annual report 2010

Rushworth & District
Financial Services Limited
ABN 97 101 461 125

Rushworth & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

Firstly, I would like to invite all shareholders and any family or friends they wish to bring to our Annual Meeting to be held at the Rushworth P-12 College main hall on Wednesday 13 October 2010 at 7.00pm.

This is a great opportunity to find out first hand about your Company, question the Directors, and be entertained by our guest speaker.

Secondly, I would like to acknowledge the wonderful support we have received from our customers, and look forward to their continued support.

The 2009/10 financial year has been challenging, although it has been good to see a return to normal or expected returns on our activities. This has enabled us to pay our shareholders the postponed dividend just before Christmas and also give a second dividend in June. The return of 7 cents for the year is a positive sign, and we hope to continue to pay dividends each June moving forward.

Rushworth & District **Community Bank®** Branch has continued to be highly involved in our Community. We are proud to have provided plus much more;

- Approximately $11,500 in community sponsorships and donations
- Local primary and secondary schools scholarships presented by Rushworth & District **Community Bank®** Branch to encourage students to reach their full potential
- Our continued involvement in our **Community Bank®** branch Driver Education Program
- It was great to attend the official opening of the Rushworth Medical Clinic which was our first major community contribution
- $20,000 distributed in Stanhope District including the "Ban the Bulb" project with Stanhope Fire Brigade
- Major sponsor of the Rushworth Easter Festival
- In our short history we have now returned $100,000 to our communities.

I would also 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 is our staff's ability to really personalise service for our customers. Our Manager, Wayne Fry has a professional and positive relationship with our stakeholders, customers and our communities.

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

The Board of Directors would like to acknowledge our partner Bendigo & Adelaide Bank for their continued support.

I would also like to thank all the Directors for their continued commitment to ensure your **Community Bank®** branch is a successful business and delivers true benefits to our customers, shareholders and local

Chairman's report continued

communities. The members of the executive team of Tracee Spiby / Eileen Curtis, Christine Borger and Slim Perry deserve a special mention for the large workload and dedication to making this a successful **Community Bank®** model. I would also like to personally thank Tracee Spiby for her wonderful support as Company Secretary over the years. Tracee in my opinion has been the best **Community Bank®** Secretary in the network, her dedication and commitment have been outstanding.

It is great to welcome two new Directors this year in Mathew Ryan and Derryn Schoenborn.

On behalf of all shareholders, customers and Directors, I would like to thank Michael Curtis, who resigned as Director this year, for his excellent service.

On a personal note, it has been an honour and pleasure to be trusted with the Chairman's position of Rushworth & District Financial Services Limited. As I will not be re-nominating for the position, I would like to take this opportunity to thank everybody for their support. I am very proud of my involvement and believe the business has solid foundations for the future.

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

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 sell the dream to friends, neighbours or newcomers to our community. A positive word is worth gold and the best form of advertising.

Thanks for your support.

Geoff Wall
Chairman

Manager's report

For year ending 30 June 2010

The past financial year continued to be a challenging period as in the previous year although there is certainly some improvement. Growth in business has been relatively slow but consistent throughout the year.

The recent good rainfall should see continued positive outlook in the primary production, and in conjunction with a better outlook for the overall economy we can hope that next year will be an improvement.

Business has grown by $2,842,000 between the two offices. This growth is better than last year but much slower than the previous year. As the balances grow we experience larger fluctuations due to the bigger mix of business types.

Our income has now almost returned to pre-world financial crisis levels and our monthly profit share is quite consistent. This has made it easier to look forward to the future with some amount of certainty and to be able to plan for the future growth and business strategies.

I would like to congratulate Chairman Geoff Wall and the Board members for their continued diligence with their duties. The job that they do is very much under estimated and I admire them for their dedication and hard nosed attitude to making Rushworth & District **Community Bank®** Branch a continued success.

We continue to enjoy very positive feedback from our existing and new customers about the service that they enjoy and how we go the extra mile to make their banking an extraordinary experience. Our customers enjoy a more individual and personal form of banking and some new customers are amazed given some of their previous experiences.

The decision to install the ATM some years ago has proved to be an excellent decision. It has given our community great service and the amount of transactions that it processes is quite staggering. For such a small community the ATM is used much more than a lot of other larger towns.

We are certainly making a difference to the people in our community. Successful customers, make for a successful community, which makes for a successful bank, in that order.

I am very proud of the staff members and the way in which they undertake their duties. They are always flexible in their working arrangements and it is quite evident that they enjoy their work helping our customers to develop, live and grow.

They continue to develop skills, qualities and desire to perform at an exceptional level.

Manager's report continued

Whilst the last year has continued to be somewhat challenging it is very pleasing to see that the future is looking much better.

My team and I will certainly be working hard on developing the Rushworth & District **Community Bank®** Branch business over the next year.

The **Community Bank®** concept – what a pleasure!

Regards,

Wayne W Fry
Branch Manager

Directors' report

For the financial year ended 30 June 2010

Your Directors submit the financial report of the Company for the financial year ended 30 June 2010.

Directors

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

Jeffrey Perry
Director
Butcher

Robert Armstrong
Director
Plumber

David Aburrow
Director
Business Owner

Christine Ann Borger
Director
Business Owner

Stephen Aburrow
Director
Piggery Owner

Mathew Ryan (appointed 20 October 2009)
Director
Primary Producer

Michael Curtis (resigned 30 March 2010)
Director
Accountant

Tracee Spiby
Director
Social Worker

Geoffrey Wall
Director
Business Development Manager

Eileen Curtis
Director
Accountant

Derryn Schoenborn (appointed 30 March 2010)
Director
Policy and Communications Officer

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

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 Ltd.

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

Operating results

Operations for the financial year have resulted in a profit/(loss) after provision for income tax of $34,467 (2009: ($5,235)).

Dividends

The Directors paid a half year unfranked dividend of 4 cents per share in December ($19,830) and declared a final unfranked dividend of 3 cents per share ($14,872) on 29 June 2010.

	Year ended 30 June 2010	
Dividends	**Cents per share**	**$**
Interim dividend paid in the year	4	19,830
Final dividend recommended	3	14,872

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

Other than detailed below 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.

Corporate secretarial and accounting services were provided by EMC Business Services Pty Ltd, a Company of which Eileen Curtis is a Director. The fees paid to EMC Business Services Pty Ltd for services provided from April 2010 amounted to $4,500 (2009: Nil).

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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 during the year were:

Director	Board meetings#
Geoffrey Wall	12 (12)
Jeffrey Perry	11 (12)
Christine Ann Borger	10 (12)
David Aburrow	10 (12)
Mathew Ryan (appointed 20 October 2009)	6 (8)
Stephen Aburrow	12 (12)
Tracee Spiby	9 (12)
Michael Curtis (resigned 30 March 2010)	0 (9)
Robert Armstrong	4 (12)
Eileen Curtis	9 (12)
Derryn Schoenborn (appointed 30 March 2010)	4 (4)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

Company Secretary

Tracee Spiby was the Company Secretary of Rushworth District Financial Services Limited from 2003 to April 2010. Tracee Spiby's qualifications and experience include completion of a short course on Corporate Governance at La Trobe, attendance at a Director training workshop provided by the Australian Institute of Company Directors and Bendigo Bank and a Corporate Secretary workshop conducted by Bendigo Bank.

Eileen Curtis commenced as Company Secretary on 27 April 2010. Eileen Curtis's qualifications includes a Bachelor of Commerce, Masters in Professional Accounting and CPA. She has over 15 years experience in senior financial roles which included Company secretarial duties. She has completed Directors training with the Institute of Company Directors and is also a Director with the Goulburn Broken Catchment Management Authority.

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, Eileen 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

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

16 August 2010

The Directors
Rushworth & District Financial Services Limited
23 High Street
RUSHWORTH VIC 3612

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Rushworth & District Financial Services Limited for the year ended 30 June 2010, 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

Signed in accordance with a resolution of the Board of Directors at Rushworth, Victoria on 16 August 2010

Geoffrey Wall
Chairman

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenues from ordinary activities	2	494,954	445,141
Employee benefits expense	3	(248,366)	(233,384)
Charitable donations and sponsorship		(11,568)	(44,140)
Depreciation and amortisation expense	3	(27,952)	(25,722)
Finance costs	3	(1,870)	(2,539)
Administration and other expenses from ordinary activities	3	(150,854)	(146,959)
Profit/(loss) before income tax expense		**54,344**	**(7,603)**
Income tax expense/(benefit)	4	19,877	(2,368)
Profit/(loss) after income tax expense		**34,467**	**(5,235)**
Other comprehensive income		-	-
Total comprehensive income		**34,467**	**(5,235)**
Earnings per share (cents per share)			
- basic for profit/(loss) for the year	22	6.95	(1.06)
- diluted for profit/(loss) for the year	22	6.95	(1.06)

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	6	98,850	63,839
Receivables	7	46,386	41,223
Other assets		1,840	5,997
Total current assets		**147,076**	**111,059**
Non-current assets			
Property, plant and equipment	8	65,706	83,658
Deferred tax assets	4	60,859	80,736
Intangible assets	9	25,000	35,000
		151,565	**199,394**
Total assets		**298,641**	**310,453**
Current liabilities			
Payables	10	22,971	41,201
Loans and borrowings	11	8,628	7,887
Provisions	12	29,628	15,087
Total current liabilities		**61,227**	**64,175**
Current liabilities			
Loans and borrowings	11	7,804	16,433
Total current liabilities		**7,804**	**16,433**
Total liabilities		**69,031**	**80,608**
Net assets		**229,610**	**229,845**
Equity			
Share capital	13	495,750	495,750
Accumulated losses	14	(266,140)	(265,905)
Total equity		**229,610**	**229,845**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		541,860	485,221
Cash payments in the course of operations		(478,203)	(457,106)
Interest received		942	1,491
Borrowing costs		(1,870)	(2,539)
Net cash flows provided by operating activities	**15b**	**62,729**	**27,067**
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(20,978)
Net cash flows used in investing activities		**-**	**(20,978)**
Cash flows from financing activities			
Repayment of borrowings		(7,888)	(7,218)
Dividends paid		(19,830)	-
Net cash flows from/(used in) financing activities		**(27,718)**	**(7,218)**
Net increase/(decrease) in cash held		**35,011**	**(1,129)**
Cash and cash equivalents at start of year		63,839	64,968
Cash and cash equivalents at end of year	**15a**	**98,850**	**63,839**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended June 2010

	Note	2010 $	2009 $
Share capital			
Balance at start of year		495,750	495,750
Issue of share capital		-	-
Write off of capital raising expenses		-	-
Balance at end of year		**495,750**	**495,750**
Accumulated losses			
Balance at start of year		(265,905)	(260,670)
Profit/(loss) after income tax expense		34,467	(5,235)
Dividends paid or provided for	21	(34,702)	-
Balance at end of year		**(266,140)**	**(265,905)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Rushworth & District Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 16 August 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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.

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

Income tax (continued)

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.

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 -33%
Motor vehicle	15%

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.

Notes to the financial statements continued

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

Goods and services tax (continued)

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. 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 ATO are classified as operating cash flows.

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 reporting 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 statement of cash flows, 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.

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

Loans and borrowings

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

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.

Share 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

	2010 $	2009 $
Operating activities		
- services commissions	494,012	443,650
- other revenue	-	-
Total revenue from operating activities	**494,012**	**443,650**
Non-operating activities:		
- interest received	942	1,491
- other revenue	-	-
Total revenue from non-operating activities	**942**	**1,491**
Total revenue from ordinary activities	**494,954**	**445,141**

	2010 $	2009 $
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	217,477	204,398
- superannuation costs	19,252	17,946
- workers' compensation costs	704	649
- other costs	10,933	10,391
	248,366	**233,384**
Depreciation of non-current assets:		
- branch fitout	8,338	8,338
- plant & equipment	4,366	2,136
- motor vehicle	5,248	5,248
Amortisation of non-current assets:		
- intangibles	10,000	10,000
	27,952	25,722
Finance costs	1,870	2,539
Administration and other expenses from ordinary activities:		
- rent	13,376	13,289
- insurance	12,505	7,567
- information technology related costs	34,624	37,155
- bad debts	(85)	508
- other administration expenses	90,434	88,440
	150,854	**146,959**

	2010 $	2009 $

Note 4. Income tax expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:

	2010 $	2009 $
Prima facie tax on profit/(loss) before income tax at 30%	16,303	(2,281)
Add tax effect of:		
- Non-deductible expenses	427	(87)
- Over provision of tax in prior years	3,147	-
Current income tax expense/(benefit)	**19,877**	**(2,368)**
Income tax expense/(benefit)	**19,877**	**(2,368)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**60,859**	**80,736**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

	2010 $	2009 $
- Audit or review of the financial report of the Company	3,900	3,650
- Other accounting services provided	450	950
- Share registry costs	2,032	1,800
	6,382	**4,600**

Note 6. Cash and cash equivalents

	2010 $	2009 $
Cash at bank and on hand	**98,850**	**63,839**

Note 7. Receivables

	2010 $	2009 $
Trade debtors	**46,386**	**41,223**

Notes to the financial statements continued

	2010 $	2009 $

Note 8. Property, plant and equipment

	2010 $	2009 $
Branch fitout		
At cost	83,372	83,372
Less accumulated depreciation	(61,313)	(52,975)
	22,059	**30,397**
Property, plant & equipment		
At cost	27,317	27,317
Less accumulated depreciation	(7,721)	(3,355)
	19,596	**23,962**
Motor vehicle		
At cost	34,984	34,547
Less accumulated depreciation	(10,933)	(5,248)
	24,051	**29,299**
	65,706	**83,658**
Movements in carrying amounts		
Branch fitout		
Carrying amount at beginning of the year	30,397	38,735
Additions	-	-
Disposals	-	-
Depreciation expense	(8,338)	(8,338)
Carrying amount at end of the year	**22,059**	**30,397**
Property, plant & equipment		
Carrying amount at beginning of the year	23,962	5,120
Additions	-	20,978
Disposals	-	-
Depreciation expense	(4,366)	(2,136)
Carrying amount at end of the year	**19,596**	**23,962**

	2010 $	2009 $

Note 8. Property, plant and equipment (continued)

Motor vehicle

Carrying amount at beginning of the year	29,299	34,547
Additions	-	-
Disposals	-	-
Depreciation expense	(5,248)	(5,248)
Carrying amount at end of the year	**24,051**	**29,299**

Note 9. Intangible assets

Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(25,000)	(15,000)
	25,000	**35,000**

Note 10. Payables

Trade creditors	10,558	25,090
Other creditors and accruals	12,413	16,111
	22,971	**41,201**

Note 11. Loans and borrowings

Current		
Motor vehicle finance lease	**8,628**	**7,887**
Non-current		
Motor vehicle finance lease	**7,804**	**16,433**

Note 12. Provisions

Provision for dividend	15,541	-
Employee benefits	14,087	15,087
	29,628	**15,087**

	2010 $	2009 $

Note 13. Share capital

	2010 $	2009 $
495,750 ordinary shares fully paid of $1 each	**495,750**	**495,750**

Note 14. Accumulated losses

	2010 $	2009 $
Balance at the beginning of the financial year	(265,905)	(260,670)
Profit/(loss) after income tax	34,467	(5,235)
Dividends paid or provided for	(34,702)	-
Balance at the end of the financial year	**(266,140)**	**(265,905)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents

	2010 $	2009 $
Cash assets	**98,850**	**63,839**

(b) Reconciliation of profit/(loss) after tax to net cash provided from operating activities

	2010 $	2009 $
Profit/(loss) after income tax	34,467	(5,235)
Non cash items		
- Depreciation	17,952	15,722
- Amortisation	10,000	10,000
Changes in assets and liabilities		
- (Increase) decrease in receivables/other assets	(1,006)	(2,853)
- Increase (decrease) in payables	(18,230)	11,669
- Increase (decrease) in provisions	(331)	132
- (Increase) decrease in deferred income tax asset	19,877	(2,368)
Net cash flows from operating activities	**62,729**	**27,067**

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

Mathew Ryan (appointed 20 October 2009)

Stephen Aburrow

Tracee Spiby

Michael Curtis (resigned 30 March 2010)

Robert Armstrong

Eileen Curtis

Derryn Schoenborn (appointed 30 March 2010)

No Director fees have been paid as the positions are held on a voluntary basis.

Corporate secretarial and accounting services were provided by EMC Business Services Pty Ltd, a Company of which Eileen Curtis is a Director. The fees paid to EMC Business Services Pty Ltd for services provided from April 2010 amounted to $4,500 (2009: Nil).

Directors' shareholdings	**2010**	**2009**
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
Mathew Ryan (appointed 20 October 2009)	500	500
Stephen Aburrow	2,000	2,000
Tracee Spiby	3,000	3,000
Michael Curtis (resigned 30 March 2010)	-	-
Robert Armstrong	2,000	2,000
Eileen Curtis	-	-
Derryn Schoenborn (appointed 30 March 2010)	-	-

There was no other movement in Directors' 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.

Note 21. Dividends paid or provided for on ordinary shares

	2010 $	2009 $
Dividends paid or provided for during the year		
(i) Interim unfranked dividend paid - 4 cents per share (2009: Nil)	19,830	-
(ii) Final unfranked dividend declared - 3 cents per share (2009: Nil)	14,872	-
	34,702	**-**

	2010 $	2009 $

Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit/(loss) 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/(loss) 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:

	2010 $	2009 $
Profit/(loss) after income tax expense	**34,467**	**(5,235)**
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.

(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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010 $	2009 $
Cash assets	98,850	63,839
Receivables	46,386	41,223
	145,236	**105,062**

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

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

None of the assets of the Company are past due (2009: 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.

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 2010					
Payables	22,971	(22,971)	(22,971)	–	–
Loans and borrowings	16,432	(17,888)	(9,757)	(8,131)	–
	39,403	**(40,859)**	**(32,728)**	**(8,131)**	**–**
30 June 2009					
Payables	41,201	(41,201)	(41,201)	–	–
Loans and borrowings	24,320	(27,359)	(9,751)	(17,608)	–
	65,521	**(68,560)**	**(50,952)**	**(17,608)**	**–**

Note 23. Financial risk management (continued)

(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	
	2010	**2009**
	$	**$**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(16,432)	(24,320)
	(16,432)	**(24,320)**
Variable rate instruments		
Financial assets	98,850	63,839
Financial liabilities	-	-
	98,850	**63,839**

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 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

Note 23. Financial risk management (continued)

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. 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 Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

  (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

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

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

Directors' 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 2010 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.

Geoffrey Wall
Chairman

Signed at Rushworth on 16 August 2010.

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 statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Rushworth & District Financial Services Limited, for the year ended 30 June 2010.

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 2010 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
16 August 2010

Rushworth & District **Community Bank**® Branch
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(BMPAR10012) (07/10)

Bendigo Bank