Rushworth & District **Community Bank**® Branch

2012

annual report

Rushworth & District
Financial Services Limited

ABN 97 101 461 125

Contents

Chairman's report

For year ending 30 June 2012

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 17 October 2012.

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 2011/12 financial year's business has been slow with a growth of $3.413 million which is disappointing, but this is a sign of the times in the present economic climate with the slowing down of economies world wide. Our branch now has in excess of $60 million of business on our books which is still a pleasing figure to have. We as a Board have continued to keep a close eye on our expenses to make sure that we post a profit every year. This year we have managed to make a net profit in excess of $65,000 after provision for taxation which is still a pleasing result considering our slow business growth. It is my pleasure to announce to our shareholders a 6 cent dividend per share will be paid in the 2012/13 year.

Rushworth & District **Community Bank**® Branch business continues to be highly involved our community.

We are proud to have provided sponsorship to:

Rushworth Easter Festival	$2,500	
Stanhope Bowls Club	$5,000	for new turf
Colbinabbin Kindergarten	$3,000	for bike path
Rushworth Public Address System	$10,000	for a community owned system
Rushworth Kinder and Childcare	$9,000	for occasional childcare to continue
Rushworth Machinery Preservation club	$5,000	for roller restoration
Rushworth Football Netball club	$2,200	for defibrillator
Stanhope Football Netball Club	$2,200	for defibrillator
Scholarships Schools	$500	
School Fete Vouchers	$150	
Football Clubs	$1,000	
Driver Training	$4,800	
School Banking	$100	
Rush Bowls Ladies	$225	
GV Veterans Golf	$200	

We proudly support local and secondary schools scholarships to encourage students to reach their full potential.

Our continued involvement of our **Community Bank**® Driver education program is a program we strongly support so that young drivers can begin their driving life as safely as possible.

Overall we have contributed over $60,000 in community sponsorships and donations in 2012.

The coming year brings new challenges for our business with the economy still slow and reduced returns from our partners Bendigo and Adelaide Bank as the squeeze on interest margins continue. To offset these reduced margins we need to keep building the business and continue to keep telling the story about how great the **Community Bank**® concept is.

On the 4 December this year we celebrate our 10th birthday which is a wonderful achievement and I invite you all to the celebrations on that day.

Chairman’s report (continued)

I would 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-Maree Bell, Colleen Petersen, Nikki McKay, Kelly Bamford and Melissa Bastin they are the real face of our **Community Bank®** branch and do a fantastic job.

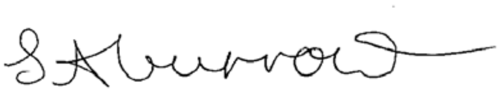
Unfortunately Kaye-Maree Bell left us in December to pursue another career outside banking. We wish her all the best and thank her for her years of service. The customer service team needs to be commended for the fantastic job they did this year whilst Wayne was on his long service leave.

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

I would also like to thank the Executive and Directors for their continued commitment to ensure our **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 Rhonda Risstrom who joins the Board with great enthusiasm.

Thank you for your support,



Stephen Aburrow
Chairman

Manager’s report

For year ending 30 June 2012

The years tick by quickly when you are having fun. Another financial year has passed and we have continued make progress in growth all be it quite small for this year. The growth for the business has been $3.413 million which is disappointing. The current business on our books is now in excess of $60 million in banking business.

Recent weather patterns have returned more to normal expectation after the effects of the drought subsided. Unfortunately we still have global influences that are having an effect on the Australian and local markets.

Part of this is affecting our business with reduced returns from our partners Bendigo and Adelaide Bank as the squeeze on interest margins continue in the financial sector in Australia. Unfortunately we have no control over this so the only method of counter acting this is to grow the business more and minimise costs.

I am very confident that we are well placed to see the business grow and continue to be strong and healthy into the future.

Over the last year we have experienced some staff changes. After more than seven years Kaye-Maree Bell has left us and Melissa Bastin has been appointed on a permanent basis. After a long absence Colleen has returned to work. The last year has been challenging at times with staffing and I would like to thank the staff for their flexibility and willingness to help when times are tough. This is the sign of a good team. How good a Manager is is very reliant on the quality of the team that he leads.

I am ever so proud of my team of Carolyn, Nikki, Kelly, Melissa and Colleen and thank them for making my job so much easier.

I would like to thank the Directors under Chairman Stephen Aburrow for their continued professional manner and diligence with which they conduct their duties. It must be noted that these Directors perform many hours of unpaid work for the benefit of the company and community. There has been a special trust and relationship between us for the last seven and a half years which has certainly made the job so much easier. The only reward that they would receive would be the knowledge that they are doing something very good for the community.

I have the greatest admiration for the work that they do!

Rushworth & District **Community Bank®** Branch punches well above its weight when it comes to the performance of our ATM. Despite some ATM’s suffering reduced usage, the ATM here continues to grow in demand and performs a valuable service to our community.

I regularly speak to people about their banking and it is very pleasant to hear from them after they have made the change to the **Community Bank®** branch way of banking. The most common feedback is that they wished that they had done it much sooner. They enjoy the friendly and close relationship that they are able to have with this small team. I continue to hear positive feedback from many areas and this is part of the reason we continue to grow and prosper.

A simple way to support your community is to support your **Community Bank®** branch with your banking needs. Parts of the profits generated are returned back to the community through grants and sponsorship. I invite all to come to the bank and view the display on the wall and to see the slide show on the television display. It is quite amazing to see what has been achieved to date and imagine what can be achieved into the future for our community.

I have now been here in excess of seven years and during this time we have seen the business turn around from earlier performances to now be in a strong profitable situation for the future. I am very proud of the journey over this time and look forward to continued prosperity into the future.

The **Community Bank®** concept, what a difference it makes and what a pleasure it is.

Wayne W Fry
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors submit the financial report of the company for the financial year ended 30 June 2012.

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
Board member since 2002

David Aburrow
Director
Business Owner
Board member since 2002

Stephen Aburrow
Director
Piggery Owner
Board member since 2002

Derryn Schoenborn
Director
Policy and Communications Officer
Resigned 28 February 2012

Michelle Baker
Director
Business Owner
Board member since February 2011

Robert Armstrong
Director
Plumber
Board member since 2004

Christine Ann Borger
Director
Business Owner
Board member since 2002

Mathew Ryan
Director
Primary Producer
Board member since 2009

Tracee Spiby
Director
Wood Mill Owner
Board member since 2002

Rhonda Risstrom
Director
Water Broker
Board member since April 2012

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.

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 after provision for income tax of $65,210 (2011: $81,418).

Financial position

The net assets of the company have increased by $35,465 from June 30, 2011 to $346,493 in 2012. The increase is largely due to improved operating performance of the company.

Dividends	Year ended 30 June 2012	
	Cents per share	$
Dividends paid during the year:		
- Prior year dividend	6	29,745

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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

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.

Director Michelle Baker receives a monthly payment of $1,200 per month for professional services provided in her role as Company Secretary. The total payments received for the year ended 30 June 2012 was $8,400 (2011:nil).

Indemnifying Officers or Auditor

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.

Indemnifying Officers or Auditor (continued)

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.

Directors' meetings

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

Director	Board meetings#
Jeffrey Perry	9 (11)
Christine Ann Borger	6 (11)
David Aburrow	11 (11)
Mathew Ryan	11 (11)
Stephen Aburrow	11 (11)
Tracee Spiby	5 (11)
Robert Armstrong	6 (11)
Derryn Schoenborn (resigned 28 February)	Nil (6)
Michelle Baker	11 (11)
Rhonda Risstrom (appointed 24 April 2012)	1 (3)

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. 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)

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 9 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Rushworth, Victoria on 29 August 2012

Stephen Aburrow
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
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www.rsdadvisors.com.au

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

To the Directors of Rushworth & District Financial Services Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the period ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

Richmond Sinnott + Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

Warren Sinnott
Partner
Dated at Bendigo, 29 August 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

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Partners:
Warren Sinnott, Cara Hall, Brett Andrews, Philip Delahunty, Kathie Teasdale, David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenues	2	617,522	570,797
Employee benefits expense	3	(285,157)	(259,035)
Depreciation and amortisation expense	3	(27,548)	(25,911)
Finance costs	3	(326)	(1,130)
Other expenses	3	(176,339)	(167,333)
Operating profit before charitable donations & sponsorships		**128,152**	**117,388**
Charitable donations and sponsorship		(25,680)	(6,486)
Profit before income tax expense		**102,472**	**110,902**
Income tax expense	4	37,262	29,484
Net profit for the year		**65,210**	**81,418**
Other comprehensive income		-	-
Total comprehensive income for the year		**65,210**	**81,418**
Earnings per share (cents per share)			
- basic for profit for the year	22	13.15	16.42
- diluted for profit for the year	22	13.15	16.42

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	315,059	216,505
Receivables	7	54,175	52,926
Total current assets		**369,234**	**269,431**
Non-current assets			
Property, plant and equipment	8	37,077	49,795
Deferred tax assets	4	-	31,375
Intangible assets	9	5,000	15,000
Total non-current assets		**42,077**	**96,170**
Total assets		**411,311**	**365,601**
Liabilities			
Current liabilities			
Payables	10	28,086	31,986
Loans and borrowings	11	-	7,805
Current tax payable	4	5,887	-
Provisions	12	30,845	14,782
Total current liabilities		**64,818**	**54,573**
Total liabilities		**64,818**	**54,573**
Net assets		**346,493**	**311,028**
Equity			
Issued capital	13	495,750	495,750
Accumulated losses	14	(149,257)	(184,722)
Total equity		**346,493**	**311,028**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		669,590	619,194
Cash payments in the course of operations		(535,614)	(494,211)
Interest receive		7,284	2,429
Borrowing costs		(326)	(1,130)
Net cash flows provided by operating activities	**15b**	**140,934**	**126,282**
Cash flows from investing activities			
Payments for property, plant and equipment		(4,830)	-
Net cash flows used in investing activities		**(4,830)**	**-**
Cash flows from financing activities			
Repayment of borrowings		(7,805)	(8,627)
Dividends paid		(29,745)	-
Net cash flows used in financing activities		**(37,550)**	**(8,627)**
Net increase in cash held		**98,554**	**117,655**
Cash and cash equivalents at start of year		216,505	98,850
Cash and cash equivalents at end of year	**15a**	**315,059**	**216,505**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued 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		(184,722)	(266,140)
Profit after income tax expense		65,210	81,418
Dividends paid or provided for	21	(29,745)	-
Balance at end of year		**(149,257)**	**(184,722)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Rushworth & District Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 29 August 2012.

(b) 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.

(c) 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.

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

(d) Impairment 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.

(e) 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.

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) Provisions

Provisions are recognised when the company 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.

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis.

Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue

Revenue from continuing activities

- services commissions	610,238	568,368
- interest received	7,284	2,429
	617,522	**570,797**

Note 3. Expenses

Employee benefits expense

- wages and salaries	253,546	225,005
- superannuation costs	19,752	19,789
- workers' compensation costs	930	734
- other costs	10,929	13,507
	285,157	**259,035**

	2012 $	2011 $

Note 3. Expenses (continued)

Depreciation of non-current assets:		
- branch fitout	8,340	7,645
- plant & equipment	3,964	3,459
- motor vehicle	5,244	4,807
Amortisation of non-current assets:		
- intangible assets	10,000	10,000
	27,548	**25,911**
Finance costs	**326**	**1,130**
Administration and other expenses from ordinary activities:		
- rent	14,645	14,221
- insurance	14,684	18,022
- information technology related costs	32,765	34,221
- bad debts	76	104
- other administration expenses	114,169	100,765
	176,339	**167,333**

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%	30,741	33,271
Add tax effect of:		
- Non-deductible expenses	4,576	3,107
- Over / (under) provision of tax in prior years	1,945	(6,894)
Current income tax expense	**37,262**	**29,484**
Income tax expense	**37,262**	**29,484**
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**
Tax liabilities		
Current tax payable	**5,887**	**-**

	2012 $	2011 $

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2012 $	2011 $
- Audit or review of the financial report	3,900	3,900
- Other accounting services provided	500	500
- Share registry costs	4,748	2,529
	9,148	**6,929**

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand	**315,059**	**216,505**

Note 7. Receivables

	2012 $	2011 $
Trade debtors	**54,175**	**52,926**

Note 8. Property, plant and equipment

	2012 $	2011 $
Branch fitout		
At cost	83,372	83,372
Less accumulated depreciation	(77,298)	(68,958)
	6,074	**14,414**
Property, plant & equipment		
At cost	32,147	27,317
Less accumulated depreciation	(15,144)	(11,180)
	17,003	**16,137**
Motor vehicle		
At cost	34,984	34,984
Less accumulated depreciation	(20,984)	(15,740)
	14,000	**19,244**
	37,077	**49,795**

	2012 $	2011 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

Branch fitout		
Carrying amount at beginning of the year	14,414	22,059
Additions	-	.
Disposals	-	-
Depreciation expense	(8,340)	(7,645)
Carrying amount at end of the year	**6,074**	**14,414**
Property, plant & equipment		
Carrying amount at beginning of the year	16,137	19,596
Additions	4,830	-
Disposals	-	-
Depreciation expense	(3,964)	(3,459)
Carrying amount at end of the year	**17,003**	**16,137**
Motor vehicle		
Carrying amount at beginning of the year	19,244	24,051
Additions	-	-
Disposals	-	-
Depreciation expense	(5,244)	(4,807)
Carrying amount at end of the year	**14,000**	**19,244**

Note 9. Intangible assets

Franchise fee

At cost	50,000	50,000
Less accumulated amortisation	(45,000)	(35,000)
	5,000	**15,000**

Note 10. Payables

Trade creditors	7,767	14,455
Other creditors and accruals	20,319	17,531
	28,086	**31,986**

	2012 $	2011 $

Note 11. Borrowings

	2012 $	2011 $
Current		
Motor vehicle finance lease	**-**	**7,805**
Non-current		
Motor vehicle finance lease	**-**	**-**

Note 12. Provisions

	2012 $	2011 $
Provision for dividend	1,007	653
Employee benefits	29,838	14,129
	30,845	**14,782**
Movement in employee benefits		
Opening balance	14,129	14,087
Additional provisions recognised	34,841	17,308
Amounts utilised during the year	(18,125)	(17,266)
Closing balance	**30,845**	**14,129**

Note 13. Share capital

	2012 $	2011 $
495,750 ordinary shares fully paid	**495,750**	**495,750**

The company has authorised share capital amounting to 495,750 ordinary shares.

Note 14. Accumulated losses

	2012 $	2011 $
Balance at the beginning of the financial year	(184,722)	(266,140)
Profit after income tax	65,210	81,418
Dividends paid or provided for	(29,745)	-
Balance at the end of the financial year	**(149,257)**	**(184,722)**

	2012 $	2011 $

Note 15. Statement of cash flows

(a) Cash and cash equivalents

	2012 $	2011 $
Cash assets	**315,059**	**216,505**
(b) Reconciliation of profit after tax to net cash provided from operating activities		
Profit after income tax	65,210	81,418
Non cash items		
- Depreciation	17,548	15,911
- Amortisation	10,000	10,000
Changes in assets and liabilities		
- (Increase) decrease in receivables/other assets	(1,249)	(4,700)
- (Increase) decrease in deferred income tax asset	31,375	29,484
- Increase (decrease) in payables	(3,900)	9,015
- Increase (decrease) in provisions	16,063	(14,846)
- Increase (decrease) in income tax payable	5,887	-
Net cash flows from operating activities	**140,934**	**126,282**

Note 16. Related party disclosures

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

Jeffrey Perry
Christine Ann Borger
David Aburrow
Mathew Ryan
Stephen Aburrow
Tracee Spiby
Robert Armstrong
Derryn Schoenborn (resigned 28 February)
Michelle Baker
Rhonda Risstrom (appointed 24 April 2012)

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

Note 16. Related party disclosures (continued)

Directors' shareholdings	2012	2011
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
Derryn Schoenborn (resigned 28 February)	-	-
Michelle Baker	-	-
Rhonda Risstrom (appointed 24 April 2012)	-	-

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. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Rushworth and Stanhope, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

Note 20. Corporate information

Rushworth & District Financial Services Limited is a company limited by shares incorporated in Australia.

The registered office and principal place of business is:
23 High Street,
Rushworth VIC 3612

	2012 $	2011 $

Note 21. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

(i) Final unfranked dividend - 6 cents per share (2011: nil cents)	29,745	-
	29,745	**-**

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	**65,210**	**81,418**
Weighted average number of ordinary shares for basic and diluted earnings per share	**495,750**	**495,750**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	315,059	216,505
Receivables	7	54,175	52,926
Total financial assets		**369,234**	**269,431**

Note 23. Financial risk management (continued)

	Note	2012 $	2011 $
Financial liabilities			
Payables	10	28,086	31,986
Loans and borrowings	11	-	7,805
Total financial liabilities		**28,086**	**39,791**

Financial risk management policies

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.

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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	
	2012 $	2011 $
Cash and cash equivalents	315,059	216,505
Receivables	54,175	52,926
	369,234	**269,431**

The company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank.

None of the assets of the company are past due (2011: 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.

(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.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

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.

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(28,086)	(28,086)	–	–
Loans and borrowings	–	–	–	–
Total expected outflows	**(28,086)**	**(28,086)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	315,059	315,059	–	–
Receivables	54,175	54,175	–	–
Total anticipated inflows	**369,234**	**369,234**	**–**	**–**
Net (outflow)/inflow on financial instruments	**341,148**	**341,148**	**–**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(31,986)	(31,986)	–	–
Loans and borrowings	(7,805)	(7,805)	–	–
Total expected outflows	**(39,791)**	**(39,791)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	216,505	216,505	–	–
Receivables	52,926	52,926	–	–
Total anticipated inflows	**269,431**	**269,431**	**–**	**–**
Net (outflow)/inflow on financial instruments	**229,640**	**229,640**	**–**	**–**

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

(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 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 2012 $	Carrying amount 2011 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	(7,805)
	-	**(7,805)**
Floating rate instruments		
Financial assets	315,059	216,505
Financial liabilities	-	-
	315,059	**216,505**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Note 23. Financial risk management (continued)

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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 2012 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, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 10 to 29 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the Directors' opinion 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 29 August 2012.

Richmond Sinnott & Delahunty
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of Rushworth & District Financial Services Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the period ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Rushworth & District Financial Services Limited is 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 2012 and of its performance for the period ended on that date; and

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Richmond Sinnott + Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 29 August 2012

Rushworth & District **Community Bank**® Branch
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ABN: 97 101 461 125
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(BMPAR12018) (07/12)