered office and principal place of business is:

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

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

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Notes to the Financial Statements for the Year Ended 30 June 2012

Note 27. 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							
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
Financial Assets												
Cash and cash equivalents	71,299	78,092	1,000,000	900,000	-	-	-	-	-	-	5.29	4.94
Receivables	-	-	-	-	-	-	-	-	53,115	32,364	N/A	N/A
Financial Liabilities												
Payables	-	-	-	-	-	-	-	-	12,726	10,001	N/A	N/A

North Ryde Community Finance Limited
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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 2012 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.


Graham John McMaster, Chairman

Signed on the 30th of August 2012.

Independent auditor's report to the members of North Ryde Community Finance Limited

Report on the financial report

We have audited the accompanying financial report of North Ryde Community Finance Limited, which comprises the balance sheet as at 30 June 2012, 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.

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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 2012 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 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.



Graeme Stewart
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 30 August 2012