Annual Report 2015

Rye & District Community Financial Services Limited

ABN 67 095 766 895

Rye & District **Community Bank**® Branch
Dromana **Community Bank**® Branch
Rosebud **Community Bank**® Branch

Contents

Chairman's report	**2**
Senior Manager's report	**5**
Directors' report	**8**
Auditor's independence declaration	**19**
Financial statements	**20**
Notes to the financial statements	**24**
Directors' declaration	**50**
Independent audit report	**51**
NSX report	**53**
Sponsorship allocations 2014/15	**55**

Chairman's report

For year ending 30 June 2015

In more ways than one, 2015 has been a year of great achievement for our company, Rye & District Community Financial Services Limited.

In my 2014 report, I bravely declared that… "Our next challenge is to attain the magical mark of $500 million in footings which, given relatively normal trading conditions, is within our reach within the next two years. That's half a billion dollars – an amazing figure and amazing to think that the company is in the shadows of this figure just thirteen years into its life."

I am pleased to report that this challenge has been well and truly marked off our list because at the end of the financial year under review, our total business (i.e. loans, deposits and other financial products) totalled a remarkable $527.473 million having surpassed the magical $500 million figure in April 2015.

And, indeed, it is amazing to think that our company, inside 14 years of its existence, from its humble beginnings as the only bank in Rye, has amassed over half a billion dollars in business.

This achievement places your company in rarefied atmosphere among Bendigo Bank **Community Bank**® branches throughout Australia – being one of a very few (perhaps two or three) **Community Bank**® branches who have attained this level of business.

The new balance of $527.5 million represents a growth of 12.6% over the level of footings recorded at the end of the 2014/15 financial year.

This rate of growth is also a remarkable achievement given the present state of the market.

This achievement of a growth of over $59 million in Funds Under Management (FUM) is even more creditable, given the current low interest environment in which your company operates.

One of the reasons given for lowering interest rates is to stimulate credit demand. However, the Australian experience has been different.

Following the Global Financial Crisis, the behaviour of Australian consumers shifted from taking on new credit to taking advantage of the low interest rates available, by prepaying, or even paying off, existing debt. The past year has seen loan prepayments and pay downs at the highest levels in Australian banking history.

Whilst this improves the equity our customers hold in their assets (homes), it means that our branches have to work increasingly hard to replace diminished debt balances with new credit facilities.

That our company has been able to do this and grow to such an extent is a credit to the hard working teams at our branch premises and the direction provided by our Senior Manager, Gary Sanford.

Another significant achievement during the year was the take up of the option we held to buy the premises occupied by our Rye & District **Community Bank**® Branch.

Settlement of the transaction to purchase the site occurred on 31 May 2015 and the procurement of this property places your company in the very favourable position of owning all three sites in which our branches and administration operate and of possessing the strongest balance sheet of any **Community Bank**® company within the Bendigo Bank **Community Bank**® network.

This is a significant achievement and places your company in a very strong position to derive the maximum benefit from any future growth.

Whilst on the matter of property, I am also pleased to advise that both residential units forming part of the Rosebud development undertaken by the company have been sold.

In last years report, I flagged the impending sale of the first unit in October 2014 and this was duly executed. The sale of the second unit was completed on 4 February 2015, at a fair market price.

Chairman's report (continued)

The company has decided to retain ownership of the second retail premises at the site to provide an additional income stream as a hedge against any future fluctuations in business revenue and, during June, completed negotiations with a tenant for a long-term tenancy.

The successful completion of this Rosebud development has afforded us ownership of the Rosebud **Community Bank**® Branch premises and enabled us to further enhance our balance sheet.

The low interest rate environment mentioned previously, had a challenging impact on the financial performance of the company during the year.

Whilst our total business grew by $59 million (+12.6%), our overall income increased by only 3.5% due to shrinkage in the margin rates available to us and to the mix of products being selected by our customers. Expenses, other than those related to the sale of the Rosebud residential apartments, grew by 5.2% as a result of a significant increase in the amount paid and set aside for charitable donations and sponsorships ($606,025 – up from $494,875).

Whilst disappointing to report a loss of $152,904 for the year, compared to a $309,196 profit last year, your Board is confident that this year's results are an aberration and that, with the sale and costs of the Rosebud **Community Bank**® Branch development behind it, the company is well poised to record a profitable result in the year to come.

Because of the need to value the Rosebud property on a cost basis as compared to a market valuation basis, the company's Balance Sheet also recorded a small decline during the year, with net assets standing at $2.726 million compared to $3.055 million last year.

This will be addressed in time for next year's Financial Statements, when all four properties will be subject to market valuation and this process alone should result in enhanced asset vales for the company.

Given these results and the overall health of our company, I am pleased to advise that our dividend for this year will remain at 6.0 cents per share, fully franked and payable on 20 November 2015 for those shareholders appearing on our register as of 30 October 2015.

This is my final report as Chairman of your company as it is my intention to retire after the conduct of the 2015 Annual General Meeting.

Having been board member since the formation of the company 14 years ago, I consider the time to be appropriate to step aside and allow others the privilege of governing this remarkable company.

As I reflect upon the health of the company, the journey it has undertaken since formation and its structure to allow it continued growth over the coming years, I am indebted to my fellow Directors for their dedication and support shown to me during my term as a Director.

Shareholders can take great comfort in the knowledge that their Directors take their responsibilities most seriously and all perform their assigned governance roles with great diligence and care. I am proud to have served on our Board with them.

I am particularly indebted to our Treasurer, Pat Tonks, who has been with me for the entire journey. Pat's financial acumen and her attention to detail have been key components in the financial health of this company and her willingness to challenge financial assumptions has ensured that the investment of our shareholders has been well protected.

I also acknowledge the leadership and drive of our Senior Manager, Gary Sanford who, together with Julie Nolo, has been with our company since before our first door was opened in Rye.

There is no doubt that without Gary's belief in the **Community Bank**® model, his professionalism, his banking knowledge and his customer service ethic, our company would not have prospered as it has. Gary's standing within the **Community Bank**® network is second to none. He is by far our greatest asset and I thank him for his efforts and support.

It would be remiss of me if I failed to acknowledge the foresight of my Chairman predecessors, David Keech and Peter Van Duren.

Chairman's report (continued)

It was David's vision and drive that saw the foundation of our company and the opening of our first **Community Bank**® branch in Rye. Our company will be forever indebted to David for his role in our formation.

Peter oversaw the company during its maturing years and played a key role in the opening of our Dromana **Community Bank**® Branch. His vision for the company saw it stabilise and position itself for future growth. Peter was instrumental in the purchase of our Rye premises.

To all of our staff during my term on the Board, I say a resounding 'thank you'. One of the features of our company is that customers are known by name and continue to be offered exemplary customer service. This sets us apart from other banks and is our single most point of difference. This only becomes possible because of the commitment of our staff to the **Community Bank**® philosophy and I am pleased to acknowledge their efforts on behalf of all shareholders.

The other point of difference we offer over our banking competitors is the level of financial support we provide to our community. Since formation, we have provided in excess of $5 million back to community groups in the form of sponsorships, donations and grants. This year alone, we allocated over $600,000 to the community, supporting over 130 groups. As I have said many times before, "What other bank can make such claims and back them up with real financial contributions?"

Of course, the answer is 'none".

I also acknowledge the role played by our Board Administration Officer, Tony Harford. In his almost ten years with our company, Tony has steered my fellow Directors and me through the regulatory and administrative labyrinth involved in running a public company. His dedication and professionalism is gratefully acknowledged.

I am grateful to the Bendigo and Adelaide Bank Limited, our partners in this **Community Bank**® venture. Their support, guidance and assistance throughout my term as a director have been immensely valuable. They continue to support our company and through the extensions of our Franchise Agreement with them, underpin our successful operation for the next 15 years.

Finally, I acknowledge the support of our shareholders and customers, without whose support, this company would not even exist.

That we enjoy such a position of pre-eminence amongst **Community Bank**® companies throughout Australia is testimony to the faith and support provided by our initial and subsequent shareholders, as well as all of our customers.

I thank them for the trust they have placed in me during my tenure as one of their elected representatives and thank them for allowing me the privilege to serve their interests.

Our company is well placed for future success.

This will be delivered by the ongoing support of our community, our shareholders, our staff and our customers. I strongly urge all our stakeholders to become and remain staunch advocates of our company and the services it provides by introducing their families, friends and colleagues to the services we provide.

Whilst we returned over $600,000 to the community in the year just gone, my vision is for our annual community contributions to exceed $1 million in any one year.

Then, we will be truly noticed in the community. Then, we will begin to make a real difference – a bigger difference to the one we already make.

I encourage you to help in making this vision come true.

Shane McCarthy
Chairman

Senior Manager's report

For year ending 30 June 2015

The 2014/15 financial year has seen another year of outstanding growth across our three branches, which saw our Group achieve a milestone many would not have believed possible, me included: $500,000 in footings.

Our company also secured the Rye & District **Community Bank**® Branch premises, which now sees us own all three sites from which our branches operate, plus the additional commercial site next to our Rosebud **Community Bank**® Branch. This not only enhances our company's Balance Sheet it also protects us in the future from one of the main operating expenses in running our branches; rent!

As at 30 June 2015, we experienced strong growth in deposits, loans and a small decrease in Financial Planning on a consolidated basis. Our Rye & District **Community Bank**® Branch decreased total accounts from 9,241 to 9,149 (92), Dromana **Community Bank**® Branch decreased from 4,928 to 4,926 (2). However, Rosebud **Community Bank**® Branch accounts grew from 1,019 to 1,675 (+656), which meant consolidated growth in new accounts of 562, taking the combined total to 15,750. In 2014 we grew our total accounts by 546!

Our consolidated footings totalled $527.47 million, which included total deposits at $276.46 million and total lending at $238.51 million. This still represents a very strong mix of business. Reported Financial Planning products under management at $12.50 million, assisted to make up the $527.47 million. These balances reflect a 21.69% increase in deposits and a 4.34% growth in lending across the company. The balances also reflect a 0.26% decrease in Financial Planning products under management over the year.

Rye & District **Community Bank**® Branch footings as at 30 June 2015 were $161.23 million in deposits and $113.29 million in lending and Financial Planning under management at $8.01 million. Combined balances stood at $282.53 million.

Dromana **Community Bank**® Branch footings as at 30 June 2015 were $72.91 million in deposits and $91.65 million in lending and Financial Planning under management at $4.40 million. Combined balances stood at $168.96 million.

Rosebud **Community Bank**® Branch footings as at 30 June 2015 were $42.32 million in deposits and $33.57 million in lending and Financial Planning under management at $0.09 million. Combined balances stood at $75.98 million.

The consolidated business growth of $58.96 million against consolidated budgeted growth of $24.75 was a very pleasing result in a very competitive and difficult banking environment. Deposits grew by $49.28 million against a budget of $9.8 million, lending grew by $9.71 million against a budget of $13.95 million and Financial Planning grew by ($0.03) million against a budget of $1.00 million.

The 2014/15 growth results are again extremely satisfying considering the maturity of the footings all three of our branches, however with reduced interest rates and our current income share model with Bendigo and Adelaide Bank Limited, it is frustrating that this growth has not resulted in increased revenue and subsequent profit growth.

Board support

For 14 years now I have been saying the same things about our Board and the support it provides all our staff, and me well 2015 was no different.

Shane McCarthy, Chairman leads a strong and decisive team of directors who have shown respect and trust in me to manage the banking operations of our Group.

Although sad to see Eileen Naylor retire from the Board during the year it has been great to see Amber Earles join the Board as its youngest Director. Amber is already having a dynamic impact.

Senior Manager's report (continued)

Tony Harford as the Board Administration Officer, not only provides support and guidance to the Board, he is a continual sounding board for me on many issues related to the management of our company. I wish to thank Tony for the invaluable support he provides.

Staff

To say we have had a few staff changes in the 2015 financial year would be an understatement!

The 2014/15 financial year saw the following staff leave our company for various reasons;

- Chris Broderick – Full Time Customer Service Office (CSO)
- Ann Morris – Part Time CSO
- Michelle Owen – Part Time CSO
- Julie Casey – Full Time CSO
- Bronwyn Ralph – Full Time Branch Manager
- Patreece Topp – Full Time Customer Relationship Manager (CRO).

In these staff changes a huge amount of experience with our company has been lost, but has provided opportunities for existing and new staff to join our teams.

I have great please in advising that the following staff joined us during the 2015 financial year:

- James Baldam – Full Time CSO
- Mary Hallett – Full Time CSO
- Fiona Sanford – Part Time CSO
- Hollie Wilkin – Full Time CSO
- Penelope Leonard – Full Time Business Development Manager
- Kate Maloney – Full Time CRO.

We now have 19 staff!

I would like to thank all our staff, new and existing for continuing to provide the high level of customer service we expect in our **Community Bank**® branches.

The three branches have continued to rotate staff to best meet the needs of each branch but to also maintain a "one team" atmosphere across the group.

Julie Nolo completes two years as Rosebud **Community Bank**® Branch Manager on 21 October 2015 and is coming up to 15 years' service with our company next year. Julie is to be congratulated on Rosebud **Community Bank**® Branch's performance since opening, in particular the fantastic atmosphere at all times in her branch. Julie is a member of the Rosebud Chamber of Commerce and continues to be active in our local community and our community engagement initiatives.

Diane Kennedy, took control of the Dromana **Community Bank**® Branch as its Manager on 1 July 2014 and has settled into this role very well. I wish to thank Di and her team for how Dromana **Community Bank**® Branch has operated over the financial year.

During the year Melissa Bosomworth celebrated 10 years' service with our company, which I again acknowledge and thank her for being part of our achievements for over 10 years.

Liz Clark, who started on 5 September 2005 as a CSO has progressed through our branches to a Customer Relationship Officer, and early this year was appointed to the management team as a Customer Relationship Manager. I would like to thank Liz for her support over the journey and congratulate her on reaching 10 years' service on 5 September 2015.

Senior Manager's report (continued)

In appointing Penelope Leonard as a Business Development Manager, my plans were to work alongside her at Rye & District **Community Bank**® Branch to hand over the management of the Rye & District **Community Bank**® Branch as its Branch Manager, which I took control of when Bronwyn Ralph resigned. My plans for Penny include having her involved in the large commercial base of customers we look after as a form of succession planning into the future.

Penny joined us on 4 May 2015 and has very quickly become a very important part of our Groups leadership team. Penny, has been appointed the Rye & District **Community Bank**® Branch Manager as of 4 November 2015, but still remains working closely with me with our commercial customers.

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

I would like to thank all our new staff and Elizabeth Clark, Christine Gray, Melissa Bosomworth, Elizabeth Cairns, Luke Sweet, Heather Williams, Renae Dunston and Judy Blake for their support and commitment to our success. Also Tara Del Grosso who was on maternity Leave for the whole financial year and has just returned part- time in August 2015.

We have continued to receive strong support from our partners Bendigo and Adelaide Bank through primarily our Regional Manager. During the 2014/15 financial year we had the support of Regional Manager, Simon Sponza who I wish to thank for his support of our Board, Managers and myself personally. Through Bendigo and Adelaide Bank's State Support structures for lending and operations, our branches have received ongoing support which has been greatly appreciated.

Summary

The 2014/15 financial year has seen many changes and challenges, which are detailed in our Chairman's report and mine.

The ability of our Group to grow our business by $58.96 million is very satisfying from a customer acquisition and retention basis. However, as can be seen by our income and expense report, in the current financial conditions this has not resulted in growth in income and profitability

Like you, I hope and believe that, if we continue to grow our business and our customers, this has to result in increased returns for your **Community Bank**® branches and the community

Our Chairman, Shane McCarthy sat me down recently and made me reflect on what we have. We have a locally owned company that budgets for a $500,000 contribution to the local community every year and has done so for more than 10 years now. We own four commercial properties and our company's Balance Sheet would be the strongest in the whole **Community Bank**® network. We deliver a fully franked dividend every year and our shareholders investment is protected by our company's own Balance Sheet position. Thanks Shane. Let's not forget, our company was not around 15 years ago.

Where will we be in 15 years' time?

Our strengths remain the very high level of customer service we provide across all areas of our business, which will continue to yield high value referrals for new consumer and business customers who are looking for the **Community Bank**® model of doing banking.

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

Gary Sanford
Senior Manager

Directors' report

For the financial year ended 30 June 2015

Your directors submit the financial statements of the company for the financial year ended 30 June 2015.

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 Llb GAICD
Chairman & Director
Occupation: Solicitor & Notary Public
Qualifications, experience and expertise: Chair, Sponsorship & Marketing Committee, 39 years experience as Legal Practitioner.
Special responsibilities: Chair of Sponsorship & Marketing
Interest in shares: 7,404

Stephen Bernard Edmund
Deputy Chairman & Director
Occupation: Real Estate Agent
Qualifications, experience and expertise: 30 years experience Retail Hardware and Property Management. Past President of Rotary Club of Dromana and Paul Harris Fellowship.
Special responsibilities: Deputy Chairman
Interest in shares: 7,200

Patricia Tonks
Treasurer & Director
Occupation: Retiree
Qualifications, experience and expertise: Former Councillor Flinders Shire, 36 years experience Business Administration and President Rye Community Centre.
Special responsibilities: Finance Committee
Interest in shares: 42,236

Dorothy Mortlock
Secretary & Director
Occupation: Retiree
Qualifications, experience and expertise: Former President Rosebud Country Club, Secretary Peninsula Community Fund Inc and Volunteer Peninsula Health.
Special responsibilities: Governance Committee
Interest in shares: 3,000

Amber Britt Earles
Director
Occupation: Manager
Qualifications, experience and expertise: BA (Melbourne), Grad. Dip. Ed (Melbourne); Master of Intl. and Community, Devpt. (Deakin), Grad. Cert Social Impact (Swinburne); Manager, Learning & Devpt. Services of an international NGO.
Interest in shares: 2,000

Directors (continued)

Barry Leonard Irving
Director
Occupation: Retiree
Qualifications, experience and expertise: Photography, Past President of Rye Rotary Club & Paul Harris Fellow double Sapphire, Honorary Member Woodworkers of the Southern Peninsula, Member Rye RSL and 17 years experience Senior Laboratory Craftsman with C.S.I.R.O.
Special responsibilities: Marketing, Promotion & Advertising
Interest in shares: 3,600

Andrew Ross Emerson
Director
Occupation: Home Furnishing Industry
Qualifications, experience and expertise: 50 years experience Furnishing Industry, Member Dromana Lions Club & Dromana Primary School Council.
Special responsibilities: Property Maintenance
Interest in shares: 4,000

Gary Michael Cain
Director
Occupation: Accountant, CPA
Qualifications, experience and expertise: CPA Qualified and Former President Rosebud Football Club Inc.
Special responsibilities: Finance Committee
Interest in shares: 5,000

Janet Iris Hall
Director
Occupation: Interior Decorator
Qualifications, experience and expertise: 30 years experience and Sole Operator of Interior Decorating and Chairperson Southern Mornington Peninsula Uniting Church.
Special responsibilities: Governance & Sponsorship Committee
Interest in shares: 8,800

Vincent de Paul Cheers
Director
Occupation: Managing Director
Qualifications, experience and expertise: Has successfully run small businesses for the past thirty years. Currently runs a successful waste and recycling business on the Mornington Peninsula, employing over 40 staff. President of St Francois Foundation, a voluntary not-for-profit NGO serving medical and educational needs in Papua New Guinea.
Special responsibilities: Sponsorship & Marketing Committee
Interest in shares: 20,000

Eileen Naylor
Director (resigned 20th November 2014)
Occupation: Retiree
Qualifications, experience and expertise: B.A (Hons), 16 years experience Human Resource Management, Member of Rye Historical Society & Rosebud Country Club, Vice-President of the Ladies Committee, Life Member of Rye Tennis Club & Former Volunteer with Mornington Peninsula Regional gallery.
Special responsibilities: Sponsorship & Marketing Committee
Interest in shares: 24,000

Directors' report (continued)

Directors (continued)

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

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

Company Secretary

The company secretary is Dorothy Mortlock. Dorothy was appointed to the position of secretary on 22nd April 2014.

Dorothy has extensive experience as a Personal Assistant to a number of senior executives and is Past President of the Rosebud Country Club.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank**® services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

There have 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/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2015 $	Year ended 30 June 2014 $
(152,904)	309,196

Operating and Financial Review

Operations

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

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

The company opened its third branch at 1087 Point Nepean Road in Rosebud in October 2013 being the 299th branch in the **Community Bank**® network.

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

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

Operating and Financial Review (continued)

Operations (continued)

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

The Franchise Agreement provides for a tenure of 5 years (initial term) x 5 years (1st Renewal period) x 5 years (2nd Renewal Period).

The Rye branch is currently in its 3rd Renewal Period which expires on 30 April 2016. There are two further renewal options available.

Dromana is in its 2nd renewal period and has a further two terms available to it. Rosebud is in its first renewal period and has a further two renewal periods available."

The company entertains reasonable expectations that these Franchise Agreement will be renewed at the completion of the various Renewal Periods. It is the intention of the company that, working with Bendigo & Adelaide Bank Limited, it will be able to standardise the renewal periods across all three branches when the first renewal period for the Rosebud branch falls due.

The year under review continued the trend of recent years of offering difficult trading conditions.

Whilst loan growth and deposit growth were significant, consumer sentiment has been such that the value of new loans being written has been diminished by the pay down existing loans at unprecedented levels. Shrinking term deposit rates resulting from the RBA's decision to drop the wholesale cash rate to 2.0% in May 2015 following an earlier cut in February to 2.25%, have seen investors looking for options other than traditional term deposits to maximise the return on their investments.

Nevertheless, the total of funds under management (FUM) rose from $468,516,085 as at 30th June 2014 to $527,473,033 at 30 June 2015 – an increase of 12.6% for the year and an amazing 238% over budgeted growth expectations.

The achievement of over $500 million in funds under management places the company in rare space in the **Community Bank** network, becoming one of the very few companies to achieve this milestone – an achievement duly recognised by the senior management of Bendigo and Adelaide Bank Limited.

Given the economic environment in which it operates, this growth in total FUM was both satisfying and significant.

Loan funds recorded an increase of $9.71 million whilst deposit funds increased by a very satisfactory amount of $49.282 million.

Following the completion of the commercial development at Rosebud during 2014, your company is pleased to advise that the second residential apartment was sold during the year under review at a fair market price.

This leaves the second retail space as the only remaining space and negotiations were well advanced at the end of the year under review with a prospective tenant with a view to a long-term rental. (Subsequent to year end, vacant shop has been leased to Wise Employment limited at market rates).

The company also exercised its option to purchase the premises of its Rye branch during the year and assumed possession on 1 May 2015. This means that all three branch premises from which the company operates are now fully owned by the company and the addition of the Rye premises to its property portfolio significantly enhances the company's asset base, as reflected in its Balance Sheet.

The company is proud of its ability to support over 140 community organisations by way of its grants, donations and sponsorships which, this year, amounted to $605,525. This brings total donations to the community since the inception of the business to an amount in excess of $5.0 million.

Operating and Financial Review (continued)

Financial

The company's revenue at $3,522,478 showed an increase of $119,820 over the 2014 result, an increase of 3.5%.

Whilst this result is a positive one, it is worth noting the impact upon this result by the squeeze in margins capable of being earned as a result of falling interest rates and changes to the revenue sharing model employed by Bendigo and Adelaide Bank Limited with its **Community Bank**® partners. As was previously mentioned, the total Funds Under Management of the company grew by 12.6% but revenue grew by only 3.5%.

Whilst the company's trading performance remains solid, the accounting treatment of the sale of the apartments at the Rosebud development and the costs associated with these sales, including GST and interest, means that this year, the company is reporting a loss of $152,904.

The after tax profit performance of the company over recent years is shown in the table below:

After Tax Profit Performance 2015 - 2009

	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
After-tax profit/(loss)	($152,904)	$309,196	$610,389	$592,419	$543,969	$445,806	$169,150

The company's Balance Sheet, however, still remains healthy, recording a total equity of $2,726,958 against shareholder contributed equity of $1,340,732.

Retained earnings stood at $1.427 million.

Despite these factors, both internal and external, resulting in a declared loss for the year, directors are still pleased to be able to declare a dividend for the 2015 year of $0.06 per share, fully franked.

The rate of fully franked dividend payments over recent years is shown on the table below:

Dividend Distributions 2015 - 2009

	2015	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Dividend per share	6.0c	6.0c	7.75c	7.1c	6.7c	6.5c	4.5c
Total dividends paid	$175,896	$175,896	$227,199	$208,144	$196,417	$190,554	$131,922

Business Strategies

Directors are of the opinion that the external environment in which the company operates has become the new norm and that the challenging conditions faced by the company in the 2015 year will continue.

Accordingly, the focus of the business in the coming year will be to continue to grow the company book, principally by growing the lending portfolio and, particularly, by maintaining a strong focus on business lending.

The company has enjoyed strong community support as a result of its grants, sponsorships and donations program over past years.

The process involved in considering and approving sponsorship and grant requests has been overhauled and will become operational as of 1 July 2015.

This change of process is to ensure that community support will continue to be directed towards ensuring stronger community awareness and patronage in the coming year, with organisations being made aware that it is only by virtue of their commercial support that our philanthropic program can grow.

Operating and Financial Review (continued)

Business Strategies (continued)

Given the geographical constraints surrounding the business, further growth can be achieved by increasing the number of products per customer, bringing with this growth, increased margins and commissions. We will continue to work in partnership with Bendigo Bank to realise this objective.

The company will also work with Bendigo Bank to continue its program of staff development to ensure that appropriate succession capability is in place.

We were saddened by the departure of Bronwyn Ralph, the Manager of our Rye branch, and an employee of long standing, during the year and wish her well with her future career.

Penelope Leonard has been appointed as a Business Development Manager at Rye under the tutelage of Gary Sanford, our Senior Manager, with a view to assuming the Manager's role at Rye at an appropriate time. We are delighted to have a person of Penelope's quality, experience and attitude as a senior member of our team.

Prospects for Future Financial Years

Recent reports from Bendigo Bank indicate that the revenue share achieved by the implementation of its current margin sharing practice remains within the targeted range and it is unlikely that there will be a need to implement a third iteration of the program in the coming financial year.

Accordingly, income streams from the provision of BBL products and services will become much more predictable and make budgeting much more realistic.

The board expects the current low interest rate environment to continue, at least, into the third quarter of the year, resulting in little if any increase in margin rates for the year. It is likely that increased revenue will only be achieved on the back of increased deposit and lending business.

Your board and Bendigo Bank have approved budgets for 2015-2016 year which, when achieved, will deliver a significantly more profitable outcome than the year under review.

It is believed that there are still growth opportunities in business lending within our catchment area and that these opportunities will fuel future growth. Whilst not ignoring home or consumer lending, it is business lending that will attract most management focus during the coming year.

Remuneration report

Remuneration Policy

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

Key Management Personnel Remuneration Policy

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

Remuneration report (continued)

Key Management Personnel Remuneration Policy (continued)

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

Key management personnel also receive a superannuation guarantee contribution required by the government, which is currently 9.5%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

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

Employment agreements were entered into with key management personnel.

Remuneration Structure

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

Non-executive director remuneration policy

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

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

Fees for non-executive directors are not linked to the performance of the company.

Performance based remuneration

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

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

The company does not pay performance based remuneration to any director.

Relationship between Remuneration Policy and company Performance

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

Remuneration report (continued)

Relationship between Remuneration Policy and company Performance (continued)

The Senior Manager is paid a base salary, which is between $150,000 and $170,000 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 $15,000.

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

The following table shows the gross revenue, profits and dividends for the last six years of the entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows excellent growth in revenue, increased payments to community groups and projects as well as consistent returns to shareholders. The company share price at the end of the 2014/2015 financial year is a reflection of the company performance and growth, as well as recognition of the strengthening of the company's balance sheet. The board is of the opinion that these results can be attributed, in part, to the previously described remuneration policy and is satisfied with the overall trend in shareholder wealth over the past five years.

	2015	2014	2013	2012	2011	2010
Revenue	3,522,478	3,402,658	3,486,168	3,459,053	3,218,264	2,760,156
Net Profit/(Loss)	(152,904)	309,196	610,389	592,419	543,969	445,806
Share price at Year End	1.15	1.15	1.05	1.1	0.8	1.2
Dividend paid per share	6.0c	6.0c	7.75c	7.1c	6.7c	6.5c
Gross dividend paid	175,896	175,896	227,199	208,144	196,418	190,554

For the year ended 30 June 2015 the directors received total remuneration including superannuation, as follows:

	$
Shane Christopher McCarthy Llb GAICD	20,000
Stephen Bernard Edmund	7,500
Patricia Tonks	15,000
Dorothy Mortlock	10,000
Amber Britt Earles	5,625
Barry Leonard Irving	7,500
Andrew Ross Emerson	7,500
Gary Michael Cain	7,500
Janet Iris Hall	7,500
Vincent de Paul Cheers	7,500
Eileen Naylor	1,875
	97,500

Remuneration report (continued)

Company performance, shareholder wealth and director's and executives' remuneration (continued)

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

Options issued as part of remuneration for the year ended 30 June 2015

No options have been issued as part of remuneration for the year ended 30 June 2015.

Employment Contracts for directors

There are no employment contracts for directors.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Shane Christopher McCarthy Llb GAICD	7,404	-	7,404
Stephen Bernard Edmund	7,200	-	7,200
Patricia Tonks	42,236	-	42,236
Dorothy Mortlock	3,000		3,000
Amber Britt Earles	2,000		2,000
Barry Leonard Irving	3,600		3,600
Andrew Ross Emerson	4,000		4,000
Gary Michael Cain	5,000	-	5,000
Janet Iris Hall	4,800	4,000	8,800
Vincent de Paul Cheers	-	20,000	20,000
Eileen Naylor	24,000	-	24,000

Dividends

	Year ended 30 June 2015	
	Cents	$
Final dividends recommended:	6.0c	175,896
Dividends paid in the year:		
- As recommended in the prior year report	6.0c	175,896

Directors' report (continued)

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.

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

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

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

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 & governance committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

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

- all non-audit services have been reviewed by the audit & governance 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 19.

Signed in accordance with a resolution of the board of directors at Rye on 28th September 2015.

Shane Christopher McCarthy Llb GAICD,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Rye & District Community Financial Services Limited

As lead auditor for the audit of Rye & District Community Financial Services Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 28 September 2015

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015

	Note	2015 $	2014 $
Revenue from ordinary activities	4	3,522,478	3,402,658
Loss on sale of non current assets	5	(521,691)	-
Employee benefits expense		(1,591,768)	(1,541,571)
Charitable donations, sponsorship, advertising and promotion		(704,459)	(555,278)
Occupancy and associated costs		(207,935)	(208,375)
Systems costs		(190,004)	(160,067)
Depreciation and amortisation expense	5	(159,982)	(147,488)
Finance costs	5	(100,802)	(114,537)
General administration expenses		(255,695)	(228,057)
Profit/(loss) before income tax		**(209,858)**	**447,285**
Income tax (expense)/credit	6	56,954	(138,089)
Profit/(loss) after income tax		**(152,904)**	**309,196**
Total comprehensive income for the year		**(152,904)**	**309,196**
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	23	(5.22)	10.55

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2015

	Note	2015 $	2014 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	136,183	154,964
Trade and other receivables	8	303,027	316,529
Current tax asset	12	91,083	40,508
Total Current Assets		**530,293**	**512,001**
Non-Current Assets			
Property, plant and equipment	9	4,310,691	4,526,267
Financial assets	10	10,000	10,000
Intangible assets	11	72,538	112,423
Deferred tax asset	12	191,006	49,174
Total Non-Current Assets		**4,584,235**	**4,697,864**
Total Assets		**5,114,528**	**5,209,865**
LIABILITIES			
Current Liabilities			
Trade and other payables	13	107,291	97,612
Borrowings	14	277,265	201,870
Provisions	15	126,290	142,353
Total Current Liabilities		**510,846**	**441,835**
Non-Current Liabilities			
Borrowings	14	1,834,138	1,673,236
Provisions	15	42,586	39,036
Total Non-Current Liabilities		**1,876,724**	**1,712,272**
Total Liabilities		**2,387,570**	**2,154,107**
Net Assets		**2,726,958**	**3,055,758**
Equity			
Issued capital	16	1,299,400	1,299,400
Retained earnings	17	1,427,558	1,756,358
Total Equity		**2,726,958**	**3,055,758**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2015

	Issued capital $	Retained earnings $	Total equity $
Balance at 1 July 2013	**1,299,400**	**1,674,362**	**2,973,762**
Total comprehensive income for the year	**-**	**309,196**	**309,196**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(227,200)	(227,200)
Balance at 30 June 2014	**1,299,400**	**1,756,358**	**3,055,758**
Balance at 1 July 2014	**1,299,400**	**1,756,358**	**3,055,758**
Total comprehensive income for the year	**-**	**(152,904)**	**(152,904)**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(175,896)	(175,896)
Balance at 30 June 2015	**1,299,400**	**1,427,558**	**2,726,958**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Receipts from customers		3,535,672	3,382,412
Payments to suppliers and employees		(2,953,738)	(2,656,347)
Interest received		4,298	8,287
Interest paid		(99,041)	(113,264)
Income taxes paid		(139,443)	(203,227)
Net cash provided by operating activities	**18**	**347,748**	**417,861**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,530,059)	(1,217,624)
Payments for office furniture and equipment		(1,869)	-
Proceeds from sale of property, plant and equipment		1,194,329	8,636
Payments for intangible assets		-	(80,000)
Net cash provided by/(used in) investing activities		**(337,599)**	**(1,288,988)**
Cash flows from financing activities			
Proceeds from borrowings		2,028,560	756,030
Repayment of borrowings		(1,881,594)	(263,963)
Dividends paid		(175,896)	(227,200)
Net cash provided by/(used in) financing activities		**(28,930)**	**264,867**
Net increase/(decrease) in cash held		**(18,781)**	**(606,260)**
Cash and cash equivalents at the beginning of the financial year		154,964	761,224
Cash and cash equivalents at the end of the financial year	**7(a)**	**136,183**	**154,964**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2015

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Application of new and amended accounting standards

The following amendments to accounting standards and a new interpretation issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2014, and are therefore relevant for the current financial year.

- AASB 2012-3 Amendments to Australian Accounting Standards (AASB 132) – Offsetting Financial Assets and Financial Liabilities.
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.
- AASB 2013-4 Amendments to Australian Accounting Standards (AASB 139) – Novation of Derivatives and Continuation of Hedge Accounting.
- AASB 2013-5 Amendments to Australian Accounting Standards (AASB 10) – Investment Entities.
- AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles).
- AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119).

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

- Interpretation 21 Levies.
- AASB 1031 Materiality, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part B: Materiality), AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality).

None of the amendments to accounting standards or the new interpretation issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2014, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

	Effective for annual reporting periods beginning on or after
AASB 9 Financial Instruments, and the relevant amending standards.	1 January 2018
AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.	1 January 2017
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations.	1 January 2016
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation.	1 January 2016
AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants.	1 January 2016
AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2016
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.	1 July 2015
AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.	1 July 2015
AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2014. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Economic dependency - Bendigo and Adelaide Bank Limited

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

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

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

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the relevant Bendigo and Adelaide Bank Limited entity to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branches 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**® branches
- 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
- 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.

Note 1. Summary of significant accounting policies (continued)

b) Revenue

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

Revenue calculation

Over the period from September 2013 to February 2015, Bendigo and Adelaide Bank Limited conducted a review of the **Community Bank**® model, known as 'Project Horizon'. This was conducted in consultation with the **Community Bank**® network. The objective of the review was to develop a shared vision of the **Community Bank**® model that positions it for success now and for the future.

The outcome of that review is that the fundamental franchise model and community participation remain unchanged. Changes to be implemented over a three year period reflect a number of themes, including a culture of innovation, agility and flexibility, network collaboration, director and staff development and a sustainable financial model. This will include changes to the financial return for **Community Bank**® companies from 1 July 2016. A funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin. All revenue paid on core banking products will be through margin share. Margin on core banking products will be shared on a 50/50 basis.

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited decides the form of revenue the company earns on different types of products and services.

The revenue earned by the company is dependent on the business that it generates. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

Core banking products

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days' notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Margin

Margin is arrived at through the following calculation:

- Interest paid by customers on loans less interest paid to customers on deposits,
- plus any deposit returns i.e. interest return applied by Bendigo and Adelaide Bank Limited for a deposit,
- minus any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Margin (continued)

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank Group entities including fees for loan applications and account transactions.

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service. The effect of the change on the revenue earned by the company is entirely dependent on the change.

If Bendigo and Adelaide Bank Limited makes a change to the margin or commission on core banking products and services, it must not reduce the margin and commission the company receives on core banking products and services Bendigo and Adelaide Bank Limited attributes to the company to less than 50% (on an aggregate basis) of Bendigo and Adelaide Bank Limited's margin at that time. For other products and services, there is no restriction on the change Bendigo and Adelaide Bank Limited may make.

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

Note 1. Summary of significant accounting policies (continued)

b) Revenue (continued)

Monitoring and changing financial return (continued)

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank**® companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

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 Profit or Loss and Other 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 are 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.

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

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) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(iv) Financial liabilities

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

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 where 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%.

Note 2. Financial risk management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2015 can be seen in the Statement of Profit or Loss and Other Comprehensive Income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

These judgements and assumptions are subject to risk and uncertainty. There is therefore 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 Profit or Loss and Other 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.

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets

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

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

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

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

Fair value measurement

Some of the company’s assets and liabilities are measured at fair value for financial reporting purposes. The board of directors determine the appropriate valuation techniques and inputs for fair value measurements.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs are unobservable inputs for the asset or liability.

In estimating the fair value of an asset or a liability, the company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the company engages third party qualified valuers to perform the valuation.

Notes to the financial statements (continued)

	2015 $	2014 $

Note 4. Revenue from ordinary activities

Operating activities:		
- services commissions	3,511,111	3,393,247
Total revenue from operating activities	**3,511,111**	**3,393,247**
Non-operating activities:		
- interest received	4,298	8,287
- rental revenue	3,636	1,124
- other revenue	3,433	-
Total revenue from non-operating activities	**11,367**	**9,411**
Total revenues from ordinary activities	**3,522,478**	**3,402,658**

Note 5. Expenses

Depreciation of non-current assets:		
- motor vehicles	21,939	15,764
- office furniture and equipment	5,316	5,091
- leasehold improvements	92,842	91,395
Amortisation of non-current assets:		
- franchise agreement	20,314	15,667
- franchise renewal fee	19,571	19,571
	159,982	**147,488**
Finance costs:		
- interest paid	**100,802**	**114,537**
Bad debts	**2,562**	**3,773**
Loss on disposal of non current assets	**(521,691)**	**(2,215)**

Note 6. Income tax expense/(credit)

The components of tax expense/(credit) comprise:		
- Current tax	84,879	148,046
- Movement in deferred tax	(141,833)	(9,957)
	(56,954)	**138,089**

	Note	2015 $	2014 $

Note 6. Income tax expense/(credit) (continued)

	Note	2015 $	2014 $
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense/(credit) as follows			
Operating profit/(loss)		(209,858)	447,285
Prima facie tax on profit/(loss) from ordinary activities at 30%		(62,957)	134,185
Add tax effect of:			
- non-deductible expenses		5,996	4,676
- timing difference expenses		(5,560)	10,435
- other deductible expenses		147,400	(1,250)
		84,879	**148,046**
Movement in deferred tax	12	(141,833)	(9,957)
		(56,954)	**138,089**

Note 7. Cash and cash equivalents

	Note	2015 $	2014 $
Cash at bank and on hand		33,918	126,074
Term deposits		102,265	28,890
		136,183	**154,964**
Note 7.(a) Reconciliation to cash flow statement			
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:			
Cash at bank and on hand		33,918	126,074
Term deposits		102,265	28,890
		136,183	**154,964**

Note 8. Trade and other receivables

	Note	2015 $	2014 $
Trade receivables		267,817	285,309
Prepayments		35,210	31,220
		303,027	**316,529**

Note 9. Property, plant and equipment

	2015 $	2014 $
Land and buildings		
At cost	4,217,960	4,408,720
Less accumulated depreciation	(328,894)	(301,921)
	3,889,066	**4,106,799**
Leasehold improvements		
At cost	384,004	374,890
Less accumulated depreciation	(84,941)	(67,125)
	299,063	**307,765**
Office furniture and equipment		
At cost	86,108	79,644
Less accumulated depreciation	(48,683)	(43,367)
	37,425	**36,277**
Motor vehicles		
At cost	126,944	95,294
Less accumulated depreciation	(41,807)	(19,868)
	85,137	**75,426**
Total written down amount	**4,310,691**	**4,526,267**
Movements in carrying amounts:		
Land & Buildings		
Carrying amount at beginning	4,106,799	3,157,502
Additions	1,489,256	1,023,665
Disposals	(1,631,783)	-
Less: depreciation expense	(75,206)	(74,368)
Carrying amount at end	**3,889,066**	**4,106,799**
Leasehold improvements		
Carrying amount at beginning	307,765	251,920
Additions	9,114	72,872
Disposals	-	-
Less: depreciation expense	(17,816)	(17,027)
Carrying amount at end	**299,063**	**307,765**

	2015 $	2014 $
Note 9. Property, plant and equipment (continued)		
Office furniture and equipment		
Carrying amount at beginning	36,277	32,904
Additions	6,464	8,464
Disposals	-	-
Less: depreciation expense	(5,316)	(5,091)
Carrying amount at end	**37,425**	**36,277**
Motor vehicles		
Carrying amount at beginning	75,426	65,758
Additions	31,650	36,284
Disposals	-	(10,852)
Less: depreciation expense	(21,939)	(15,764)
Carrying amount at end	**85,137**	**75,426**
Total written down amount	**4,310,691**	**4,526,267**

The sale of both of the residential units in Rosebud took place during the period. After receiving proceeds from the sale of unit 4 in August 2014 of $577,903 net of GST and allowing for costs on sale, there was a total capital loss of $237,495, which was originally recorded in the balance sheet under Realised Capital Losses in the December 2014 audited financials. This has since been corrected and reflected in the profit and loss and will form part of the retained earnings.

Further to the sale of unit 4, was the sale of unit 3 in January 2015, which after receiving proceeds from the sale of $559,722 net of GST and allowing for costs on sale, there was a total capital loss of $253,812. This amount is added with the capital loss on sale of unit 4, giving an overall total loss on sale of non-current assets of $491,307.

	2015 $	2014 $

Note 10. Financial assets

Loan - Edenhope & District Financial Services Limited	**10,000**	**10,000**

The loan is an interest free loan with repayment of the principal due five years from the date of the loan agreement, being 27 March 2017.

	2015 $	2014 $

Note 11. Intangible assets

	2015 $	2014 $
Franchise fee		
At cost	139,570	139,570
Less: accumulated amortisation	(129,396)	(123,082)
	10,174	**16,488**
Establishment fee		
At cost	70,000	70,000
Less: accumulated amortisation	(23,934)	(9,934)
	46,066	**60,066**
Renewal processing fee		
At cost	97,853	97,853
Less: accumulated amortisation	(81,555)	(61,984)
	16,298	**35,869**
Total written down amount	**72,538**	**112,423**

Note 12. Tax

	2015 $	2014 $
Current:		
Income tax refundable	**(91,083)**	**(40,508)**
Non-Current:		
Deferred tax assets		
- accruals		
- employee provisions	50,663	55,015
- capital losses carried forward	147,392	-
	198,055	**55,015**
Deferred tax liability		
- accruals		
- deductible prepayments	7,049	5,841
	7,049	**5,841**
Net deferred tax asset	**191,006**	**49,174**
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	**(141,832)**	**(9,957)**

	Note	2015 $	2014 $

Note 13. Trade and other payables

	Note	2015 $	2014 $
Current:			
Trade creditors		6,870	7,872
Other creditors and accruals		100,421	89,740
		107,291	**97,612**

Note 14. Borrowings

	Note	2015 $	2014 $
Current:			
Chattel mortgage	19	36,120	26,359
Bank loans		241,145	175,511
		277,265	**201,870**
Non-Current:			
Chattel mortgage	19	32,918	42,752
Bank loans		1,801,220	1,630,484
		1,834,138	**1,673,236**

Bank loans are repayable monthly with the final instalment due on 22nd May 2016. Interest is recognised at an average rate of 4.77% (2013: 6.02%). The loans are secured by a fixed and floating charge over the company's assets.

The Honda Civic's x 2 chattel mortgage, which commenced in 2013, are 4-year contracts. Interest is recognised at an average rate of 5.65% . The Ford chattel mortgage, which commenced in 2014, is a 3-year contract. Interest is recognised at an average rate of 5.65%. The Toyota Hi Ace chattel mortgage, which commenced in 2015, is a 3-year contract. Interest is recognised at an average rate of 5.85%

Note 15. Provisions

	2015 $	2014 $
Current:		
Provision for annual leave	58,362	54,667
Provision for long service leave	67,928	87,686
	126,290	**142,353**
Non-Current:		
Provision for long service leave	**42,586**	**39,036**

	2015 $	2014 $
Note 16. Contributed equity		
2,931,605 ordinary shares fully paid (2014: 2,931,605)	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**® branch 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 2001.

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 511 shareholders.

Note 16. Contributed equity (continued)

Prohibited shareholding interest (continued)

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

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

	2015 $	**2014 $**
Note 17. Retained earnings		
Balance at the beginning of the financial year	1,756,358	1,674,362
Net profit/(loss) from ordinary activities after income tax	(152,904)	309,196
Dividends paid or provided for	(175,896)	(227,200)
Balance at the end of the financial year	**1,427,558**	**1,756,358**
Note 18. Statement of cash flows		
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities		
Profit/(loss) from ordinary activities after income tax	(152,904)	309,196
Non cash items:		
- depreciation	120,097	112,250
- amortisation	39,885	35,238
- loss on sale of assets	521,691	2,215

	2015 $	2014 $

Note 18. Statement of cash flows (continued)

Changes in assets and liabilities:		
- (increase)/decrease in receivables	17,491	(11,959)
- (increase)/decrease in other assets	(196,395)	(65,138)
- increase/(decrease) in payables	10,396	51,818
- increase/(decrease) in provisions	(12,513)	36,599
- increase/(decrease) in current tax liabilities	-	(52,358)
Net cash flows provided by operating activities	**347,748**	**417,861**

Note 19. Leases

Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	39,139	29,587
- between 12 months and 5 years	34,166	44,716
- greater than 5 years	-	-
Minimum lease payments	**73,305**	**74,303**
Less future finance charges	(4,267)	(5,192)
Present value of minimum lease payments	**69,038**	**69,111**

The Honda Civic's x 2 chattel mortgage, which commenced in 2013, are 4-year contracts. Interest is recognised at an average rate of 5.65% . The Ford chattel mortgage, which commenced in 2014, is a 3-year contract. Interest is recognised at an average rate of 5.65%. The Toyota Hi Ace chattel mortgage, which commenced in 2015, is a 3-year contract. Interest is recognised at an average rate of 5.85%

	2015 $	2014 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	-	84,000
- between 12 months and 5 years	-	49,000
- greater than 5 years	-	-
	-	**133,000**

The Rye Rental lease finished in March 2015 as the option to purchase the building was taken.

Note 20. Auditor's remuneration

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

	2015 $	2014 $
- audit and review services	6,152	6,942
- share registry services	-	-
- non audit services	-	-
	6,152	**6,942**

Note 21. Director and related party disclosures

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

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

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 9.5% superannuation guarantee charge.

Directors fees are determined by the Board and are not to exceed $100,000 in aggregate, the allocation of which is determined at the discretion of the Board. This policy was approved by the shareholders at the 2007 Annual General Meeting held 31 October 2008.

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

Shane McCarthy is a director of McCarthy Partners Solicitors which supplies the company with legal services. During the financial year the total benefit received by McCarthy Partners Solicitors was $11,361 (2014: $Nil).

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

Note 21. Director and related party disclosures (continued)

Directors' Shareholdings

	2015	2014
Shane Christopher McCarthy Llb GAICD	7,404	7,404
Stephen Bernard Edmund	7,200	7,200
Patricia Tonks	42,236	42,236
Dorothy Mortlock	3,000	3,000
Amber Britt Earles	2,000	2,000
Barry Leonard Irving	3,600	3,600
Andrew Ross Emerson	4,000	4,000
Gary Michael Cain	5,000	5,000
Janet Iris Hall	8,800	4,800
Vincent de Paul Cheers	20,000	-
Eileen Naylor	24,000	24,000

There was movement in directors shareholdings during the year.

Note 22. Dividends paid or provided

	2015 $	2014 $
a. Dividends paid during the year		
Prior year proposed final		
100% (2014: 100%) franked dividend - 6.0 cents (2014: 7.75 cents) per share	**175,896**	**227,200**
b. Dividends proposed and not recognised as a liability		
Current year final dividend		
100% (2014: 100%) franked dividend - 6.0 cents (2014: 6.0 cents) per share	**175,896**	**175,896**

The tax rate at which dividends have been franked is 30% (2014: 30%).

Dividends proposed will be franked at a rate of 30% (2014: 30%).

Note 22. Dividends paid or provided (continued)

c. Franking account balance

	2015 $	2014 $
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	995,031	934,962
- franking debits that will arise from refund of income tax as at the end of the financial year	(81,504)	(46,698)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**913,527**	**888,264**
- 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	(75,384)	(75,384)
Net franking credits available	**838,143**	**812,880**

Note 23. Earnings per share

		2015 $	2014 $
(a)	Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	(152,904)	309,196
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	2,931,605	2,931,605

Note 24. Events occurring after the reporting date

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

Note 25. Contingent liabilities and contingent assets

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

Note 26. Segment reporting

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

Note 27. Registered office/Principal place of business

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

Registered Office	Principal Place of Business
Rye & District Community Financial Services Ltd 2271 Point Nepean Road Rye Vic 3941	Rye & District Community Financial Services Ltd 2271 Point Nepean Road Rye Vic 3941
	Rye & District Community Financial Services Ltd 239 Point Nepean Road Dromana Vic 3936
	Rye & District Community Financial Services Ltd 1087-1089 Point Nepean Road Rosebud Vic 3939

Note 28. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 %	2014 %
Financial assets												
Cash and cash equivalents	136,183	154,964	-	-	-	-	-	-	-	-	3.17	5.37
Receivables	-	-	-	-	-	-	-	-	267,817	285,309	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	277,265	201,870	32,918	42,752	1,801,220	1,630,484	-	-	4.77	6.02
Payables	-	-	-	-	-	-	-	-	6,870	7,872	N/A	N/A

Note 28. Financial instruments (continued)

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2015, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2015 $	**2014 $**
Change in profit/(loss)		
Increase in interest rate by 1%	(19,752)	(17,201)
Decrease in interest rate by 1%	(19,752)	(17,201)
Change in equity		
Increase in interest rate by 1%	(19,752)	(17,201)
Decrease in interest rate by 1%	(19,752)	(17,201)

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 2015 and of its performance for the financial year ended on that date; and

  (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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

Shane Christopher McCarthy Llb GAICD,
Chairman

Signed on the 28th of September 2015.

Independent audit report

Partners in success

Chartered Accountants

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

Report on the financial report

We have audited the accompanying financial report of Rye & District Community Financial Services Limited, which comprises the balance sheet as at 30 June 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with 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 standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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

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

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

P: (03) 5443 0344 | F: (03) 5443 5304 | 61-65 Bull St./PO Box 454 Bendigo Vic. 3552 | afs@afsbendigo.com.au | www.afsbendigo.com.au

TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

Independence

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

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Rye & District Community Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2015 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2015. 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 on the remuneration report

In our opinion, the remuneration report of Rye & District Community Financial Services Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 28 September 2015

NSX report

Share information

In accordance with National Stock Exchange of Australia listing rules, the company provides the following information as at 24 September 2015, which is within six 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	86
1,001 to 5,000	303
5,001 to 10,000	63
10,001 to 100,000	58
100,001 and over	1
Total shareholders	**511**

Each of the above shareholders is entitled to one 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 one 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 two shareholders holding less than a marketable parcel of shares ($500 in value).

There are no restricted securities on issue.

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

The following table shows the 10 largest shareholders.

Shareholder	Number of shares	Percentage of capital
Planned Living Pty Ltd <Superannuation Fund A/C>	101,000	3.44
Egp Fund No.1 Pty Ltd	64,810	2.21
Thomas Leigh ATF The Waring Superannuation Fund	60,400	2.06
John Leonard Seeber	60,000	2.05
Bernard Wilfred & Patricia Tonks	42,236	1.44
Fund Raising Management Services Pty Ltd as Trustee for <Trevorrow Superannuation Fund A/C>	42,003	1.43
Kadan Superannuation Pty Ltd	39,199	1.34
Louise Rose Whitehead	35,088	1.20
Richard Gorman & Marilla Gorman as Trustee for <Gorman Super Fund A/C>	34,000	1.16
Kenneth Jack & Gloria Peggy Spunner	32,000	1.09
	510,736	**17.42**

NSX report (continued)

Registered Office and principal administrative office

The registered office of the company is located at:

2271 Point Nepean Road
Rye VIC 3941
Phone: (03) 5985 9755

The principal administrative office of the company is located at:

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

Security Register

The security register (share register) is kept at:

Richmond Sinnott Delahunty Pty Ltd
Level 2, 10-16 Forest Street,
Bendigo VIC 3552
Phone: (03) 5443 1177

Company Secretary

The Company Secretary is Dorothy Mortlock who was appointed to the position of Secretary on 1 April 2014.

Corporate Governance

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

(a) The establishment of an Audit & Governance Committee

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Annexure 3A

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

Sponsorship allocations 2014/15

Community group/recipient	Total investment
Anglican Parish of Sorrento & Rye	$5,000
Art Red Hill	$500
Birdlife Mornington Peninsula	$500
Boneo Braves Baseball & Softball Club	$500
Boneo Cricket Club	$5,000
Boneo Primary School	$8,000
Carrington Park Golf Club	$2,000
Carrington Park Women's Golf	$500
Christine Gray	$500
CJ Rockers Dance Group	$500
Clothes 4U	$3,000
Cross Country Education	$2,000
Dromana and District Historical Society	$755
Dromana Art Show	$2,000
Dromana Bowls Club	$3,000
Dromana Chaplaincy Committee	$2,500
Dromana Cricket Club	$1,000
Dromana Fire Brigade	$8,000
Dromana Football Netball Club	$10,000
Dromana Foreshore	$1,500
Dromana Junior Football & Netball Club	$3,000
Dromana Secondary College	$2,000
Fit 2 Drive Youth Forum	$1,600
Fit2Drive	$4,500
Flinders Bowls Division	$3,000
Flinders District Lions Club	$2,000
Hinterland Tourism Assoc	$1,500
Inghams Growers Association	$1,800
Janice Earth	$500
Lions Club of McCrae & District	$2,000
Main Ridge Bowls Club	$3,000
Main Ridge Cricket Club	$6,000
Main Ridge Pony Club	$500
Mary's Van Inc	$10,000

Community group/recipient	Total investment
McCrae Homestead Coastal Group	$2,000
Melissa Bosomworth	$500
Morn Pen Cricket Association	$10,000
Morn Pen Roller Derby	$500
Morn Pen TPI Social Club	$1,000
Mornington District Basketball Association	$2,500
Mornington Peninsula Shire	$15,000
Mornington Peninsula Art Show	$5,000
Mums Supporting Families in Need	$500
National Seniors Assoc – Morn Pen Branch	$500
Nepean Friends of Hospice	$5,000
Peninsula Casey Bowls Region	$1,000
Peninsula Hot Trotters	$500
Peninsula Magpies Supporters Club	$500
Peninsula Short Film Festival	$2,500
Portsea Camp	$10,000
Probus Club of Arthurs Seat	$1,895
Red Hill Consolidated School	$8,000
Red Hill District Lions Club	$2,350
Red Hill Football Netball Club	$10,000
Red Hill Gardening Society	$1,500
Red Hill Junior Football Club	$3,000
Red Hill Petanque Club	$500
Rosebud & District Motor Cycle Club	$500
Rosebud & McCrae Life Saving Club	$2,500
Rosebud CFA	$15,000
Rosebud Chamber of Commerce	$5,000
Rosebud Country Club Bowls Division	$3,000
Rosebud Cricket Club	$1,000
Rosebud Football Netball Club	$10,000
Rosebud Heart Soccer Club	$1,000
Rosebud Hospital Auxiliary	$5,000
Rosebud Junior Football Club	$3,000
Rosebud Park Golf Club	$770

Sponsorship allocations 2014/15 (continued)

Community group/recipient	Total investment
Rosebud Police Senior Citizens Register	$2,500
Rosebud Rock 'n Rod Festival	$500
Rosebud Scout Group	$500
Rosebud Secondary College	$7,500
Rosebud Soccer Club	$1,000
Rosebud Tennis Club	$935
Rosebud Toy Library	$2,550
Rotary Club of Dromana	$3,000
Rotary Club of Rosebud & Rye	$250
Rotary Club of Sorrento	$4,000
Rye Beach Community Centre	$500
Rye Bowls Club	$3,000
Rye Cricket Club	$2,000
Rye Football Netball Club	$10,000
Rye Historical Society	$5,000
Rye Junior Football Club	$3,000
Rye Pre-school	$2,000
Rye Sports and Social Club	$5,000
Rye Tennis Club	$1,000
Rye Yacht Club	$2,500
Safety Beach Dromana Men's Shed	$750
Safety Beach Golf Club	$2,000
Sea Shepherd	$5,000
Seawinds Community Hub	$2,000
Sorrento Bowls Club	$3,000
Sorrento Community Centre	$5,000
Sorrento Cricket Club	$1,000
Sorrento Croquet Club	$500
Sorrento Football & Netball Club	$10,000
Sorrento Junior Football Club	$3,000
Sorrento Messiah 2014	$2,000
Sorrento Netball Club	$1,000
Sorrento Portsea RSL Bowls Club	$500
Sorrento Pre-school	$5,000
Sorrento SES	$10,000

Community group/recipient	Total investment
Southern Peninsula Classic and Historic Car Club	$500
Southern Peninsula Indoor Bias Bowls Assoc	$400
Southern Region Girl Guides	$500
Southern Peninsula Community Support & Information Centre	$10,000
St Andrew's Recreation Club	$1,000
St Andrews Petanque Club	$500
Sthn Pen Food for All	$4,800
Sthn Pen Little Athletics Centre	$1,000
Sthn Pen Trim and Slim Club	$500
Sthn Peninsula Cancer Support Centre	$12,000
Studio Sorrento Players	$1,816
Teenagers Road Accident Group	$7,250
The Studio @ Flinders Gallery	$500
Tootgarook Cricket Club	$5,000
Tootgarook Primary School	$30,000
U3A	$2,640
Village Glen Bowls Club	$3,000
Village Glen Craft Group	$500
Village Glen Fidelity Group	$500
Village Glen Golf Club	$2,500
Vinnies Kitchen	$4,800
Walkie Talkies	$1,000
Waterfall Gully Pre School	$3,000
West Rosebud Bowling & Croquet Club	$3,000
West Rosebud Bowling & Croquet Club -Schools	$750
Women's Drawing Group 3940	$500
YMCA - Rye Youth Services	$50,000

Rye & District **Community Bank®** Branch
2271 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 0106
www.bendigobank.com.au/dromana

Rosebud **Community Bank®** Branch
1087 Point Nepean Road, Rosebud VIC 3939
Phone: (03) 5982 0499
www.bendigobank.com.au/rosebud

Franchisee:
Rye & District Community Financial Services Limited
PO Box 301, Rye VIC 3941
Phone: (03) 5987 0754
ABN: 67 095 766 895

(BMPAR15055) (08/15)

Bendigo Bank
Bigger than a bank.

bendigobank.com.au