

Rushworth & District
Financial Services Limited

ABN 97 101 461 125

annual report 2011

Rushworth & District **Community Bank**[®] Branch

Contents

Chairman's report	2-3
Manager's report	4-5
Directors' report	6-9
Financial statements	10-13
Notes to the financial statements	14-27
Directors' declaration	28
Independent audit report	29-30

Chairman's report

For year ending 30 June 2011

Well it's that time of the year again! I would like to invite all shareholders to attend our Annual General Meeting to be held at the Rushworth P12 College main hall at 7.00pm on 19 October 2011.

This meeting gives shareholders the opportunity to find out first-hand about their Company and the opportunity to ask questions of the Directors. I would like to acknowledge the wonderful support we receive from our customers and look forward to their continued support.

The 2010/11 financial year has been a pleasing year with our business growing by \$9.76 million to end the year, with \$57 million held in banking business. This is a real credit to our Manager Wayne Fry and his dedicated staff.

The continued growth and support from our community has enabled us to declare a 6 cent dividend for our shareholders which is a really positive sign and we hope to continue to pay dividends each year moving forward.

Rushworth & District **Community Bank**[®] Branch continues to be highly involved in our community and have contributed approximately \$23,000 in community sponsorships and donations this year with a total of more than \$120,000 in community contributions to date.

We are proud to have provided significant community contributions this year:

- Rushworth Easter Festival
- Colbinabbin Primary School
- Colbinabbin Netball Club
- Colbinabbin Bowls Club
- Stanhope Bowls Club
- Rushworth P-12 College
- Driver Training
- Football Clubs
- School Scholarships

As a Board we are proud to support local and secondary school scholarships to encourage students to reach the full potential. Our continuing Driver Education Program provides essential education to our young drivers, giving them the skills to drive safely on country roads.

I would also like to thank our team of dedicated staff for their continued high standard of customer service at Rushworth and Stanhope. The real difference of the **Community Bank**[®] concept is our staff's ability to 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-Marie Bell, Colleen Peterson, Nikki McKay, Kelly Bamford and our new Customer Service Officer Melissa Bastin are the real faces of Rushworth & District **Community Bank**[®] Branch and do a fantastic job.

Chairman's report continued

I would like to again acknowledge our past Chairman Geoff Wall for his great commitment and dedication to our Company over the past eight years. As you would all be aware Geoff stood down as Chairman at the AGM and resigned from the Board earlier this year to take a well earned break from his community commitments. Again we say thanks Geoff.

On behalf of the Board I would also like to thank Eileen Curtis for her dedication as a Director and then as a Company Secretary who resigned from the Board at the end of June to pursue other career opportunities.

The Board of Directors would like to acknowledge our partner Bendigo and Adelaide Bank Ltd for their continued support. I would also like to thank the Directors for their continued commitment to ensure your Rushworth & District **Community Bank**[®] Branch is a successful business and delivers benefits to our customers, shareholders, and local communities.

It is also great to welcome new Director Michelle Baker who joins the Board with great enthusiasm and has also taken on the role of Company Secretary.

Thank you for your support,



Stephen Aburrow
Chairman

Manager's report

For year ending 30 June 2011

Another financial year has come and gone and we continue to make progress in the development of the business for the Rushworth & District Financial Services Ltd.

The last 12 months has seen the balance of business held grow by \$9,756,000 which is a significant improvement on the growth that we have experienced for the last few years. We currently hold in excess of \$57 million in banking business. Rushworth growth has been significant but the growth at our Stanhope office has been quite small.

The change in weather patterns has seen a more positive outlook domestically although global financial conditions continue to be rather unsteady which appears to have some influence over the Australian domestic situation.

As the business grows the diversity of business also changes and we experience larger fluctuations with individual product balances on the books. The income that we generate has continued to grow, and the adverse affects of the global financial crisis has now subsided. The recent change made to some income streams has been offset by continued growth. I am very confident that we are positioned for a strong and healthy future.

During the last year we have experienced some changes on the Rushworth & District Financial Services Limited and I must thank past Chairman Geoff Wall for his dedicated work over many years. If it weren't for Geoff's persistence I would never have been recruited.

I would also like to congratulate Stephen Aburrow on taking on the Chairman's position during the year. It is a very important and demanding position but I am sure that with all the loyal support of the fellow Directors we will see a strong, healthy and dedicated Board which will result in a great future for the Company.

After so many years it is still fantastic to receive positive feedback about the way in which we do business and look after our customers. The personal touch makes a big difference. That is why the Bendigo and Adelaide Bank Ltd rate so well in various surveys. We continue to gain new customers locally as well as new customers from far away.

The performance of the ATM continues to amaze me. The number of transactions that it processes each month continues to grow and considering our population it performs better than towns with significantly larger towns.

During the last year Lucy left us for a change in location but continues to be with the Bendigo and Adelaide Bank Ltd. We have experienced some challenging times but with the flexibility and dedication of our staff we continue to provide a fantastic service to the community and our customers. We welcomed Melissa Bastin to the team in January. Melissa is a local young lady who is enjoying helping the people of Rushworth and district with their banking.

Manager's report continued

I am very proud of the staff that we have at Rushworth & District **Community Bank**[®] Branch. Carolyn, Kaye-Maree, Colleen, Nikki, Kelly and Melissa should be very proud of the way in which they do their duties which in turn helps our customers to develop, live and grow.

I look forward to the coming year with excitement about what we may be able to achieve. My team and I will certainly be working hard to develop the business of the branch over the next year.

What a difference the **Community Bank**[®] concept makes and what a pleasure it is.

A handwritten signature in black ink, appearing to read 'Wayne W Fry', with a stylized flourish at the end.

Wayne W Fry
Branch Manager

Directors' report

For the financial year ended 30 June 2011

Your Directors submit the financial report of the Company for the financial year ended 30 June 2011.

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

David Aburrow

Director
Business Owner

Stephen Aburrow

Director
Piggery Owner

Geoffrey Wall (resigned 25 January 2011)

Director
Business Development Manager

Derryn Schoenborn

Director
Policy and Communications Officer

Michelle Baker (appointed 11 February 2011)

Director
Business Owner

Robert Armstrong

Director
Plumber

Christine Ann Berger

Director
Business Owner

Mathew Ryan

Director
Primary Producer

Tracee Spiby

Director
Wood Mill Owner

Eileen Curtis (resigned 30 June 2011)

Director
Accountant

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.

Review of operations

Operations for the financial year have resulted in a profit after provision for income tax of \$81,418 (2010: \$34,467).

Dividends

No dividend was declared during the financial year.

Directors' report continued

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report.

Significant events after the balance date

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Remuneration report

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 during the year amounted to \$15,000 (2010: \$4,500).

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' report continued

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings #
Geoffrey Wall (resigned 25 January 2011)	3(6)
Jeffrey Perry	10(11)
Christine Ann Borger	8 (11)
David Aburrow	9 (11)
Mathew Ryan	10 (11)
Stephen Aburrow	11(11)
Tracee Spiby	6(11)
Robert Armstrong	7 (11)
Eileen Curtis (resigned 30 June 2011)	11 (11)
Derryn Schoenborn	9 (11)
Michelle Baker (appointed 11 February 2011)	5 (5)

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

Company Secretary

Michelle Baker commenced as Company Secretary on 1 July 2011 after Eileen Curtis resigned. Her qualifications include a Bachelor of Arts (English and History), Advanced Diploma of Business, Certificate IV in Mortgage Lending and LVM training. Michelle also has many years experience as Operations Manager of finance companies.

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, Steve Aburrow and Michelle Baker;
- (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.

Directors' report continued

Auditor Independence Declaration

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



2 September 2011

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 2011, 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

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
Level 2, 10-16 Forest Street, Bendigo 3550. PO Box 30 Bendigo 3552
Ph: 03 5443 1177 Fax: 03 5444 4344 Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Signed in accordance with a resolution of the Board of Directors at Rushworth, Victoria on 2 September 2011



Stephen Aburrow, Director

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenues from continuing operations	2	570,797	494,954
Employee benefits expense	3	(259,035)	(248,366)
Charitable donations and sponsorship		(6,486)	(11,568)
Depreciation and amortisation expense	3	(25,911)	(27,952)
Finance costs	3	(1,130)	(1,870)
Other expenses	3	(167,333)	(150,854)
Profit before income tax expense		110,902	54,344
Income tax expense	4	29,484	19,877
Profit after income tax expense		81,418	34,467
Other comprehensive income		-	-
Total comprehensive income		81,418	34,467
Earnings per share (cents per share)			
- basic for profit for the year	22	16.42	6.95
- diluted for profit for the year	22	16.42	6.95

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	6	216,505	98,850
Receivables	7	52,926	46,386
Other assets		-	1,840
Total current assets		269,431	147,076
Non-current assets			
Property, plant and equipment	8	49,795	65,706
Deferred tax assets	4	31,375	60,859
Intangible assets	9	15,000	25,000
		96,170	151,565
Total assets		365,601	298,641
Current liabilities			
Payables	10	31,986	22,971
Loans and borrowings	11	7,805	8,628
Provisions	12	14,782	29,628
Total current liabilities		54,573	61,227
Current liabilities			
Loans and borrowings	11	-	7,804
Total current liabilities		-	7,804
Total liabilities		54,573	69,031
Net assets		311,028	229,610
Equity			
Share capital	13	495,750	495,750
Accumulated losses	14	(184,722)	(266,140)
Total equity		311,028	229,610

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Cash receipts in the course of operations		619,194	541,860
Cash payments in the course of operations		(494,211)	(478,203)
Interest received		2,429	942
Borrowing costs		(1,130)	(1,870)
Net cash flows provided by operating activities	15b	126,282	62,729
Cash flows from financing activities			
Repayment of borrowings		(8,627)	(7,888)
Dividends paid		-	(19,830)
Net cash flows used in financing activities		(8,627)	(27,718)
Net increase in cash held		117,655	35,011
Cash and cash equivalents at start of year		98,850	63,839
Cash and cash equivalents at end of year	15a	216,505	98,850

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 \$	2010 \$
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		(266,140)	(265,905)
Profit after income tax expense		81,418	34,467
Dividends paid or provided for	21	-	(34,702)
Balance at end of year		(184,722)	(266,140)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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 2011 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 2 September 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 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.

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.

Notes to the financial statements continued

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 -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.

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.

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 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.

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.

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.

Notes to the financial statements continued

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

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.

Comparative figures

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

	2011	2010
	\$	\$
Note 2. Revenue from continuing operations		
Operating activities		
- services commissions	568,368	494,012
- other revenue	-	-
	568,368	494,012
Non-operating activities:		
- interest received	2,429	942
- other revenue	-	-
	2,429	942
	570,797	494,954

Note 3. Expenses

Employee benefits expense

- wages and salaries	225,005	217,477
- superannuation costs	19,789	19,252
- workers' compensation costs	734	704
- other costs	13,507	10,933
	259,035	248,366

Notes to the financial statements continued

	2011 \$	2010 \$
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- branch fitout	7,645	8,338
- plant & equipment	3,459	4,366
- motor vehicle	4,807	5,248
Amortisation of non-current assets:		
- intangibles	10,000	10,000
	25,911	27,952
Finance costs	1,130	1,870
Administration and other expenses from ordinary activities:		
- rent	14,221	13,376
- insurance	18,022	12,505
- information technology related costs	34,221	34,624
- bad debts	104	(85)
- other administration expenses	100,765	90,434
	167,333	150,854

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%	33,271	16,303
Add tax effect of:		
- Non-deductible expenses	3,107	427
- Over / (under) provision of tax in prior years	(6,894)	3,147
Current income tax expense	29,484	19,877
Income tax expense	29,484	19,877
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.		
	31,375	60,859

Notes to the financial statements continued

	2011	2010
	\$	\$

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	3,900	3,900
- Other accounting services provided	500	450
- Share registry costs	2,529	2,032
	6,929	6,382

Note 6. Cash and cash equivalents

Cash at bank and on hand	216,505	98,850
---------------------------------	----------------	---------------

Note 7. Receivables

Trade debtors	52,926	46,386
----------------------	---------------	---------------

Note 8. Property, plant and equipment

Branch fitout

At cost	83,372	83,372
Less accumulated depreciation	(68,958)	(61,313)
	14,414	22,059

Property, plant & equipment

At cost	27,317	27,317
Less accumulated depreciation	(11,180)	(7,721)
	16,137	19,596

Motor vehicle

At cost	34,984	34,984
Less accumulated depreciation	(15,740)	(10,933)
	19,244	24,051
	49,795	65,706

Notes to the financial statements continued

	2011 \$	2010 \$
Note 8. Property, plant and equipment (continued)		
Movements in carrying amounts		
Branch fitout		
Carrying amount at beginning of the year	22,059	30,397
Additions	-	-
Disposals	-	-
Depreciation expense	(7,645)	(8,338)
Carrying amount at end of the year	14,414	22,059
Property, plant & equipment		
Carrying amount at beginning of the year	19,596	23,962
Additions	-	-
Disposals	-	-
Depreciation expense	(3,459)	(4,366)
Carrying amount at end of the year	16,137	19,596
Motor vehicle		
Carrying amount at beginning of the year	24,051	29,299
Additions	-	-
Disposals	-	-
Depreciation expense	(4,807)	(5,248)
Carrying amount at end of the year	19,244	24,051

Note 9. Intangible assets

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

Notes to the financial statements continued

	2011 \$	2010 \$
Note 10. Payables		
Trade creditors	14,455	10,558
Other creditors and accruals	17,531	12,413
	31,986	22,971

Note 11. Loans and borrowings

Current

Motor vehicle finance lease	7,805	8,628
------------------------------------	--------------	--------------

Non-current

Motor vehicle finance lease	-	7,804
------------------------------------	----------	--------------

Note 12. Provisions

Provision for dividend	653	15,541
Employee benefits	14,129	14,087
	14,782	29,628

Movement in employee benefits

Opening balance	14,087	15,087
Additional provisions recognised	17,308	16,729
Amounts utilised during the year	(17,266)	(17,729)
Closing balance	14,129	14,087

Note 13. Share capital

495,750 ordinary shares fully paid of \$1 each	495,750	495,750
---	----------------	----------------

Note 14. Accumulated losses

Balance at the beginning of the financial year	(266,140)	(265,905)
Profit after income tax	81,418	34,467
Dividends paid or provided for	-	(34,702)
Balance at the end of the financial year	(184,722)	(266,140)

Notes to the financial statements continued

	2011 \$	2010 \$
Note 15. Statement of cash flows		
(a) Cash and cash equivalents		
Cash assets	216,505	98,850
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	81,418	34,467
Non cash items		
- Depreciation	15,911	17,952
- Amortisation	10,000	10,000
Changes in assets and liabilities		
- (Increase) decrease in receivables/other assets	(4,700)	(1,006)
- Increase (decrease) in payables	9,015	(18,230)
- Increase (decrease) in provisions	(14,846)	(331)
- (Increase) decrease in deferred income tax asset	29,484	19,877
Net cash flows from operating activities	126,282	62,729

Note 16. Related party disclosures

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

Geoffrey Wall (resigned 25 January 2011)

Jeffrey Perry

Christine Ann Borger

David Aburrow

Mathew Ryan

Stephen Aburrow

Tracee Spiby

Robert Armstrong

Eileen Curtis (resigned 30 June 2011)

Derryn Schoenborn

Michelle Baker (appointed 11 February 2011)

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 during the year amounted to \$15,000 (2010: \$4,500).

Notes to the financial statements continued

Note 16. Related party disclosures (continued)

Directors' shareholdings	2011	2010
Geoffrey Wall (resigned 25 January 2011)	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	500	500
Stephen Aburrow	2,000	2,000
Tracee Spiby	3,000	3,000
Robert Armstrong	2,000	2,000
Eileen Curtis (resigned 30 June 2011)	2,000	2,000
Derryn Schoenborn	-	-
Michelle Baker (appointed 11 February 2011)	-	-

There was no 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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 18. Contingent liabilities and assets

There were no contingent liabilities or assets 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

Notes to the financial statements continued

	2011 \$	2010 \$
Note 21. Dividends paid or provided for on ordinary shares		
Dividends paid or provided for during the year		
(i) Interim unfranked dividend paid - nil cents per share (2010: 4 cents)	-	19,830
(ii) Final unfranked dividend declared - nil cents per share (2010: 3 cents)	-	14,872
	-	34,702

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:

Profit after income tax expense	81,418	34,467
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:

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

	Carrying amount	
	2011 \$	2010 \$
Cash assets	216,505	98,850
Receivables	52,926	46,386
	269,431	145,236

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 (2010: 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.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2011					
Payables	31,986	(31,986)	(31,986)	-	-
Loans and borrowings	7,805	(8,131)	(8,131)	-	-
	39,791	(40,117)	(40,117)	-	-
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)	-

Notes to the financial statements continued

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	
	2011	2010
	\$	\$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(7,805)	(16,432)
	(7,805)	(16,432)
Variable rate instruments		
Financial assets	216,505	98,850
Financial liabilities	-	-
	216,505	98,850

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 2010 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 Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(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 2011 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 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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.



Stephen Aburrow, Director

Signed at Rushworth on 2 September 2011.

Independent audit report



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 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
Level 2, 10–16 Forest Street, Bendigo 3550. PO Box 30 Bendigo 3552
Ph: 03 5443 1177 Fax: 03 5444 4344 Email: rsd@rsdadvisors.com.au
ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report continued

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 2011 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

Warren Sinnott

Warren Sinnott
Partner
2 September 2011

Rushworth & District **Community Bank**[®] Branch
23 High Street, Rushworth VIC 3612
Phone: (03) 5856 2122 Fax: (03) 5856 2135

Franchisee: Rushworth & District Financial Services Limited
23 High Street, Rushworth VIC 3612
Phone: (03) 5856 2122 Fax: (03) 5856 2135
ABN: 97 101 461 125

www.bendigobank.com.au/rushworth
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR11065) (08/11)

