

annual report 2010



Rye & District

Community Financial Services Limited

ABN 67 095 766 895

Rye & District and Dromana **Community Bank®** branches

Contents

| | |
|---|--------------|
| Chairman's report | 2-5 |
| Senior Manager's report | 6-8 |
| Directors' report | 9-13 |
| Auditor's independence declaration | 14 |
| Financial statements | 15-18 |
| Notes to the financial statements | 19-42 |
| Directors' declaration | 43 |
| Independent audit report | 44-45 |
| BSX report | 46-47 |
| Sponsorship report | 48-49 |

Chairman's report

For year ending 30 June 2010

It is with great satisfaction that another successful year for Rye & District Community Financial Services Limited enables me to present this positive report on the operations of your Company for the financial year ending 30 June 2010.

After negotiating the difficult year that was 2009, the return to relatively normal business conditions as detailed in Gary Sanford's Manager's report, has enabled the Company to continue the growth path enjoyed since its creation.

The deposit growth, the growth of loan facilities and the increase in the number of accounts held at both the Rye and Dromana branches has enabled the achievement of a year-end profit of \$445,806 (after provision for income tax) - a record profit for our Company. This represents an increase of 264% over the \$169,150 profit recorded for last year and is a notable achievement for all concerned.

This outstanding result has enabled your Company to continue its contribution to the financial and social well-being of our local communities.

It has allowed your Board of Directors to declare a dividend of 6.5 cents per share, fully franked, payable to all shareholders as at 31 October 2010 and payable on 26 November 2010. (New shareholders need to ensure that their shareholdings are registered by 24 October 2010 to enable them to receive this year's dividend).

The table below highlights the growth of dividends paid over the past four years.

| Dividend distributions 2007 - 2010 | | | | |
|------------------------------------|----------|----------|-----------|-----------|
| Year | 2007 | 2008 | 2009 | 2010 |
| Dividend per share | \$0.03 | \$0.02 | \$0.045 | \$0.065 |
| Total dividends paid | \$87,948 | \$58,632 | \$131,922 | \$190,554 |

It is of particular interest, and with not a small amount of satisfaction, that your Board notes those investors who supported the **Community Bank®** concept back in 2001 by purchasing shares in the Company have now received fully-franked dividends totalling \$1.04 - more than the price of the original share offering. Those who participated in the capital raising associated with the opening of the Dromana branch in 2007 have received fully-franked dividends totalling \$0.16.

As shareholders have benefited from the success of your Company, so too has the local community through the donations and sponsorships afforded to 101 local groups during the year.

The year just completed saw the Company put \$518,434 back into the community - an outstanding result. This compares to the \$474,759 distributed in the 2009 year and represents growth of 9.2% for this aspect of our operation.

Chairman's report continued

Full details of the recipients of these funds are provided elsewhere in this Annual Report, a practice commenced in last year's report in accordance with a request made by shareholders in 2008.

The notion of any organisation contributing over \$500,000 to local groups in any one year is a staggering one. That your small(ish) Company on the Southern Mornington Peninsula has achieved that in the year just completed is testimony to the strength of the Bendigo Bank **Community Bank**[®] model and the commitment and judgments made by the staff and Directors of Rye and District Community Financial Services Limited.

The contributions during the 2009/2010 financial year bring the total contributions of your Company to the local community to over \$3.5 million since its formation - a truly outstanding achievement. Your Directors appreciate that this result has been brought about by the support afforded to our Company by our shareholders and customers, for which we are ever grateful and truly mindful.

During the year, I had the privilege of representing our Company at the State and National **Community Bank**[®] Conferences at Lorne and in Adelaide respectively.

Again, the performances of the Rye and Dromana branches were held as examples of what can be achieved under Bendigo Bank's **Community Bank**[®] model and other community representatives keenly sought our counsel and examples of our practices.

It became obvious that a receptive community, strong local management and positive brand awareness are essential ingredients for a successful **Community Bank**[®] branch. We are indeed fortunate that all these ingredients have all been available or have been developed in the Rye and Dromana communities and have been fundamental to our ongoing success.

As indicated in last year's Annual Report, the success of the Rye and Dromana **Community Bank**[®] branches has given rise to a level of community interest on the Mornington Peninsula that has spawned other branches to open in Balnarring, Hastings, Mt Eliza and Mt Martha.

I also indicated that your Board would continue to explore pockets of opportunity within our local area to enable us to continue to deliver the results that reward our shareholders and contribute to the wellbeing of local organisations.

It is with pleasure, therefore, that I can advise that the strong financial performance of your Company in past years and the profits retained as a result, has enabled it to proceed with the purchase of a building in Rosebud which will become the third branch in our **Community Bank**[®] network.

This purchase, which was settled in early September 2010, provides us with the opportunity to develop purpose-built banking premises to serve and to grow our existing Rosebud customer base. Planning has already commenced to determine our options and capacity to develop the site to enhance shareholder value and provide customers with a state-of-the-art banking facility.

It is estimated that the new building will be completed in 2013 and your Board commits to providing shareholders and customers with progressive updates throughout the development process.

Of course, all of these achievements would not have been possible without the dedication and commitment of the staff at our two branches and the professionalism of your Board of Directors.

Chairman's report continued

Our Senior Manager, Gary Sanford, has already congratulated his staff for their work and support in his Manager's report elsewhere in this Annual Report.

It would be remiss of me, however, if I failed to record the appreciation of your Board to Gary and his staff for their excellent customer service and outstanding results for the year.

Following the resignation of the previous Manager, Gary undertook the management of the Dromana branch for nine months of the year in addition to his other managerial responsibilities. It is a credit to his ability and dedication to the cause that he was able to maintain standards and manage the business during this difficult period. His selfless act also enabled the Company to save a significant element of its salary expense as it emerged from the financial challenges of 2009.

We congratulate, thank and commend Gary for his outstanding contribution to the success of our Company.

Gary was ably assisted by Julie Toward as Manager of the Rye **Community Bank**[®] Branch. Julie has earned the respect of the Rye customer base with her cheerful manner and strong customer focus. For a long time, Rye has been the 'shining star' in the Bendigo Bank **Community Bank**[®] network and the outstanding results achieved by the branch during the past year indicate that the star shows no sign of dimming.

I thank Julie and all the Rye staff for their ongoing commitment to providing exemplary customer service.

The performance at Dromana has also been spectacular and is a credit to the staff of that branch in the outstanding execution of their duties. To develop a branch with balances of \$118 million within three years of opening and to over achieve its ambitious growth budget has been an amazing achievement and one which is the envy of many other branches within the network. Our congratulations and thanks are offered to all involved.

We welcome and congratulate Bronwyn Ralph on her promotion to the position of Manager of the Dromana **Community Bank**[®] Branch. Bronwyn has been vital to the operation in supporting Gary in his Senior Manager's role, particularly, during the past nine months of his dual responsibilities. Her abilities, process knowledge and relationship skills have warranted her well-earned promotion and we look forward to her ongoing managerial development with enthusiasm and keen anticipation.

I also acknowledge the contribution made to the Company by your Board of Directors.

It is a privilege to have been elected as the leader of this august group for a second year and I thank them for their confidence in me and their support of the position. You can be assured that shareholder interests and value are at the forefront of board deliberations and decisions on matters affecting the Company.

My appreciation goes to:

- Steven Edmund, as Deputy Chairman and Chairman of the Marketing Committee;
- Eileen Naylor, as Company Secretary and member of the Sponsorship and Marketing Committee;
- Pat Tonks, as Treasurer and member of the Finance Committee;
- Gary Cain, as a member of the Finance Committee and advisor on financial issues;
- Barry Irving, as a member of the Marketing Committee and as our liaison officer with the YMCA for our involvement in the Rye Youth Centre and its associated activities;
- Andrew Emerson, as Chairman of our Property Committee;

Chairman's report continued

- Janet Hall, as Chairman of the Audit & Governance Committee and
- Dorothy Mortlock, our newly appointed member assisting with human resources and governance issues.

I also thank our Board Administration Officer, Tony Harford, for his assistance and guidance towards ensuring that all our Board and compliance responsibilities are fulfilled.

Finally, the success of our Company would not be possible without the ongoing support of our shareholders and customers, and for this I am truly grateful.

Our future success depends on your continued support and I would encourage you to proclaim the virtues of your **Community Bank®** branches to as many of your family, friends and acquaintances as is possible.

In this way, our growth can be assured and with that growth, comes our ability to continue to reward shareholders with appropriate levels of dividend and to support local community organisations with significant levels of sponsorship support.

Thank you for your ongoing support of your Board of Directors. I can assure you that it will remain committed to maintaining the highest standard of corporate governance, protecting and growing the assets of your Company in the most responsible manner.



Shane McCarthy
Chairman

Senior Manager's report

For year ending 30 June 2010

During the 2009 financial year we saw the immediate impact of the Global Financial Crisis (GFC). The impact saw many investors move away from property and share investments, and self managed Superannuation Funds move away from managed funds into more secure bank deposits. The Government's 3 year guarantee on bank deposits also gave investors solid reason to look to banks for their investments during uncertain times.

Bendigo and Adelaide Bank Ltd was also offering very competitive Term Deposit rates during this period to attract cash deposits.

As a result we saw very strong growth during the 2009 financial year, which last year's Annual Report indicated, with \$65.66 million in combined growth between our Rye and Dromana **Community Bank®** branches.

The challenge during the 2010 financial year, as investor confidence returned in the share and property markets, was going to be retaining the growth achieved during the 2009 financial year, let alone achieving any budgeted growth.

I am very pleased to report that both branches continued to grow during the 2010 financial year achieving very solid growth results against budget. A pleasing indication is the continued growth in total facility numbers at both Rye and Dromana. Rye's facilities grew by 329 and Dromana by 624.

As at 30 June 2010, we experienced growth in all areas of our business. We increased total accounts at Rye from 8,817 to 9,146 and Dromana from 3,442 to 4,066, which includes over 1,187 and 556 loan facilities at Rye and Dromana respectively. Our combined balances totalled \$344.23 million, which included total deposits at \$185.66 million and total lending at \$148.71 million, maintaining our good mix of business. Reported Financial Planning products under management were \$9.86 million, assisting to make up the \$344.29 million. These balances reflect a 7.23% growth in deposits and 5.92% growth in lending across the Company. The balances also reflect a 297.25% growth in Financial Planning facilities under management over the year.

Rye **Community Bank®** Branch balances as at 30 June 2010 were \$117.93 million in deposits and \$100.50 million in lending and Financial Planning under management at \$7.81 million. Combined balances stood at \$226.24 million, reflecting a \$9.89 million growth overall against a budget of \$9.0 million. A solid result!

Dromana **Community Bank®** Branch balances as at 30 June 2010 were \$67.73 million in deposits and \$48.21 million in lending and Financial Planning under management at \$2.05 million. Combined balances stood at \$117.99 million, reflecting a \$13.21 million growth overall against a budget of \$12.0 million. Another solid result!

The combined business growth of \$23.1 million, considering the change in investor sentiment back towards property and the share market is a strong result.

We are now entering the 10th year of the Rye **Community Bank®** Branch opening and the 4th for Dromana **Community Bank®** Branch, which will provide continued challenges to maintain our strong financial performance since opening both branches.

Manager's report continued

Board support

The strength and stability of our Board has provided enormous support and instilled confidence in how both branches can be managed.

I congratulate and thank the Board on how it has developed a strong community engagement attitude towards its sponsorships and donations policy. This has assisted in our staff being actively involved in the local community and continuing to be interactive with our customers.

I thank Shane McCarthy, Chairman and all the Directors of the Board for the trust, respect and support they provide to Julie Toward, Rye Manager, Bronwyn Ralph, Dromana Manager and myself.

Staff

Julie Toward, as Rye's Manager, has continued to lead her team in all aspects of the branch's operations and in particular its engagement with the local community. Julie 'captained' a branch team in the Rye Bowls Club "Tradesmen" Night competition, which from all reports was a very enjoyable experience. It helped to further enhance our involvement with local community groups.

Neil McKinnon, resigned as Dromana Branch Manager on 16 September 2009 having helped establish Dromana in its initial 2 years, for which I thank him. Following his resignation, I took over as Dromana Branch Manager until 30 June 2010 - getting back to branch management was, at the same time, an enjoyable and challenging experience.

Bronwyn Ralph continued to provide strong support to me as my Personal Assistant during this period, as I also continued involvement with our community engagement initiatives. Without her diligent support I would not have been able to complete and achieve the things that we did, and still manage Dromana Branch at the same time.

After just over three and half years as my Personal Assistant, Bronwyn Ralph has been appointed Dromana Branch Manager from 1 July 2010. I congratulate her on this promotion and wish her every success in this position in the future. Ann Morris has been appointed as a Customer Relationship Officer and replaced Bronwyn as my Personal Assistant. I wish her every success in this role.

We have had a few staff changes during the financial year with Denise Coumbe, Customer Relationship Manager and Lynda Lowe, Customer Service Officer at Dromana resigning on 22 December 2009 and 11 December 2009 respectively. Tim Ling, who started with us at Rye **Community Bank®** Branch returned to Dromana **Community Bank®** Branch on 12 January 2010 as a Customer Relationship Officer after just over 12 months at Carlton Bendigo Bank Branch. Gemma Hodgson commenced at Dromana **Community Bank®** Branch as a Customer Service Officer on 1 February 2010.

I wish to thank Denise Coumbe and Lynda Lowe for their time at Dromana **Community Bank®** Branch and also welcome Tim Ling and Gemma Hodgson to the Dromana team.

To our loyal staff at Rye and Dromana, Elizabeth Clark, Christine Gray, Chris Broderick, Patreece Topp, Deborah Harper, Val Jarman, Melissa Oorloff and Ann Morris, I wish to thank you for your support of both Branch Managers and congratulate you on the way you look after our customers. We are able to engage the local community as a direct result of the service and attention you provide to all our customers.

Manager's report continued

In May 2010 we were very pleased to employ Diane Kennedy as Mobile Relationship Manager. Diane has lived most of her life in the local community and spent the last 24 years working for the CBA as a Home Loan Specialist. Diane will assist both Rye and Dromana **Community Bank**[®] branches with Home Loan enquiries along with helping our existing customers.

We have always enjoyed a strong relationship with our partners Bendigo and Adelaide Bank Ltd, with direct support provided by our Mornington Peninsula Regional Manager and the support team. In November 2009, Cora Clough took up her position as Regional Manager for Mornington Peninsula after Michael Petering moved on after 3 years as our Regional Manager. Since commencing we have established mutual trust and respect with Cora in her new Regional Manager's role. I thank Cora for the support she has already provided to both branches in a very short period.

Summary

When I look back over the 2010 financial year results and reflect over the financials reported in this year's Annual Report, I can't but help getting a little bit blown away by what we are achieving. Over \$500,000 funded into the local community in just one year, in sponsorships and donations, and a further \$640,000 before tax profit. These are amazing figures. 10 years ago the Mornington Peninsula did not have one **Community Bank**[®] branch!

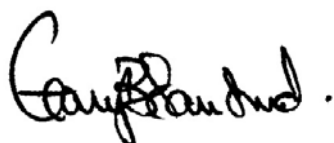
Now we have **Community Bank**[®] branches at Balnarring and Hastings entering their third year of operation and Mt Eliza and Mt Martha **Community Bank**[®] branches about to be opened during the 2011 financial year.

The opening of these existing and proposed **Community Bank**[®] branches has clearly defined our catchment and community engagement area. With our very strong branch footings (deposits and loans) we can confidently plan for the future and continue our community engagement of the Southern Peninsula region.

Over the years we have received very strong support from the Rye and Dromana communities along with surrounding areas. In between our two branches is the large business and community centre of Rosebud. We have also received strong support from the Rosebud community and hold large footings from this area.

It is with excitement and in support of the customers from the Rosebud area that already have facilities with either Rye or Dromana branches that we are moving to open our third **Community Bank**[®] branch in Rosebud. This will not only provide additional services to our existing customer base but also provide future growth opportunities for our Company.

I eagerly look forward to the challenges our existing branches will have and working with the Rosebud community to open its own **Community Bank**[®] branch in the future.



Gary Sanford
Senior Manager

Directors' report

For the financial year ended 30 June 2010

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:

Shane Christopher McCarthy Lib GAICD

Chairman & Director

Age: 58

Occupation: Solicitor & Notary Public

Chair, Sponsorship & Marketing Committee

Patricia Tonks

Treasurer

Age: 68

Occupation: Retiree

Former Councillor Flinders Shire

Eileen Naylor BA(Hons)

Secretary & Member, Sponsorship & Marketing Committee

Age: 62

Occupation: Retiree

15years exp Human Resource Management

Barry Leonard Irving

Director & Member, Marketing Committee

Age: 67

Occupation: Retiree

Photography, President Rye Rotary Club

Andrew Ross Emerson

Director & Property Committee

Age: 63

Occupation: Home Furnishing Industry

Janet Iris Hall

Director & Chair, Audit & Governance Committee

Age: 63

Occupation: Interior Decorator

Stephen Bernard Edmund

Director, Deputy Chairman & Marketing Committee

Age: 59

Occupation: Bus Driver

22 years exp Retail Hardware, previously served on National Marketing Committee of Home Hardware

Paul Harris Fellowship of Rotary Club Dromana

Chairman Dromana Chamber of Commerce

Gary Michael Cain

Director & Finance Committee

Age: 59

Occupation: Accountant, CPA

Former President Rosebud Football Club Inc

Dorothy Mortlock

Director (Appointed 15th March 2010)

Age: 65

Occupation: Retiree

Former President Rosebud Country Club

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

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

Directors' report continued

Company Secretary

The company secretary is Eileen Naylor. Eileen was appointed to the position of secretary on 24th November 2004.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank 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 2010 \$ | Year ended 30 June 2009 \$ |
|--|----------------------------------|----------------------------------|
| | 445,806 | 169,150 |

Remuneration Report

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

The Senior Manager is paid a base salary, which is between \$120,000 and \$130,000 plus the use of a company car. In addition the Senior Manager receives a bonus if the company exceeds the performance criteria established by the Board. The bonus is subject to the board's review of performance and will be in the range of \$10,000 to \$20,000.

Directors' Remuneration

For the year ended 30 June 2010, the directors received total remuneration including superannuation, as follows:

| | \$ |
|----------------------------|--------|
| Shane Christopher McCarthy | 20,000 |
| Patricia Tonks | 15,000 |
| Eileen Naylor | 10,000 |
| Barry Irving | 7,500 |
| Andrew Ross Emerson | 7,500 |
| Janet Iris Hall | 7,500 |

Directors' report continued

Directors' Remuneration (continued)

| | \$ |
|------------------------|-------|
| Stephen Bernard Edmund | 7,500 |
| Gary Michael Cain | 7,500 |
| Dorothy Mortlock | 1,875 |

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

| Dividends | Year Ended 30 June 2010 | |
|---|-------------------------|---------|
| | Cents | \$ |
| Final dividends recommended: | 6.5c | 190,554 |
| Dividends paid in the year: | | |
| - As recommended in the prior year report | 4.5c | 131,922 |

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

A contract has been entered into to purchase a property in Rosebud for an estimated \$1.35m plus set up costs with the intention of establishing a Rosebud Branch. Loans totalling \$1.35m with a repayment term of 15 years have been approved by Bendigo and Adelaide Bank Ltd for the purpose of purchasing this property. The property settled on 10 September 2010.

Likely Developments

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

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

No director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company, controlled entity or related body corporate with a director, a firm which a director is a member or an entity in which a director has a substantial financial interest except as disclosed in note 20 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Directors' report continued

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

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

| | Board Meetings Attended | | Committee Meetings Attended | | | | | |
|---|----------------------------|----------|-----------------------------|----------|-----------|----------|-----------------|----------|
| | | | Audit | | Marketing | | Human Resources | |
| | Eligible | Attended | Eligible | Attended | Eligible | Attended | Eligible | Attended |
| Shane Christopher McCarthy | 12 | 11 | 0 | 0 | 10 | 8 | 0 | 0 |
| Patricia Tonks | 12 | 12 | 2 | 2 | 0 | 0 | 0 | 0 |
| Eileen Naylor | 12 | 10 | 0 | 0 | 10 | 8 | 0 | 0 |
| Barry Irving | 12 | 10 | 0 | 0 | 3 | 3 | 0 | 0 |
| Andrew Ross Emerson | 12 | 11 | 0 | 0 | 0 | 0 | 0 | 0 |
| Janet Iris Hall | 12 | 11 | 0 | 0 | 0 | 0 | 0 | 0 |
| Stephen Bernard Edmund | 12 | 11 | 0 | 0 | 3 | 3 | 0 | 0 |
| Gary Michael Cain | 12 | 9 | 2 | 2 | 0 | 0 | 0 | 0 |
| Dorothy Mortlock (Appointed 15th March 2010) | 5 | 3 | 0 | 0 | 0 | 0 | 0 | 0 |

Non Audit Services

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

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

Directors' report continued

Non Audit Services (continued)

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

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

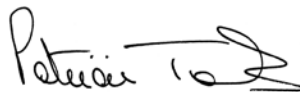
Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

Signed in accordance with a resolution of the board of directors at Rye, on Wednesday 8th September 2010.



Shane Christopher McCarthy,
Chairman



Patricia Tonks,
Director

Auditor's independence declaration



PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the directors of Rye & District Community Financial Services Limited

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 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
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 8th day of September 2010

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2010

| | Note | 2010 \$ | 2009 \$ |
|--|------|----------------|----------------|
| Revenues from ordinary activities | 4 | 2,760,156 | 2,339,744 |
| Employee benefits expense | | (1,012,653) | (1,050,154) |
| Charitable donations, sponsorship, advertising and promotion | | (564,031) | (512,982) |
| Occupancy and associated costs | | (113,252) | (105,124) |
| Systems costs | | (122,382) | (125,182) |
| Depreciation and amortisation expense | 5 | (77,214) | (86,495) |
| Finance costs | 5 | (33,739) | (40,374) |
| General administration expenses | | (195,925) | (174,158) |
| Profit before income tax expense | | 640,960 | 245,275 |
| Income tax expense | 6 | (195,154) | (76,125) |
| Profit after income tax expense | | 445,806 | 169,150 |
| Total comprehensive income for the year | | 445,806 | 169,150 |
| Earnings per share (cents per share) | | c | c |
| - basic for profit for the year | 23 | 15.21 | 5.77 |
| - dividends paid per share | 21 | 4.5 | 2 |

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet as at 30 June 2010

| | Note | 2010 \$ | 2009 \$ |
|--------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 7 | 827,436 | 471,315 |
| Trade and other receivables | 8 | 267,129 | 264,032 |
| Total Current Assets | | 1,094,565 | 735,347 |
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 1,401,568 | 1,435,736 |
| Intangible assets | 10 | 10,000 | 22,000 |
| Deferred tax assets | 11 | 22,117 | 21,777 |
| Total Non-Current Assets | | 1,433,685 | 1,479,513 |
| Total Assets | | 2,528,250 | 2,214,860 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | 67,065 | 71,032 |
| Current tax liabilities | 11 | 156,738 | 38,775 |
| Borrowings | 13 | 90,215 | 110,080 |
| Provisions | 14 | 71,364 | 80,720 |
| Total Current Liabilities | | 385,382 | 300,607 |
| Non-Current Liabilities | | | |
| Borrowings | 13 | 299,630 | 361,725 |
| Provisions | 14 | 21,052 | 44,227 |
| Total Non-Current Liabilities | | 320,682 | 405,952 |
| Total Liabilities | | 706,064 | 706,559 |
| Net Assets | | 1,822,186 | 1,508,301 |
| Equity | | | |
| Issued capital | 15 | 1,299,400 | 1,299,400 |
| Retained earnings | 16 | 522,786 | 208,901 |
| Total Equity | | 1,822,186 | 1,508,301 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Changes in Equity for the year ended June 2010

| | Issued Capital \$ | Retained Earnings \$ | Total Equity \$ |
|--|-------------------------|----------------------------|-----------------------|
| Balance at 1 July 2008 | 1,299,400 | 98,383 | 1,397,783 |
| Total comprehensive income for the year | - | 169,150 | 169,150 |
| Transactions with owners in their capacity as owners: | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | (58,632) | (58,632) |
| Balance at 30 June 2009 | 1,299,400 | 208,901 | 1,508,301 |
| Balance at 1 July 2009 | 1,299,400 | 208,901 | 1,508,301 |
| Total comprehensive income for the year | - | 445,806 | 445,806 |
| Transactions with owners in their capacity as owners: | | | |
| Shares issued during period | - | - | - |
| Costs of issuing shares | - | - | - |
| Dividends provided for or paid | - | (131,922) | (131,922) |
| Balance at 30 June 2010 | 1,299,400 | 522,786 | 1,822,186 |

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of Cashflows for the year ended 30 June 2010

| | Note | 2010 \$ | 2009 \$ |
|---|-------------|------------------|------------------|
| Cash Flows From Operating Activities | | | |
| Receipts from customers | | 2,728,456 | 2,315,173 |
| Payments to suppliers and employees | | (1,926,778) | (1,924,100) |
| Interest received | | 28,342 | 21,596 |
| Interest paid | | (33,739) | (40,374) |
| Income taxes paid | | (195,233) | (54,052) |
| Net cash provided by operating activities | 17 | 601,048 | 318,243 |
| Cash Flows From Investing Activities | | | |
| Payments for property, plant and equipment | | (10,298) | (2,265) |
| Payments for motor vehicles | | (34,160) | (450) |
| Payments for leasehold improvements | | - | (22,044) |
| Payments for office furniture & equipment | | (4,975) | (2,968) |
| Proceeds from sale of motor vehicles | | 18,388 | - |
| Net cash used in investing activities | | (31,045) | (27,727) |
| Cash Flows From Financing Activities | | | |
| Repayment of borrowings | | (81,960) | (83,240) |
| Dividends paid | | (131,922) | (58,632) |
| Net cash used in financing activities | | (213,882) | (141,872) |
| Net increase in cash held | | 356,121 | 148,645 |
| Cash and cash equivalents at the beginning of the financial year | | 471,315 | 322,670 |
| Cash and cash equivalents at the end of the financial year | 7(a) | 827,436 | 471,315 |

The accompanying notes form part of these financial statements.

Notes to the financial statements

For 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, Urgent Issues Group Interpretations 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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

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

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).

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

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.

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

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

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

Derecognition

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

Classification and subsequent measurement

(i) Loans and receivables

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

(ii) Held-to-maturity investments

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

(iii) Financial liabilities

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

Impairment

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

Notes to the financial statements continued

Note 1. Summary of Significant Accounting Policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed Equity

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

o) Earnings Per Share

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

p) Goods and Services Tax

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

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

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

Notes to the financial statements continued

Note 2. Financial Risk Management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

Notes to the financial statements continued

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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.

Notes to the financial statements continued

Note 3. Critical Accounting Estimates and Judgements (continued)

Taxation (continued)

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.

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.

Notes to the financial statements continued

Note 3. Critical Accounting Estimates and Judgements (continued)

Impairment of assets (continued)

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.

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
|--|------------|------------|

Note 4. Revenue from Ordinary Activities

Operating activities:

| | | |
|--|------------------|------------------|
| - services commissions | 2,731,814 | 2,318,148 |
| Total revenue from operating activities | 2,731,814 | 2,318,148 |

Non-operating activities:

| | | |
|--|------------------|------------------|
| - interest received | 28,342 | 21,596 |
| Total revenue from non-operating activities | 28,342 | 21,596 |
| Total revenues from ordinary activities | 2,760,156 | 2,339,744 |

Note 5. Expenses

Depreciation of non-current assets:

| | | |
|----------------------------------|--------|--------|
| - motor vehicles | 14,647 | 17,014 |
| - office furniture and equipment | 8,685 | 9,575 |
| - leasehold improvements | 41,882 | 47,906 |

Amortisation of non-current assets:

| | | |
|-------------------------|---------------|---------------|
| - franchise renewal fee | 12,000 | 12,000 |
| | 77,214 | 86,495 |

Notes to the financial statements continued

| | Note | 2010 \$ | 2009 \$ |
|--|------|------------|------------|
|--|------|------------|------------|

Note 5. Expenses (continued)

Finance costs:

| | | | |
|---|--|--------------|----------|
| - interest paid | | 33,739 | 40,374 |
| Bad debts | | 2,511 | 5,372 |
| Loss on Disposal of Non Current Assets | | 3,388 | - |

Note 6. Income Tax Expense

The components of tax expense comprise:

| | | | |
|----------------------------|--|----------------|---------------|
| - Current tax | | 195,494 | 77,156 |
| - Movement in deferred tax | | (340) | (1,031) |
| | | 195,154 | 76,125 |

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

| | | | |
|---|----|----------------|---------------|
| Operating profit | | 640,960 | 245,275 |
| Prima facie tax on profit from ordinary activities at 30% | | 192,288 | 73,583 |
| Add tax effect of: | | | |
| - non-deductible expenses | | 4,919 | 6,007 |
| - timing difference expenses | | 339 | 1,030 |
| - other deductible expenses | | (2,052) | (3,464) |
| | | 195,494 | 77,156 |
| Movement in deferred tax | 11 | (340) | (1,031) |
| | | 195,154 | 76,125 |

Note 7. Cash and Cash Equivalents

| | | | |
|--------------------------|--|----------------|----------------|
| Cash at bank and on hand | | 47,922 | 60,667 |
| Term deposits | | 779,514 | 410,648 |
| | | 827,436 | 471,315 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
|--|------------|------------|

Note 7. Cash and Cash Equivalents (continued)

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 | 47,922 | 60,667 |
| Term deposits | 779,514 | 410,648 |
| | 827,436 | 471,315 |

Note 8. Trade and Other Receivables

| | | |
|------------------------------|----------------|----------------|
| Trade receivables | 238,683 | 206,835 |
| Other receivables & accruals | - | 28,490 |
| Prepayments | 28,446 | 28,707 |
| | 267,129 | 264,032 |

Note 9. Property, Plant and Equipment

Land & Buildings

| | | |
|-------------------------------|------------------|------------------|
| At cost | 1,396,660 | 1,396,660 |
| Less accumulated depreciation | (131,914) | (98,106) |
| | 1,264,746 | 1,298,554 |

Motor Vehicles

| | | |
|-------------------------------|---------------|---------------|
| At cost | 96,877 | 101,194 |
| Less accumulated depreciation | (27,528) | (32,971) |
| | 69,349 | 68,223 |

Office Furniture & Equipment

| | | |
|-------------------------------|---------------|---------------|
| At cost | 68,876 | 53,603 |
| Less accumulated depreciation | (28,495) | (19,810) |
| | 40,381 | 33,793 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|---|------------------|------------------|
| Note 9. Property, Plant and Equipment (continued) | | |
| Leasehold Improvements | | |
| At cost | 247,847 | 247,847 |
| Less accumulated depreciation | (220,755) | (212,681) |
| | 27,092 | 35,166 |
| Total written down amount | 1,401,568 | 1,435,736 |
| Movements in carrying amounts: | | |
| Land & Buildings | | |
| Carrying amount at beginning | 1,298,554 | 1,337,089 |
| Additions | - | 1,620 |
| Disposals | - | - |
| Less: depreciation expense | (33,808) | (40,155) |
| Carrying amount at end | 1,264,746 | 1,298,554 |
| Motor Vehicles | | |
| Carrying amount at beginning | 68,223 | 84,787 |
| Additions | 34,160 | 450 |
| Disposals | (15,000) | - |
| Less: depreciation expense | (18,034) | (17,014) |
| Carrying amount at end | 69,349 | 68,223 |
| Office Furniture & Equipment | | |
| Carrying amount at beginning | 33,793 | 39,755 |
| Additions | 15,273 | 3,613 |
| Disposals | - | - |
| Less: depreciation expense | (8,685) | (9,575) |
| Carrying amount at end | 40,381 | 33,793 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
|--|------------|------------|

Note 9. Property, Plant and Equipment (continued)

Leasehold Improvements

| | | |
|----------------------------------|------------------|------------------|
| Carrying amount at beginning | 35,166 | 20,873 |
| Additions | - | 22,044 |
| Disposals | - | - |
| Less: depreciation expense | (8,074) | (7,751) |
| Carrying amount at end | 27,092 | 35,166 |
| Total written down amount | 1,401,568 | 1,435,736 |

Note 10. Intangible Assets

Franchise fee

| | | |
|----------------------------------|---------------|---------------|
| At cost | 108,000 | 108,000 |
| Less: accumulated amortisation | (98,000) | (86,000) |
| Total written down amount | 10,000 | 22,000 |

Note 11. Tax

Current:

| | | |
|---------------------------|----------------|---------------|
| Income tax payable | 156,738 | 38,775 |
|---------------------------|----------------|---------------|

Non-Current:

Deferred tax assets

| | | |
|-----------------------|---------------|---------------|
| - employee provisions | 27,950 | 26,910 |
| | 27,950 | 26,910 |

Deferred tax liability

| | | |
|--------------------------|----------------|----------------|
| - accruals | (233) | (89) |
| - deductible prepayments | (5,600) | (5,044) |
| | (5,833) | (5,133) |

| | | |
|-------------------------------|---------------|---------------|
| Net deferred tax asset | 22,117 | 21,777 |
|-------------------------------|---------------|---------------|

Movement in deferred tax charged to statement of comprehensive income

| | |
|------------|--------------|
| 340 | 1,031 |
|------------|--------------|

Notes to the financial statements continued

| | Note | 2010 \$ | 2009 \$ |
|--|------|---------------|---------------|
| Note 12. Trade and Other Payables | | | |
| Trade creditors | | 3,043 | 1,334 |
| Other creditors & accruals | | 64,022 | 69,698 |
| | | 67,065 | 71,032 |

Note 13. Borrowings

Current:

| | | | |
|-----------------|----|---------------|----------------|
| Lease liability | 18 | 12,935 | 32,800 |
| Bank loans | | 77,280 | 77,280 |
| | | 90,215 | 110,080 |

Non-Current:

| | | | |
|-----------------|----|----------------|----------------|
| Lease liability | 18 | 27,157 | 40,092 |
| Bank loans | | 272,473 | 321,633 |
| | | 299,630 | 361,725 |

Bank loans are repayable monthly with the final instalment due on 22nd May 2016. Interest is recognised at an average rate of 7.50% (2009: 7.50%). The loans are secured by a fixed and floating charge over the company's assets.

Note 14. Provisions

Current:

| | | |
|----------------------------------|---------------|---------------|
| Provision for bonus | - | 35,000 |
| Provision for dividend | (86) | 914 |
| Provision for annual leave | 33,596 | 44,806 |
| Provision for long service leave | 37,854 | - |
| | 71,364 | 80,720 |

Non-Current:

| | | |
|---|---------------|---------------|
| Provision for long service leave | 21,052 | 44,227 |
| Number of employees at year end | 14 | 14 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|------------------|------------------|
| Note 15. Contributed Equity | | |
| 1,340,732 Ordinary shares fully paid (2009: 1,340,732) | 1,340,732 | 1,340,732 |
| Less: equity raising expenses | (41,332) | (41,332) |
| | 1,299,400 | 1,299,400 |

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.

Notes to the financial statements continued

Note 15. Contributed Equity (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the “10% limit”).
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the “close connection test”).
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the “base number test”). The base number is 270. As at the date of this report, the company had 541 shareholders.

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

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

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

The Bendigo Stock Exchange (BSX) has advised that in its view the prohibited shareholding provisions are appropriate and equitable but the ‘base number test’ is not as a result the base number clause does not operate whilst the company remains listed on the BSX.

In the constitution, 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.

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|----------------|----------------|
| Note 16. Retained Earnings | | |
| Balance at the beginning of the financial year | 208,901 | 98,383 |
| Net profit from ordinary activities after income tax | 445,807 | 169,150 |
| Dividends paid or provided for | (131,922) | (58,632) |
| Balance at the end of the financial year | 522,786 | 208,901 |

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 | 445,806 | 169,150 |
| Non cash items: | | |
| - depreciation | 65,214 | 74,495 |
| - amortisation | 12,000 | 12,000 |
| Changes in assets and liabilities: | | |
| - increase in receivables | (3,358) | (2,975) |
| - decrease in other assets | (79) | 22,073 |
| - decrease in payables | (3,967) | (1,666) |
| -increase/(decrease) in provisions | (32,531) | 45,166 |
| -increase in current tax liabilities | 117,963 | - |
| Net cashflows provided by operating activities | 601,048 | 318,243 |

Note 18. Leases

Finance lease commitments

| | | |
|----------------------------------|--------|--------|
| Payable - minimum lease payments | | |
| - not later than 12 months | 15,950 | 37,975 |
| - between 12 months and 5 years | 28,304 | 44,254 |
| - greater than 5 years | - | - |
| Minimum lease payments | 44,254 | 82,229 |

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
|--|------------|------------|

Note 18. Leases (continued)

| | | |
|--|---------------|---------------|
| Less future finance charges | (4,162) | (9,337) |
| Present value of minimum lease payments | 40,092 | 72,892 |

The Holden Berlina chattel mortgage, which commenced in 2007, is a 4-year contract. Interest is recognised at an average rate of 8.65% (2009: 8.65%).

The Honda Civic chattel mortgage, which commenced in 2008, is a 4-year contract. Interest is recognised at an average rate of 8.95% (2009: 8.95%).

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 | 30,951 | 32,854 |
| - between 12 months and 5 years | - | 27,379 |
| - greater than 5 years | - | - |
| | 30,951 | 60,233 |

The Rye Rental lease is a non-cancellable lease with a five-year term commencing 1 May 2006, with rent payable monthly in advance and two further terms each of 5 years extension possible.

Note 19. Auditors' Remuneration

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

| | | |
|---------------------------|--------------|--------------|
| - audit & review services | 7,282 | 5,000 |
| - non audit services | 420 | 390 |
| | 7,702 | 5,390 |

Notes to the financial statements continued

Note 20. Director and Related Party Disclosures

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

Shane Christopher McCarthy
Patricia Tonks
Eileen Naylor
Barry Irving
Andrew Ross Emerson
Janet Iris Hall
Stephen Bernard Edmund
Gary Michael Cain
Dorothy Mortlock (Appointed 15th March 2010)

The Board has adopted a policy in respect to director fees with the following objectives:

- To attract and retain appropriately qualified and experienced directors; and
- To remunerate directors in regard to their responsibilities.

In accordance with Board policy, director remuneration comprises a base fee together with a 9% superannuation guarantee charge.

Directors fees are determined by the Board and are not to exceed \$100,000 in aggregate, the allocation of which is determined at the discretion of the Board. This was policy was approved by the shareholders at the 2007 Annual General Meeting held 31st October 2007.

During the normal course of business operations, Rye & District Community Financial Services Limited utilised services offered by local community business. Some of the transactions included businesses in which some Directors have direct or indirect interest. These transactions are considered to be made at an arms length basis and are on normal commercial terms.

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

| Directors Shareholdings | 2010 | 2009 |
|--------------------------------|-------------|-------------|
| Shane Christopher McCarthy | 7,404 | 7,404 |
| Patricia Tonks | 42,236 | 42,236 |
| Eileen Naylor | 50,000 | 50,000 |
| Barry Irving | 4,100 | 4,100 |
| Andrew Ross Emerson | 4,000 | 4,000 |
| Janet Iris Hall | 4,800 | 4,800 |
| Stephen Bernard Edmund | 7,200 | 7,200 |
| Gary Michael Cain | 5,000 | 5,000 |
| Dorothy Mortlock | - | - |

There was no movement in directors shareholdings during the year.

Notes to the financial statements continued

| | 2010 \$ | 2009 \$ |
|--|------------|------------|
|--|------------|------------|

Note 21. Dividends Paid or Provided

a. Dividends paid during the year

| | | |
|---|----------------|---------------|
| Prior year proposed final | | |
| 100% (2009: 100%) franked dividend - 4.5 cents (2009: 2 cents) per share | 131,922 | 58,632 |

b. Dividends proposed and not recognised as a liability

| | | |
|---|----------------|----------------|
| Current year final dividend | | |
| 100% (2009: 100%) franked dividend - 6.5 cents (2009: 4.5 cents) per share | 190,554 | 131,922 |

The tax rate at which dividends have been franked is 30% (2009: 30%).

Dividends proposed will be franked at a rate of 30% (2009: 30%).

c. Franking account balance

| | | |
|--|----------------|----------------|
| Franking credits available for subsequent reporting periods are: | | |
| - franking account balance as at the end of the financial year | 152,624 | 156,322 |
| - franking credits that will arise from payment of income tax payable as at the end of the financial year | 77,530 | 21,431 |
| - franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year | (56,538) | (25,128) |
| Franking credits available for future financial reporting periods: | 173,616 | 152,624 |
| - 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 | (57,166) | (39,577) |
| Net franking credits available | 116,450 | 113,048 |

Note 23. Earnings Per Share

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

| | | |
|--|---------|---------|
| used in calculating earnings per share | 445,806 | 169,150 |
|--|---------|---------|

| | 2010 Number | 2009 Number |
|--|----------------|----------------|
|--|----------------|----------------|

(b) Weighted average number of ordinary shares used as the denominator

| | | |
|---|-----------|-----------|
| in calculating basic earnings per share | 2,931,605 | 2,931,605 |
|---|-----------|-----------|

Notes to the financial statements continued

Note 24. Events Occurring After the Balance Sheet Date

A contract has been entered into to purchase a property in Rosebud for an estimated \$1.35m plus set up costs with the intention of establishing a Rosebud Branch. Loans totalling \$1.35m with a repayment term of 15 years have been approved by Bendigo and Adelaide Bank Ltd for the purpose of purchasing this property. The property settled on 10 September 2010.

Note 25. Contingent Liabilities

During 2008 Rye & District Community Financial Services Limited entered an agreement with The Portsea Camp to provide sponsorship of \$10,000 per annum for a 10 year period commencing 14 March 2008. The sponsorship is payable monthly in instalments.

| | \$ |
|------------------------------|----------------|
| Amount already paid | 22,500 |
| Payable in 1 year or less | 10,000 |
| Payable in over 1 to 3 years | 30,000 |
| Payable in over 3 years | 37,500 |
| Total payable | 100,000 |

During 2008 Rye & District Community Financial Services Limited also entered an agreement with the Rye Football Club Inc to provide support for the renovations at Rowley Reserve by providing sponsorship of \$8,000 per annum for a 4 year period.

| | |
|------------------------------|---------------|
| Amount already paid | 24,000 |
| Payable in 1 year or less | 8,000 |
| Payable in over 1 to 3 years | - |
| Total payable | 32,000 |

During 2010 Rye & District Community Financial Services Limited also entered an agreement with the Australian Volunteer Coastguard to provide support for the Safety Beach Flotilla by providing sponsorship of \$10,000 per annum for a 5 year period.

| | |
|------------------------------|---------------|
| Amount already paid | 10,000 |
| Payable in 1 year or less | 10,000 |
| Payable in over 1 to 3 years | 30,000 |
| Total payable | 50,000 |

Notes to the financial statements continued

Note 26. Segment Reporting

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

Note 27. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office

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

Principal Place of Business

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

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

Note 28. Financial Instruments

Net Fair Values

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

Credit Risk

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

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

Note 28. Financial Instruments (continued)

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 | 47,446 | 60,192 | 779,514 | 410,648 | - | - | - | - | 475 | 475 | 3.84 | 4.59 |
| Receivables | - | - | - | - | - | - | - | - | 238,683 | 235,325 | N/A | N/A |
| Financial Liabilities | | | | | | | | | | | | |
| Interest bearing liabilities | - | - | - | - | 40,091 | 72,892 | 349,753 | 398,913 | - | - | 8.65 | 8.56 |
| Payables | - | - | - | - | - | - | - | - | 27,264 | 29,473 | N/A | N/A |

Directors' declaration

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

In the opinion of the directors:

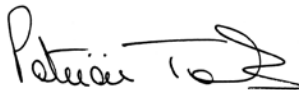
- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting 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.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the Corporations Act.

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



Shane Christopher McCarthy,
Chairman



Patricia Tonks,
Director

Signed on the 8th of September 2010.

Independent audit report



PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

INDEPENDENT AUDITOR'S REPORT

To the members of Rye & District Community Financial Services Limited

We have audited the accompanying financial report of Rye & District Community Financial Services 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.

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report continued

Independence

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

Auditor's Opinion on the Financial Report

In our opinion:

- 1) The financial report of Rye & District Community Financial Services Limited is in accordance with the Corporations Act 2001 including 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 Rye & District Community Financial Services 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 8th day of September 2010

BSX report

Share Information

In accordance with Bendigo Stock Exchange listing rules, the Company provides the following information as at 30 September 2010, which is within 6 weeks of this report being sent to Shareholders.

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

| Number of Shares held | Number of Shareholders |
|---------------------------|------------------------|
| 1 to 1,000 | 78 |
| 1,001 to 5,000 | 339 |
| 5,001 to 10,000 | 64 |
| 10,001 to 100,000 | 57 |
| 100,001 and over | 1 |
| Total Shareholders | 539 |

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

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

There are 3 Shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

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

The following table shows the 14 largest Shareholders.

| Shareholder | Number of Shares | Percentage of capital |
|--|------------------|-----------------------|
| Planned Living Pty Ltd <Superannuation Fund A/C> | 101,000 | 3.45 |
| John Leonard Seeber | 61,000 | 2.08 |
| Bernard Wilfred & Patricia Tonks | 42,236 | 1.44 |
| Kadan Superannuation Pty Ltd | 39,199 | 1.34 |
| Thomas Leigh Atf the Waring Superannuation Fund | 37,600 | 1.28 |
| Louise Rose Whitehead | 35,088 | 1.20 |
| Kenneth Jack & Gloria Peggy Spinner | 32,000 | 1.09 |
| Martin John Naylor | 26,000 | 0.89 |
| Eileen Naylor | 24,000 | 0.82 |
| Hilmi Kusari | 24,000 | 0.82 |

BSX report continued

The following table shows the 14 largest Shareholders (continued).

| Shareholder | Number of Shares | Percentage of capital |
|--|------------------|-----------------------|
| Ian John McBeath & Carmel Ann Davis | 24,000 | 0.82 |
| Norma Maureen Pitt | 24,000 | 0.82 |
| Peter Van Duren Atf <Van Duren Family Super A/C> | 24,000 | 0.82 |
| Steven Frank Burley | 24,000 | 0.82 |
| | 518,123 | 17.69 |

Registered Office and principal administrative office

The registered office of the Company is located at: 2349 Point Nepean Road
Rye, Victoria 3941
Phone: 03 5985 9755

The principal administrative office of the Company is located at: 239 Point Nepean Road
Dromana, Victoria 3936
Phone: 03 5987 0754

Security Register

The security register (share register) is kept at: Richmond Sinnott & Delahunty Pty Ltd
Woodbury Court
172-176 Mclvor Road
BENDIGO VIC 3552
Phone: (03) 5443 1177

Company Secretary

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

Corporate Governance

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

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

Annexure 3A

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

Sponsorship report

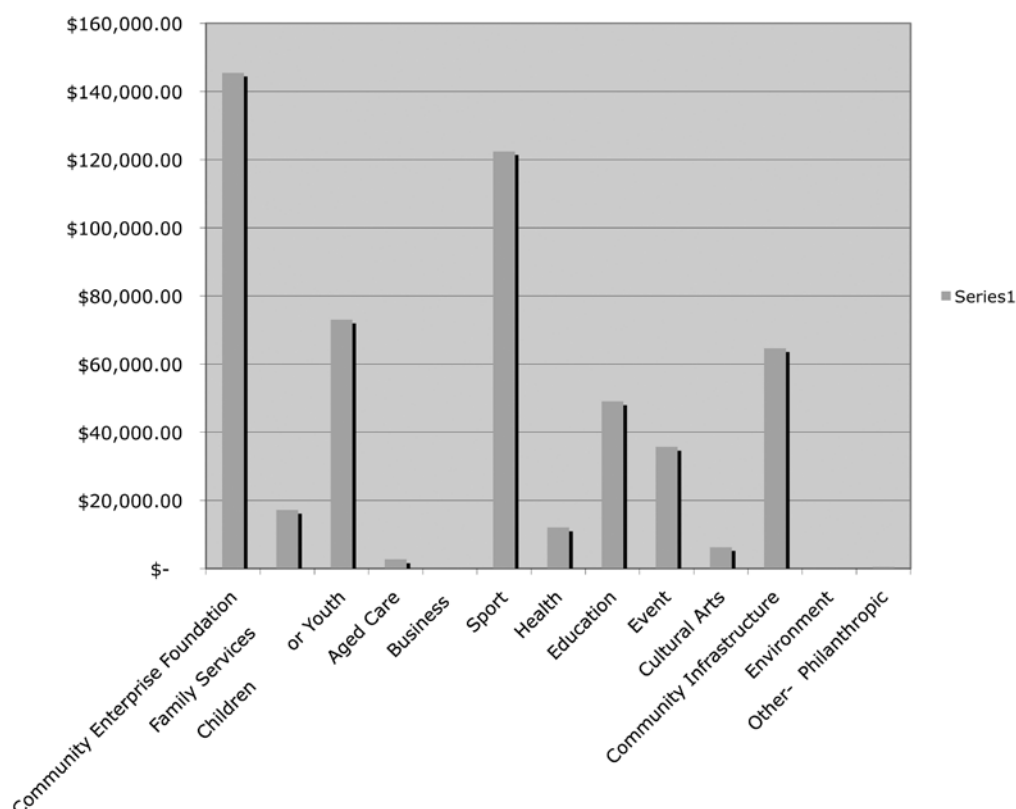
Sponsorship and donation recipients

| Community group / recipient | Total investment | Community group / recipient | Total investment |
|---|------------------|---|------------------|
| 3RPP | \$6,000 | Mount Martha Bowls Club | \$2,500 |
| Balnarring Picnic Race Club | \$500 | Mt Martha Life Saving Club | \$500 |
| Bass Strait Aquatic Club | \$500 | National Seniors Assoc | \$500 |
| Blairgowrie Tennis Club | \$500 | Nepean Netball Association | \$5,000 |
| Boneo Cricket Club | \$500 | Osborne Netball Club | \$500 |
| Carrington Park Club - Bowls Division | \$2,500 | Oxfam Trailwalker | \$500 |
| Coast Guard - Safety Beach | \$10,000 | Peninsula Life | \$1,500 |
| Community Enterprise Foundation | \$95,455 | Peninsula Magpies Supporters Club | \$500 |
| Dromana Art Show | \$750 | Peninsula Obedience Dog Club | \$500 |
| Dromana Bay Life Saving Club | \$500 | Peninsula Womens Information Service | \$6,000 |
| Dromana Bowls Club | \$2,000 | Red Hill Cricket Club | \$500 |
| Dromana Cricket Club | \$1,000 | Red Hill District Lions Club | \$850 |
| Dromana Football & Netball Club | \$8,000 | Red Hill Football Club | \$8,000 |
| Dromana Secondary College | \$4,000 | Red Hill Junior Football Club | \$2,500 |
| Dromana Tennis Club | \$4,500 | Red Hill Tennis Club | \$500 |
| Flinders Bowls Association | \$2,500 | Rosebud & District Life Saving Club | \$4,000 |
| Flinders District Ladies Bowls Association | \$1,000 | Rosebud Bowls Club | \$2,500 |
| Flinders District Lions Club | \$2,000 | Rosebud CFA | \$8,000 |
| Ingham Growers Association | \$1,150 | Rosebud Community Centre | \$500 |
| Lions Club of Mt Eliza | \$1,500 | Rosebud Country Club Bowls Division | \$2,500 |
| Main Ridge Bowls Club | \$2,500 | Rosebud Cricket Club | \$500 |
| Main Ridge Cricket Club | \$500 | Rosebud Football Club | \$8,000 |
| Main Ridge Tennis Club | \$1,000 | Rosebud Junior Football Club | \$2,500 |
| McCrae & District Lions Club | \$1,000 | Rosebud Police Senior Citizens Register | \$2,645 |
| Moorooduc Polocrosse Club | \$500 | Rosebud Rock 'n Rod Festival | \$500 |
| Morn Pen Hinterland Tourism Association | \$500 | Rosebud Secondary College | \$1,000 |
| Morn Pen Junior Football League | \$8,250 | Rotary Club of Mt Martha | \$2,000 |
| Morn Pen Nepean Football League | \$11,000 | Rotary Club of Sorrento | \$4,120 |
| Mornington Baseball Club | \$500 | Rye Beach Community Centre | \$500 |
| Mornington Peninsula Art Show | \$500 | Rye Bowls Club | \$2,500 |
| Mornington Peninsula Art Show 2011 | \$5,000 | Rye Fire Brigade | \$5,000 |
| Mornington Peninsula Braves Masters Softball Team | \$500 | Rye Football Club | \$1,000 |
| Mornington Peninsula Gourmet | \$3,000 | Rye Junior Football Club | \$2,500 |
| Mornington Peninsula Netball Assoc | \$5,000 | Rye Netball Club | \$1,500 |
| Mornington Peninsula Shire | \$12,000 | Rye Primary School | \$15,000 |
| Mornington Peninsula Veterans Golf Assoc | \$500 | Rye Sports & Social Club | \$5,500 |
| | | Rye Tennis Club | \$500 |

Sponsorship report continued

| Community group / recipient | Total investment | Community group / recipient | Total investment |
|---------------------------------------|------------------|----------------------------------|------------------|
| Rye Yacht Club | \$2,500 | Sthn Pen Indoor Bias Bowls Assoc | \$400 |
| Rye Youth Centre | \$62,500 | Sthn Peninsula Little Athletics | \$1,000 |
| Safety Beach Golf Club | \$1,500 | Sthn Peninsula Rescue Squad | \$11,000 |
| Sorrento Community Centre | \$5,600 | The Dunes Golf Club | \$500 |
| Sorrento Cricket Club | \$500 | The Portsea Camp | \$10,000 |
| Sorrento Tennis Club | \$500 | The Village Glen Bowls Club | \$2,500 |
| Sorrento Urban Fire Brigade | \$8,000 | The Village Glen Golf Club | \$2,500 |
| Sorrento Bowls Club | \$2,500 | Tootgarook Primary School | \$30,000 |
| South Mornington Football Club | \$2,500 | Victorian Farmers Association | \$1,000 |
| South Mornington Junior Football Club | \$2,500 | Victorian Youth Foundation | \$50,000 |
| Southern Peninsula Basketball Assoc | \$500 | Vinnies Kitchen | \$4,800 |
| Southern Peninsula Cancer Support | \$12,000 | Waterfall Gully Pre-School | \$500 |
| Southern Peninsula Community Care | \$500 | West Rosebud Bowling Club | \$5,000 |
| Southern Peninsula Food For All | \$4,800 | | |
| Southern Umpires Association | \$2,750 | | |

Sponsorship and donation allocation





Rye & District **Community Bank®** Branch
 2349 Point Nepean Road, Rye VIC 3941
 Phone: (03) 5985 9755
www.bendigobank.com.au/rye

Dromana **Community Bank®** Branch
 239 Point Nepean Road, Dromana VIC 3936
 Phone: (03) 5981 8327
www.bendigobank.com.au/dromana

Franchisee: Rye & District Community Financial Services Limited
 2349 Point Nepean Road, Rye VIC 3941
 Phone: (03) 5987 0754
 ABN: 67 095 766 895

www.bendigobank.com.au
 Bendigo and Adelaide Bank Limited,
 The Bendigo Centre, Bendigo VIC 3550
 ABN 11 068 049 178. AFSL 237879.
 (BMPAR10076) (09/10)