Rushworth & District
Financial Services Limited
ABN 97 101 461 125

2008 annual report

Contents

Chairman's report

For year ending 30 June 2008

Well, it's that time of year again! I would like to invite all shareholders to attend our Annual Meeting to be held at Rushworth P-12 College main hall on Wednesday 22 October 2008, starting at 8.00pm. This meeting gives shareholders the opportunity to hear first hand about their Company, the opportunity to question Directors, and be entertained by our guest speakers.

I know I said it last year, but again I would like to thank our team of dedicated staff for their continued high standard of customer service at both Rushworth and Stanhope, the real difference of the **Community Bank®** concept being their ability to provide a personalised service. I believe that our Manager Wayne Fry is the best manager in the **Community Bank®** network. Wayne has a professional and positive relationship with all stakeholders, customers and our communities.

The customer service team of Carolyn Toohey, Kaye-Maree Bell, Colleen Peterson, Nikki McKay and Kelly Bamford is, in my opinion, the real face of our **Community Bank®** branch and do a wonderful job.

I would also like to thank all of the Company's Directors for their continued commitment to ensuring that your **Community Bank®** branch continues to be a successful local business and delivers true benefits to our customers, shareholders and local communities. The members of the executive team of Tracee Spiby, Christine Borger and Slim Perry deserve a special mention for the large workload and their dedication to making this a successful **Community Bank®** Company and branch.

On behalf of the Board of Directors I also acknowledge our partner Bendigo Bank for their continued support. For us to be successful we need an extensive range of products and service, plus the support that a great regional bank can bring to that partnership. Bendigo Bank is just that type of partner.

Snapshot of 2007/08 financial year

From my perspective, some of the highlights of the 2007/08 financial year included:

- $40 million
  Rushworth & District **Community Bank®** Branch reached the $40 million milestone of banking business on our books just before the end of June 2008.
- Profitable business
  Our business ended the 2007/08 financial year in profit and has continued to return a profit in most months following.
- 5th Birthday
  In December we celebrated our 5th birthday with a four page lift-out in the Waranga News outlining our history.
- Re - signing of franchise agreement
  We completed the end of our first five year franchise period with Bendigo Bank and completed the legal agreements for a further five year period.

- Low Volume Market
  We completed the necessary agreements and training to be included in the “Low Volume Share Market”. This will continue to ensure that our shareholders have access to a wholly transparent market with the ability to view our Company’s share trading history and the ability to trade shares in what is a truly open market.
- Bendigo Bank ATM
  Our Bendigo Bank ATM which was installed in May 2007, has continued to receive positive feedback from our local community and provides another service option for customers.
- Dividend
  We were extremely pleased to reward you, our loyal and supportive shareholders, with your first dividend early this year and with the continued growth we are experiencing, we are confident that our Company will be in a position to pay yet another dividend in the near future.

Rushworth & District **Community Bank®** Branch has continued to be highly involved in our community:

- Approximately $4,000 in community sponsorships and donations.
- Involved in Leading Waranga Women program.
- Local primary and secondary schools scholarships presented by our **Community Bank®** branch to encourage students to reach their full potential.
- Committed $40,000 towards Rushworth Medical Clinic which has received a Federal Government Grant. Construction due to start soon.

Looking forward

Your Directors expect the 2008/09 financial year to be a very challenging year as we work to ensure that our business continues to grow in what is a very tough economic climate.

We have some real challenges in the following key areas:

1. Stanhope Customer Service Centre – This business is growing very slowly and we are working towards building the customer base and, as a result, building the business.
2. Succession planning – We are spending a lot of time and effort to ensure we have new Directors coming onto the Company’s Board and, as a result, ensuring the continued strength of our leadership team.
3. Profit distribution – We need to ensure that we distribute our funds in the fairest way to projects that are of most benefit to our communities. To enable this we have established a profit distribution framework.
   a. Marketing Expenses – (small community donations and sponsorships) 10%
   b. Shareholder Dividends 20%
   c. Capital reinvestment fund 30%
   d. Community Dividends (Gifting Program for major community projects) 40%

Our aim is to continue to deliver the extra benefits, sponsorships and the facilitation of community events to add value to our local community.

Chairman's report continued

There is still a lot of hard work to be done, however together we will succeed

I hope this has given you a good understanding of your investment in Rushworth & District **Community Bank®** Branch and your community Company, the challenges ahead and the confidence that together we can deliver all the promised benefits - plus some.

We all need to consider how we can support our investment; the first way is to bring our banking, financial or insurance business to the Rushworth & District **Community Bank®** Branch or our Stanhope Customer Service Centre. The second is to promote the business and its long-term aims to friends, neighbours or newcomers to our community. A positive word from an existing, and happy, customer is worth gold and the best form of advertising.

"If the Rushworth, Stanhope, Colbinabbin and Murchison communities want a **Community Bank®** branch that delivers true community rewards, they need to support it with real banking business".

Thanks for your continued support.

Geoff Wall
Chairman

Manager's report

For year ending 30 June 2008

My how time is flying?

This is now my fourth Annual Report to shareholders. The last financial year has been one of great achievement and progress.

Last year I predicted that growth during the 2007/08 year was going to be rather subdued due to a number of seasonal and economic factors. I am pleased to say that I was not accurate in that prediction. In fact, the growth for the past year has been extremely strong with actual growth at Rushworth $10 million and almost $1 million at Stanhope.

The business we now have is in excess of $42 million. This is a fantastic achievement for a **Community Bank®** branch in a small rural area.

Your **Community Bank®** branch has made a significant difference to the area surrounding Rushworth. Apart from returning banking services to the area it is also having a significant economic and social impact with the retention of jobs, skills, profits and hopes for the future.

As Bendigo and Adelaide Bank Managing Director Rob Hunt has often said "successful customers and successful communities create a successful bank – and in that order". The Bendigo and Adelaide mission statement is: "We will focus on building and improving the prospects of our customers, communities and partners in order to develop earnings and growth for our business, and then increasing the wealth for our shareholders".

These are all very powerful statements, but from the years that I have been involved with your **Community Bank®** branch and Bendigo and Adelaide Bank, I can assure you all that these are not just words, but fact.

The past year has been one of continued challenges with various influences that have had some impact on the way in which we do our business. We have seen the amalgamation of the two banks, continued issues in the financial markets and continued drought conditions. As a community Company, none of these influences have been within our control, however we are continuing to do what we do best and that is working closely with our customers to meet their financial needs and build long-term relationships.

Our venture in Stanhope has continued to show slow progress. Whilst having the two offices to manage brings some challenging issues, I am fortunate to have a fantastic staff which has supported both the Board and myself in our endeavours to provide the best of banking experiences.

I would like to commend Carolyn, Kaye-Maree, Colleen, Nikki and Kelly for their efforts and willingness to help that they have given during the past year.

I regularly receive compliments about the way in which my team have given exceptional service or gone beyond what is considered normal to help a customer. At our **Community Bank®** branch I think that exceptional is normal.

The number of accounts that we now have opened sits at 3176 which is net growth for the year of 342.

Manager’s report continued

We continue to attract new customers to our **Community Bank®** branch and they have all found out that changing banks is not as hard as people may think. Our team here are well experienced at assisting customers to make the transition to a better way of banking very easy. I still hear comments from new customers saying they wish they had done it earlier.

The installation of our ATM may have seemed a big, and expensive, move early last year, but I can assure all that this has been a great decision by the Board. The number of transactions regularly performed through this machine is rather staggering and significantly higher than that at similar sized towns in the bank network. The use of the ATM by locals, visitors and people passing through out community has made a significant difference in the cash flow of the Rushworth community particularly. I often hear from people living outside this area comment that they know there is an ATM in Rushworth that they can rely on 24 hours a day, seven days a week.

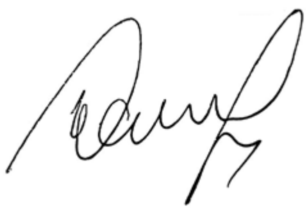
The profitability of the community Company has continued to improve along with the continued growth of the business.

Growth for the next year is predicted to slow from the past year, again due to influences outside our direct control.

Again I would like to pay tribute to my staff, Carolyn, Colleen, Kaye-Mare, Nikki and Kelly who are a great group to work with.

The Board of Directors has toiled tirelessly over the years to bring this **Community Bank®** branch to the position that it is in now and the rewards for a great job are starting to be seen from the profits that we are generating. My job is made a lot easier when you have a Board of the calibre and with the diverse talents that we have.

I have now been in this position for three and a half years and I can honestly say that I enjoy it as much now as I did at the start. It is an absolute pleasure to get the rewards of knowing that you have helped your customers and community while doing something that you enjoy.



Wayne W Fry
Branch Manager

Director's report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Jeffrey Perry
Director
Butcher

Robert Armstrong
Director
Plumber

David Aburrow
Director
Business Owner

Christine Ann Borger
Director
Business Manager

Stephen Aburrow
Director
Piggery Owner

Peter Damon
Director
Service Station Owner

Michael Curtis
Director
Accountant

Tracee Spiby
Director
Wood Mill Owner

Geoffrey Wall
Director
Business Development Manager

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

No Directors have material interests in contracts or proposed contracts with the Company.

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Director's report continued

Operating results

Operations for the financial year have resulted in a profit after provision for income tax of $37,294 (2007: $11,302).

	Year ended 30 June 2008	
Dividends	**Cents per share**	**$**
Dividends paid in the year:		
- Previous year final	3	14,873

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.

Significant events after the balance date

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 providing banking services to the community.

Directors' benefits

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

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 Managers 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.

Director's report continued

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

Number of meetings held:	**11**
Number of meetings attended:	
Geoffrey Wall	11
Jeffrey Perry	10
Christine Ann Borger	9
David Aburrow	10
Peter Damon	8
Stephen Aburrow	11
Tracee Spiby	11
Michael Curtis	8
Robert Armstrong	10

Company Secretary

Tracee Spiby has been the Company Secretary of Rushworth District Financial Services Ltd since 2003. Tracee Spiby's qualifications and experience include completion of short course on Corporate Governance at La Trobe University, attendance at Director training workshop provided by the Australian Institute of Company Directors and Bendigo Bank and a Corporate Secretary workshop conducted by Bendigo Bank.

Corporate governance

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

(a) The establishment of an audit committee. Members of the audit committee are Christine Borger, Michael Curtis and Geoffrey Wall;

(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.

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty
Chartered Accountants

Richmond Sinnott & Delahunty
Chartered Accountants

172 McIvor Road
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Rushworth & District Financial Services Ltd for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner

Richmond Sinnott & Delahunty

5 September 2008

Signed in accordance with a resolution of the Board of Directors at Rushworth, Victoria on 5 September 2008.

Geoff Wall
Chairman

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $	2007 $
Revenues from ordinary activities	2	441,126	401,848
Employee benefits expense	3	(213,465)	(218,807)
Charitable donations and sponsorship		(2,542)	(935)
Depreciation and amortisation expense	3	(21,508)	(25,292)
Finance costs	3	(608)	(958)
Administration and other expenses from ordinary activities	3	(149,476)	(131,080)
Profit before income tax expense		**53,527**	**24,776**
Income tax expense	4	16,233	13,474
Profit after income tax expense		**37,294**	**11,302**

Earnings per share (cents per share)			
- basic for profit for the year	22	7.52	2.28
- diluted for profit for the year	22	7.52	2.28
- dividends paid per share	21	3.00	-

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $	2007 $
Current assets			
Cash assets	6	64,968	71,370
Receivables	7	44,367	28,344
Total current assets		**109,335**	**99,714**
Non-current assets			
Property, plant and equipment	8	78,402	67,152
Deferred income tax asset	4	78,368	94,601
Intangible assets	9	45,000	7,000
Total non-current assets		**201,770**	**168,753**
Total assets		**311,105**	**268,467**
Current liabilities			
Payables	10	29,532	36,508
Interest bearing liabilities	11	7,215	7,721
Provisions	12	14,955	13,749
Total current liabilities		**51,702**	**57,978**
Non-current liabilities			
Interest bearing liabilities	11	24,323	-
Total non-current liabilities		**24,323**	**-**
Total liabilities		**76,025**	**57,978**
Net assets		**235,080**	**210,489**
Equity			
Share capital	13	495,750	493,580
Accumulated losses	14	(260,670)	(283,091)
Total equity		**235,080**	**210,489**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
Cash receipts in the course of operations		465,943	434,877
Cash payments in the course of operations		(402,371)	(368,388)
Interest received		1,506	544
Borrowing costs		(608)	(958)
Net cash flows provided by operating activities	**15b**	**64,470**	**66,075**
Cash flows from investing activities			
Purchase of property, plant & equipment		(37,632)	(14,658)
Purchase of intangible assets		(50,000)	-
Proceeds from sale of property, plant & equipment		7,816	-
Net cash flows used in investing activities		**(79,816)**	**(14,658)**
Cash flows from financing activities			
Repayment of borrowings		-	(7,807)
Dividends paid		(14,873)	-
Proceeds from borrowings		23,817	-
Net cash flows from/(used in) financing activities		**8,944**	**(7,807)**
Net increase/(decrease) in cash held		**(6,402)**	**43,610**
Add opening cash brought forward		71,370	27,760
Closing cash carried forward	**15a**	**64,968**	**71,370**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Note	2008 $	2007 $
SHARE CAPITAL			
Ordinary shares			
Balance at start of year		493,580	491,408
Issue of share capital	-	-	
Write off of capital raising expenses		2,170	2,172
Balance at end of year		**495,750**	**493,580**
Accumulated losses			
Balance at start of year		(283,091)	(294,393)
Profit after income tax expense		37,294	11,302
Dividends paid		(14,873)	-
Balance at end of year		**(260,670)**	**(283,091)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 5 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (‘AIFRS’). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (‘IFRS’). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Branch fitout	10%
Property, plant & equipment	15%
Motor vehicle	12.5%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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 cash flow statement on a gross basis.

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

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative figures

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

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Interest bearing liabilities

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

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Provisions

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

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

Contributed capital

Issued and paid up capital is 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.

Note 2. Revenue from ordinary activities

	2008 $	2007 $
Operating activities		
- services commissions	439,620	401,304
- other revenue	-	-
Total revenue from operating activities	**439,620**	**401,304**
Non-operating activities:		
- interest received	1,506	544
- other revenue	-	-
Total revenue from non-operating activities	**1,506**	**544**
Total revenue from ordinary activities	**441,126**	**401,848**

	2008 $	2007 $

Note 3. Expenses

	2008 $	2007 $
Employee benefits expense		
- wages and salaries	187,891	182,157
- superannuation costs	16,666	21,717
- workers' compensation costs	673	737
- other costs	8,235	14,196
	213,465	**218,807**
Depreciation of non-current assets:		
- branch fitout	8,337	7,629
- plant & equipment	734	239
- motor vehicle	437	3,424
Amortisation of non-current assets:		
- intangibles	12,000	14,000
	21,508	25,292
Finance costs	608	958
Administration and other expenses from ordinary activities:		
- rent	12,903	10,051
- insurance	12,480	10,209
- information technology related costs	38,574	27,554
- bad debts	217	8
- other administration expenses	85,302	83,258
	149,476	**131,080**

	2008 $	2007 $

Note 4. Income tax expense

The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	16,058	7,433
Add tax effect of:		
- Non-deductible expenses	175	6,041
Current income tax expense	**16,233**	**13,474**
Income tax expense	**16,233**	**13,474**
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**78,368**	**94,601**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,650	3,650
- Other accounting services provided	500	500
	4,150	**4,150**

Note 6. Cash assets

Cash at bank and on hand	**64,968**	**71,370**

Note 7. Receivables

Trade debtors	**44,367**	**28,344**

	2008 $	2007 $

Note 8. Property, plant and equipment

	2008 $	2007 $
Branch fitout		
At cost	83,372	83,372
Less accumulated depreciation	(44,637)	(36,300)
	38,735	**47,072**
Property, plant & equipment		
At cost	6,339	3,691
Less accumulated depreciation	(1,219)	(485)
	5,120	**3,206**
Motor vehicle		
At cost	34,984	27,402
Less accumulated depreciation	(437)	(10,528)
	34,547	**16,874**
	78,402	**67,152**
Movements in carrying amounts		
Branch fitout		
Carrying amount at beginning of the year	47,072	43,007
Additions	-	11,694
Disposals	-	-
Depreciation expense	(8,337)	(7,629)
Carrying amount at end of the year	**38,735**	**47,072**
Property, plant & equipment		
Carrying amount at beginning of the year	3,206	481
Additions	2,648	2,964
Disposals	-	-
Depreciation expense	(734)	(239)
Carrying amount at end of the year	**5,120**	**3,206**

Notes to the financial statements continued

	2008 $	2007 $

Note 8. Property, plant and equipment (continued)

Motor vehicle		
Carrying amount at beginning of the year	16,874	20,298
Additions	34,984	-
Disposals	(16,874)	-
Depreciation expense	(437)	(3,424)
Carrying amount at end of the year	**34,547**	**16,874**

Note 9. Intangible assets

Franchise fee		
At cost	50,000	50,000
Less accumulated amortisation	(5,000)	(45,000)
	45,000	**5,000**
Preliminary expenses		
At cost	-	20,000
Less accumulated amortisation	-	(18,000)
	-	**2,000**
Total written down value amount	**45,000**	**7,000**

Note 10. Payables

Trade creditors	12,707	11,771
Other creditors and accruals	16,825	24,737
	29,532	**36,508**

Note 11. Interest bearing liabilities

Current		
Motor vehicle finance lease	**7,215**	**7,721**
Non-current		
Motor vehicle finance lease	**24,323**	**-**

	2008 $	2007 $

Note 12. Provisions

Employee benefits	14,955	13,749
Number of employees at period end	**6**	**4**

Note 13. Share capital

495,750 ordinary shares fully paid of $1 each	495,750	495,750
Less equity raising costs	-	(2,170)
	495,750	**493,580**

Note 14. Accumulated losses

Balance at the beginning of the financial year	(283,091)	(294,393)
Profit after income tax	37,294	11,302
Dividends paid	(14,873)	-
Balance at the end of the financial year	**(260,670)**	**(283,091)**

Note 15. Cash flow statement

(a) Reconciliation of cash

Cash assets	**64,968**	**71,370**
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	37,294	11,302
Non cash items		
- Depreciation	9,508	11,292
- Amortisation	12,000	14,000
- Formation expenses written off	2,170	2,172
- Loss on sale of plant & equipment	9,058	-

	2008 $	2007 $

Note 15. Cash flow statement (continued)

Changes in assets and liabilities

	2008 $	2007 $
- (Increase) decrease in receivables	(16,023)	(1,869)
- Increase (decrease) in payables	(6,976)	11,622
- Increase (decrease) in provisions	1,206	4,082
- (Increase) decrease in deferred income tax asset	16,233	13,474
Net cashflows from operating activities	**64,470**	**66,075**

Note 16. Related party disclosures

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

Geoffrey Wall

Jeffrey Perry

Christine Ann Borger

David Aburrow

Peter Damon

Stephen Aburrow

Tracee Spiby

Michael Curtis

Robert Armstrong

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

Notes to the financial statements continued

Note 16. Related party disclosures (continued)

Directors shareholdings	**2008**	**2007**
Geoffrey Wall	2,100	2,100
Jeffrey Perry	1,000	1,000
Christine Ann Borger	5,000	5,000
David Aburrow	7,600	7,600
Peter Damon	6,000	6,000
Stephen Aburrow	2,000	2,000
Tracee Spiby	3,000	3,000
Michael Curtis	-	-
Robert Armstrong	-	-

There were no movements in Director's Shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in two geographic areas being Rushworth and Stanhope, Victoria.

Note 20. Corporate information

Rushworth & District Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

23 High Street,
Rushworth VIC 3612

	2008 $	2007 $

Note 21. Dividends paid or provided for on ordinary shares

	2008 $	2007 $
(a) Dividends paid during the year		
(i) Previous year final		
Unfranked dividends - 3 cents per share (2007: Nil cents per share)	14,873	-

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2008 $	2007 $
Profit after income tax expense	**37,294**	**11,302**
Weighted average number of ordinary shares for basic and diluted earnings per share	**495,750**	**495,750**

Note 23. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

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. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2008	**2007**
	$	**$**
Cash assets	64,968	71,370
Receivables	44,367	28,344
	109,335	**99,714**

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Note 23. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount $	Contractual cash flows $	1 year or less $	over 1 to 5 years $	more than 5 years $
30 June 2008					
Payables	29,532	(29,532)	(29,532)	-	-
Interest bearing liabilities	31,538	(37,406)	(9,779)	(27,627)	-
	61,070	**(66,938)**	**(39,311)**	**(27,627)**	**-**
30 June 2007					
Payables	36,508	(36,508)	(36,508)	-	-
Interest bearing liabilities	7,721	(8,031)	(8,031)	-	-
	44,229	**(44,539)**	**(44,539)**	**-**	**-**

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount 2008 $	Carrying amount 2007 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(31,538)	(7,721)
	(31,538)	**(7,721)**
Variable rate instruments		
Financial assets	64,968	71,370
Financial liabilities	-	-
	64,968	**71,370**

Note 23. Financial risk management (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) 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 year end.

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company.

The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Balance Sheet.

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement.

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

Director's declaration

In accordance with a resolution of the Directors of Rushworth & District Financial Services Limited, I 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 2008 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.

Geoff Wall
Chairman

Signed at Rushworth on 5 September 2008.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF RUSHWORTH & DISTRICT
FINANCIAL SERVICES LIMITED

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Rushworth & District Financial Services Limited, for the year ended 30 June 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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ABN 60 616 244 309

INDEPENDENCE
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

AUDIT OPINION
In our opinion, the financial report of Rushworth & District Financial Services Limited is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott.

Warren Sinnott
Partner
5 September 2008

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