Annual Report 2014

Rushworth & District Financial Services Limited

ABN 97 101 461 125

Rushworth & District **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2014

Firstly I would like to invite all of our shareholders to our Annual General Meeting to be held at Rushworth P-12 College on 5 November 2014 at 7.00pm. This will present an opportunity to gain a valuable insight into your company, ask questions about the administration of the company and celebrate the community investments and sponsorships made in the 2014 financial year.

Of course for a business to grow and indeed prosper there is a need to have key elements in place. I therefore acknowledge our partner in Bendigo and Adelaide Bank. Their support, fairness and continued investment in the **Community Bank**® model makes for a sustainable and trustworthy partnership, and allows us to provide banking services to our community.

I would like to thank our dedicated staff which is headed by our Branch Manager Kevin Livingston. Kevin has been a wonderful addition to the branch and is passionate about our customers and community. If you have not met Kevin, you should make the effort to do so, you will be pleased.

The Board is very proud of all of our staff and their willingness to be involved in the community at a leadership level. Their management of the Good Friday Appeal was outstanding, and are leading other community projects whilst offering exceptional service to all our valued customers.

Support from shareholders and customers has been ongoing and strong. The benefits from the seeds that they sowed are now being reaped, in terms of a strong business, paying good dividends and offering significant community investment. Shareholders should be proud of the difference they make to their community as our **Community Bank**® branch supports clubs and organisations that bring so much to people in the district.

I would to thank all members of the Rushworth & District Financial Services Limited Board of Directors. They are a very strong, committed and unified group who contribute many hours of volunteer work to ensure that the business is successful. This year we regretfully accepted the resignations of two of our inaugural Board members Stephen Aburrow and David Aburrow. Stephen is a past Chairman who rarely missed a meeting and always displayed a considered approach as well as a cool head during his time as a Director. David was a key driver in our establishment days and was the keeper of our history and a passionate advocate for the **Community Bank**® concept. Both contributed to the Board for over 10 years. We wish them health and happiness and thank them for their long term support.

During the year we welcomed a new member to the Board in Frank Oliver. Frank brings a wealth of experience and knowledge to the table. Frank has already added strength the Board.

I am fortunate to have a wonderful executive team to work with. Michelle Baker, Christine Borger and Robert Armstrong all give freely of their time and considerable talent and carry out their exacting roles with passion.

The 2013/14 financial year has seen growth above budget, with the book value of our business growing to $74 million. The Board is pleased with this result given that we are trading in a very competitive market. This year the company has made a before tax profit of $122,019 which is a considerable increase on last year. This excellent outcome is the result of good teamwork from our Manager, staff and the Board, as well as constant scrutiny of the expenditure side of the business.

It is my pleasure to announce to our shareholders that a fully franked 8 cent dividend will be paid in the coming months.

Chairman’s report (continued)

Rushworth & District **Community Bank**® Branch certainly did make a difference to the communities in our district in the 2013/14 financial year with a total of $50,000 in support being invested in our local clubs and organisations. We are proud to have provided support to the following:

- Rushworth Easter Heritage Festival $5,000
- Rushworth Machinery Preservation Club $5,000
- Stanhope Auskick $2,000
- Girgarre Moosic Muster $3,000
- Driver Education $1,200
- Magic Moments Youth Summit $1,200
- Moora Working Draught Horse Muster $2,000
- Rushworth Community House garden $2,000
- Rushworth Bowls Club $15,000
- Murchison Bowls Club $1,000
- Goulburn Murray Cricket Association $3,000

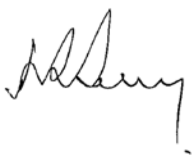
There were also a number of smaller support arrangement made with worthy local clubs and causes.

We now have a wonderful, newly renovated community building at the Rushworth Public Park. It is proudly named the “Community Bank Sports and Recreation Complex”.

Rushworth & District **Community Bank**® Branch were the major financial community contributors with the sum of $50,000, which we donated in 2013 and triggered the project’s completion in February 2014. This wonderful facility will be enjoyed by so many of the public for many years into the future.

No doubt that the coming year will bring with it new challenges. The Board has budgeted for a year of modest growth in a very competitive market. The Board believes that the company is well positioned to continue its growth trend which will enable us to support, enrich and add value to our communities of Rushworth, Stanhope, Colbinabbin, Murchison and Girgarre.

Thank you for your support.



Chairman
Jeff Perry

Manager’s report

For year ending 30 June 2014

It is with great pleasure that I prepare and write this report.

As with every year for our business, this year was very eventful, however as always extremely rewarding. Our business has grown by approximately $6 million over the last financial year and the current business on our books is now in excess of $74 million in banking business.

This excellent result, provides a very strong profit for our business, in what continues to be a difficult economic and challenging climate, experienced not only by the banking sector. Our results allow us to provide sustainable and very important support to the community, ensuring our strategic direction and community engagement is met.

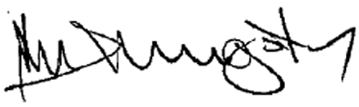
Consistency of our staff this year allows a very stable team, Nikki, Colleen, Sharon and Alistair in Rushworth, with Melissa, Kellie and Robin in Stanhope. These staff members provide great friendly service and continue to provide fabulous support to myself. I would like to thank all our staff for their dedication, flexibility and willingness to work within our team environment.

I would like to thank all Directors under Chairman Jeff Perry for their support and confidence in our team and for the continued professional manner with which they conduct their business.

To conclude, I would sincerely like to thank yet again, our loyal customers, who enable us to generate our current profits, and to provide and support wonderful community projects and outcomes.

Community Bank® branches provide more than just quality banking services, they deliver employment opportunities for local people, keep local capital in the community, are a local investment option for shareholders. They also provide a source of revenue for important community projects determined by the Board.

The **Community Bank**® concept is a pleasure to be involved in.



Kevin G Livingston
Branch Manager

Directors' report

For the financial year ended 30 June 2014

Your directors submit the financial statements of the company for the financial year ended 30 June 2014.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Jeffery Perry
Director
Occupation: Butcher
Qualifications, experience and expertise: Business Owner
Special responsibilities: Chairman
Interest in shares: 1,000

Robert Armstrong
Director
Occupation: Plumber, self employed business owner
Qualifications, experience and expertise: 34 years CFA, 12 years as captain of CFA.
Special responsibilities: Deputy Chairman, marketing and sponsorship sub committee
Interest in shares: 2,000

Christine Borger
Director
Occupation: Business Owner Farming
Qualifications, experience and expertise: Business Manager at Rushworth P-12 College. Presently involved in the community in the form of being the Treasurer of Rushworth & District Financial Services Limited and Treasurer of Rushworth Bowls Club.
Special responsibilities: Audit Committee, sponsorship and marketing
Interest in shares: 5,000

Mathew Ryan
Director
Occupation: Primary Producer
Qualifications, experience and expertise: Business Owner
Special responsibilities: Marketing and Sponsorship sub-committee
Interest in shares: 500

Michelle Baker
Director
Occupation: Bookkeeper
Qualifications, experience and expertise: Previously worked as Operations Manager for investment baking business in Melbourne. Michelle holds a Bachelor of Arts; Advanced Diploma of Business (Marketing). Michelle is a Colbinabbin Primary School Council Member.
Special responsibilities: Finance and Audit, Marketing and Sponsorship; Governance; Business Development
Interest in shares: 400

Directors' report (continued)

Directors (continued)

Rhonda Risstrom
Director
Occupation: Water Broker
Qualifications, experience and expertise: Rhonda has extensive knowledge of the Water Industry and is an experienced Water Broker, trading Temporary Allocation Water since 2006 both through the automated system of Water Exchange and manually. Rhonda also has many years experience in the Real Estate Industry, holding a Sub Agent's Licence and working closely with both Property Manager and Agents to the benefit of customers since 1996. She has been heavily involved in Community Groups for a number of years including being the Secretary of Colbinabbin Tennis Club, Colbinabbin Primary School Parents Club Secretary, Co-Ordinator, Aust Swim teacher and Life Guard for the Colbinabbin Learn to Swim program. Rhonda has been recognised for service to the RSL on ANZAC Days and is currently the Secretary of Colbinabbin Uniting Church Ladies Guild, and more recently Director of the Rushworth & District **Community Bank**® Branch. Rhonda was also recognised as Citizen of the Year in 1998 for both Waranga & District as well as the Shire of Campaspe.
Special responsibilities: Sponsorship and Marketing Committee
Interest in shares: Nil

Francis Oliver
Director (Appointed 28 January 2014)
Occupation: Retired
Qualifications, experience and expertise: Employed by PMG/Telecom from 1962 to 1980 initially as a Technician In Training. Francis left Telecom in 1980 as a Senior Technical Officer to join Country Fire Authority as an Assistant Communication Officer. Francis retired from CFA in 2000 as Manager Communication Planning and Development. He has been a Volunteer Firefighter from 1970 onwards and is a member of Local Landcare & District Planning Group. Francis was a Campaspe Shire Councillor from 2008 to 2012.
Special responsibilities: Governance/Risk Management Committee
Interest in shares: 10,000

David Aburrow
Director (Resigned 15 May 2014)
Occupation: Retired
Qualifications, experience and expertise:
Special responsibilities: Nil
Interest in shares: 7,600

Stephen Aburrow
Director (Resigned 30 September 2013)
Occupation: Farmer
Qualifications, experience and expertise: Business Owner
Special responsibilities: Nil
Interest in shares: 2,000

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

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

Company Secretary

The company secretary is Michelle Baker. Michelle has been the secretary of the company since 2011. Michelle is an experienced bookkeeper and holds a Bachelor of Arts; Advanced Diploma of Business (Marketing).

Principal Activities

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

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

Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2014 $	Year ended 30 June 2013 $
85,413	55,294

Remuneration report

Directors' remuneration

No director of the company receives remuneration for services as a company director or Committee member.

There are no Executives within the company whose remuneration is required to be disclosed.

Transactions with directors

	$
Michelle Baker received remuneration during the period under review for Executive Officer services provided. Michelle received total remuneration of	14,040

There were no other transactions with directors during the period under review.

Directors' shareholdings

	Balance at start of the year	Changes during the year	Balance at end of the year
Jeffery Perry	1,000	-	1,000
Robert Armstrong	2,000	-	2,000
Christine Borger	5,000	-	5,000
Mathew Ryan	500	-	500
Michelle Baker	-	400	400
Rhonda Risstrom	-	-	-
Francis Oliver (Appointed 28 January 2014)	-	-	10,000
Stephen Aburrow (Resigned 30 September 2013)	2,000	-	2,000
David Aburrow (Resigned 15 May 2014)	7,600	-	7,600

Dividends

	Year ended 30 June 2014	
	Cents	**$**
Dividends paid in the year:	8	39,660

Significant changes in the state of affairs

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

Events since the end of the financial year

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

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation.

Indemnification and insurance of directors and officers

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

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

Directors' meetings

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

	Board Meetings Attended		Committee Meetings Attended							
			Marketing and Sponsorship		Finance		Business Development		Governance	
	A	B	A	B	A	B	A	B	A	B
Jeffery Perry	11	11	-	-	-	-	2	2	1	1
Robert Armstrong	11	7	3	1	-	-	2	2	-	-
Christine Borger	11	11	3	3	3	3	-	-	1	1
Mathew Ryan *	11	4	3	2	-	-	-	-	-	-
Michelle Baker	11	11	3	3	3	3	-	-	1	1
Rhonda Risstrom	11	9	3	2	-	-	2	2	-	-

Directors' meetings (continued)

	Board Meetings Attended		Committee Meetings Attended							
			Marketing and Sponsorship		Finance		Business Development		Governance	
	A	B	A	B	A	B	A	B	A	B
Francis Oliver (Appointed 28 January 2014)	11	4	-	-	-	-	-	-	-	-
Stephen Aburrow (Resigned 30 September 2013)	11	-	-	-	-	-	-	-	-	-
David Aburrow (Resigned 15 May 2014)	11	4	3	-	-	-	-	-	-	-

* Matthew Ryan was on a leave of absence from November 2013 to May 2014
A = Eligible B = Attended

Proceedings on behalf of the company

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

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

Non audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

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

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10.

Signed in accordance with a resolution of the board of directors at Rushworth, Victoria on 15 September 2014.

Jeffery Perry,
Chairman

Auditor's independence declaration

Partners in success

Chartered Accountants

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

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

- the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- any applicable code of professional conduct in relation to the review.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 15 September 2014

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

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Financial statements

Statement of Comprehensive Income for the year ended 30 June 2014

	Note	2014 $	2013 $
Revenue from ordinary activities	4	657,792	645,056
Employee benefits expense		(280,891)	(297,955)
Charitable donations, sponsorship, advertising and promotion		(62,746)	(96,767)
Occupancy and associated costs		(28,051)	(26,347)
Systems costs		(31,071)	(30,994)
Depreciation and amortisation expense	5	(27,099)	(23,087)
Loss on disposal of property, plant and equipment		(5,163)	-
General administration expenses		(100,752)	(105,071)
Profit before income tax expense		**122,019**	**64,835**
Income tax expense	6	(36,606)	(9,541)
Profit after income tax expense		**85,413**	**55,294**
Total comprehensive income for the year		**85,413**	**55,294**
Earnings per share for profit attributable to the ordinary shareholders of the company:		**¢**	**¢**
Basic earnings per share	21	17.23	11.15

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	334,344	267,452
Trade and other receivables	8	50,422	49,766
Current tax assets	11	-	6,851
Total Current Assets		**384,766**	**324,069**
Non-Current Assets			
Property, plant and equipment	9	52,184	41,765
Intangible assets	10	40,381	51,917
Deferred tax assets	11	9,217	11,684
Total Non-Current Assets		**101,782**	**105,366**
Total Assets		**486,548**	**429,435**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	33,132	21,547
Current tax liabilities	11	6,857	-
Provisions	13	28,047	24,765
Total Current Liabilities		**68,036**	**46,312**
Non-Current Liabilities			
Provisions	13	717	11,081
Total Non-Current Liabilities		**717**	**11,081**
Total Liabilities		**68,753**	**57,393**
Net Assets		**417,795**	**372,042**
Equity			
Issued capital	14	495,750	495,750
Accumulated losses	15	(77,955)	(123,708)
Total Equity		**417,795**	**372,042**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
for the year ended 30 June 2014

	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2012	**495,750**	**(149,257)**	**346,493**
Total comprehensive income for the year	**-**	**55,294**	**55,294**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(29,745)	(29,745)
Balance at 30 June 2013	**495,750**	**(123,708)**	**372,042**
Balance at 1 July 2013	**495,750**	**(123,708)**	**372,042**
Total comprehensive income for the year	**-**	**85,413**	**85,413**
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	(39,660)	(39,660)
Balance at 30 June 2014	**495,750**	**(77,955)**	**417,795**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		703,440	703,404
Payments to suppliers and employees		(552,785)	(621,909)
Interest received		7,312	9,298
Income taxes paid		(20,431)	(33,963)
Net cash provided by operating activities	**16**	**137,536**	**56,830**
Cash flows from investing activities			
Payments for property, plant and equipment		(30,984)	(17,007)
Payments for intangible assets		-	(57,685)
Net cash provided by/(used in) investing activities		**(30,984)**	**(74,692)**
Cash flows from financing activities			
Dividends paid		(39,660)	(29,745)
Net cash provided by/(used in) financing activities		**(39,660)**	**(29,745)**
Net increase/(decrease) in cash held		**66,892**	**(47,607)**
Cash and cash equivalents at the beginning of the financial year		267,452	315,059
Cash and cash equivalents at the end of the financial year	**7(a)**	**334,344**	**267,452**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2014

Note 1. Summary of significant accounting policies

a) Basis of preparation

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

Compliance with IFRS

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

Critical accounting estimates

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

Historical cost convention

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

Comparative figures

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

Adoption of new and amended accounting standards

The company adopted the following standards and amendments, mandatory for the first time for the annual reporting period commencing 1 July 2013:

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements.
- AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Separate Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards.
- AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039.
- AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period.
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Adoption of new and amended accounting standards (continued)

- AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle.
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities.

AASB 2011-4 removes the individual key management personnel disclosure requirements in AASB 124 Related Party Disclosures. As a result the company now only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. Detailed key management personnel compensation is outlined in the remuneration report, included as part of the directors' report.

The adoption of revised standard AASB 119 has resulted in a change to the accounting for the company's annual leave obligations. As the entity does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This changes the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change is considered immaterial on the financial statements overall as the majority of the annual leave is still expected to be taken within 12 months after the end of the reporting period.

None of the remaining new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2013.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Rushworth, Victoria.

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

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

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

- advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

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

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (i.e. ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. ‘commission business’). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank**® partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank**® companies remain balanced.

The third source of revenue is a proportion of the fees and charges (i.e. what are commonly referred to as ‘bank fees and charges’) charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

Note 1. Summary of significant accounting policies (continued)

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

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

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

e) Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

h) Intangibles

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

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

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

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

Note 1. Summary of significant accounting policies (continued)

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Available-for-sale financial assets

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

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

(iv) Financial liabilities

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

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

Note 1. Summary of significant accounting policies (continued)

l) Leases

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

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

m) Provisions

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

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

n) Contributed equity

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

o) Earnings per share

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

p) Goods and Services Tax

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

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

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

Note 2. Financial risk management

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

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

(i) Market risk

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

(ii) Price risk

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

(iii) Credit risk

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

(iv) Liquidity risk

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

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

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

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

The distribution limit is the greater of:

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

(b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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 2014 can be seen in the statement of comprehensive income.

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

Note 3. Critical accounting estimates and judgements

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

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

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

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

Taxation

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

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

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

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

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

Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

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

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

	2014 $	2013 $

Note 4. Revenue from ordinary activities

	2014 $	2013 $
Operating activities:		
- services commissions	649,830	634,064
- other revenue	-	1,694
Total revenue from operating activities	**649,830**	**635,758**
Non-operating activities:		
- interest received	7,802	9,298
- profit on sale of asset	160	-
Total revenue from non-operating activities	**7,962**	**9,298**
Total revenues from ordinary activities	**657,792**	**645,056**

Note 5. Expenses

	2014 $	2013 $
Depreciation of non-current assets:		
- plant and equipment	5,584	4,969
- leasehold improvements	2,207	2,102
- Motor vehicle	7,770	5,248
Amortisation of non-current assets:		
- franchise agreement	11,538	10,768
- franchise renewal fee		
	27,099	**23,087**

	Note	2014 $	2013 $

Note 5. Expenses (continued)

Finance costs:

- interest paid		**-**	**-**
Bad debts		**902**	**877**
Loss on disposal of fixed asset		**5,163**	**-**

Note 6. Income tax expense/credit

The components of tax expense comprise:

- Current tax		34,139	21,225
- Movement in deferred tax		2,467	(11,684)
- Under/(Over) provision of tax in the prior period		-	-
		36,606	**9,541**

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Operating profit		122,019	64,835
Prima facie tax on profit from ordinary activities at 30%		36,606	19,450
Add tax effect of:			
- non-deductible expenses		-	-
- timing difference expenses		(2,467)	1,775
- other deductible expenses		-	-
		34,139	**21,225**
Movement in deferred tax	11	2,467	(11,684)
Under/(Over) provision of income tax in the prior year		-	-
		36,606	**9,541**

Note 7. Cash and cash equivalents

Cash at bank and on hand		177,284	165,246
Term deposits		157,060	102,206
		334,344	**267,452**

	2014 $	2013 $

Note 7. Cash and cash equivalents (continued)

Note 7.(a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2014 $	2013 $
Cash at bank and on hand	177,284	165,246
Term deposits	157,060	102,206
	334,344	**267,452**

Note 8. Trade and other receivables

	2014 $	2013 $
Trade receivables	49,932	49,766
Other receivables and accruals	490	-
	50,422	**49,766**

Note 9. Property, plant and equipment

	2014 $	2013 $
Plant and equipment		
At cost	42,199	42,231
Less accumulated depreciation	(24,644)	(20,113)
	17,555	**22,118**
Leasehold improvements		
At cost	90,295	90,295
Less accumulated depreciation	(81,607)	(79,401)
	8,688	**10,894**
Motor Vehicle		
At cost	32,849	34,984
Less accumulated depreciation	(6,908)	(26,231)
	25,941	**8,753**
Total written down amount	**52,184**	**41,765**
Movements in carrying amounts:		
Plant and equipment		
Carrying amount at beginning	22,118	17,003
Additions	1,062	10,084
Disposals	(40)	-
Less: depreciation expense	(5,585)	(4,969)
Carrying amount at end	**17,555**	**22,118**

	2014 $	2013 $

Note 9. Property, plant and equipment (continued)

	2014 $	2013 $
Leasehold improvements		
Carrying amount at beginning	10,894	6,074
Additions	-	6,922
Disposals	-	-
Less: depreciation expense	(2,208)	(2,102)
Carrying amount at end	**8,686**	**10,894**
Motor vehicle		
Carrying amount at beginning	8,753	14,000
Additions	32,850	-
Disposals	(7,889)	-
Less: depreciation expense	(7,771)	(5,247)
Carrying amount at end	**25,943**	**8,753**
Total written down amount	**52,184**	**41,765**

Note 10. Intangible assets

	2014 $	2013 $
Franchise fee		
At cost	86,149	61,537
Less: accumulated amortisation	(53,845)	(51,154)
	32,304	**10,383**
Renewal processing fee		
At cost	21,537	46,149
Less: accumulated amortisation	(13,460)	(4,615)
	8,077	**41,534**
Total written down amount	**40,381**	**51,917**

Note 11. Tax

	2014 $	2013 $
Current:		
Income tax payable/(refundable)	**6,857**	**(6,851)**
Non-Current:		
Deferred tax assets		
- accruals	735	930
- employee provisions	8,629	10,754
	9,364	**11,684**

	2014 $	2013 $
Note 11. Tax (continued)		
Deferred tax liability		
- accruals	147	-
- deductible prepayments		
	147	**-**
Net deferred tax asset	**9,217**	**11,684**
Movement in deferred tax charged to statement of comprehensive income	**2,467**	**-**

Note 12. Trade and other payables

	2014 $	2013 $
Trade creditors	15,000	-
Other creditors and accruals	18,132	21,547
	33,132	**21,547**

Note 13. Provisions

	2014 $	2013 $
Current:		
Provision for annual leave	15,862	16,884
Provision for long service leave	12,185	7,881
	28,047	**24,765**
Non-Current:		
Provision for long service leave	**717**	**11,081**

Note 14. Contributed equity

	2014 $	2013 $
495,750 ordinary shares fully paid (2013: $1 each)	495,750	495,750
	495,750	**495,750**

Rights attached to shares

(a) Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

Note 14. Contributed equity (continued)

Rights attached to shares (continued)

(a) Voting rights (continued)

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank**® branch have the same ability to influence the operation of the company.

(b) Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act 2001.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

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

	2014 $	2013 $

Note 15. Accumulated losses

	2014 $	2013 $
Balance at the beginning of the financial year	(123,708)	(149,257)
Net profit from ordinary activities after income tax	85,413	55,294
Dividends paid or provided for	(39,660)	(29,745)
Balance at the end of the financial year	**(77,955)**	**(123,708)**

Note 16. Statement of cash flows

	2014 $	2013 $
Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities		
Profit from ordinary activities after income tax	85,413	55,294
Non cash items:		
- depreciation	15,561	12,319
- amortisation	11,538	10,768
- loss on disposal of non-current asset	5,162	-
- profit on disposal of non-current asset	(160)	-
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(656)	4,409
- (increase)/decrease in other assets	2,467	(11,684)
- increase/(decrease) in payables	11,584	(6,704)
- increase/(decrease) in provisions	(7,081)	5,166
- increase/(decrease) in current tax liabilities	13,708	(12,738)
Net cash flows provided by operating activities	**137,536**	**56,830**

Note 17. Leases

	2014 $	2013 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable - minimum lease payments:		
- not later than 12 months	15,583	14,840
- between 12 months and 5 years	37,485	50,530
- greater than 5 years		
	53,068	**65,370**

The company leases properties in Stanhope and Rushworth. Each property lease is non-cancellable with a five year term, with rent payable monthly in advance. Each lease has an additional five year extension option available.

	2014 $	2013 $

Note 18. Auditor's remuneration

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

- audit and review services (RSD)	-	3,950
- audit and review services (AFS & Associates)	3,850	-
- share registry services (RSD)	-	3,772
- non audit services (RSD)	-	55
- non audit services (AFS & Associates)	1,977	3,793
	5,827	**11,570**

Note 19. Director and related party disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives whose remuneration is required to be disclosed.

Transactions with directors

	2014	2013
Michelle Baker received remuneration during the period under review for Executive Officer services provided. Michelle received total remuneration of	14,040	11,400

There were no other transactions with directors during the period under review.

Key Management Personnel Shareholdings

	2014	2013
Ordinary shares fully paid	29,000	18,100

Detailed shareholding disclosures are provided in the remuneration report, included as part of the directors' report.

	2014 $	2013 $

Note 20. Dividends paid or provided

a. Dividends paid during the year

Current year dividend		
100% (2013: Nil%) franked dividend - 8 cents (2013: 6 cents) per share	**39,660**	**29,745**

	2014 $	2013 $
Note 20. Dividends paid or provided (continued)		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	35,272	33,963
- franking credits that will arise from payment of income tax payable as at the end of the financial year	6,857	(6,851)
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-
Franking credits available for future financial reporting periods:	**42,129**	**27,112**
- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
Net franking credits available	**42,129**	**27,112**

Note 21. Earnings per share

		2014 $	2013 $
(a)	Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	85,413	55,294
		Number	**Number**
(b)	Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	495,750	495,750

Note 22. Events occurring after the reporting date

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

Note 23. Contingent liabilities and contingent assets

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

Note 24. Segment reporting

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

Notes to the financial statements (continued)

Note 25. Registered office/Principal place of business

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

Registered Office	**Principal Place of Business**
23 High Street Rushworth VIC 3612	23 High Street Rushworth VIC 3612

Note 26. Financial instruments

Financial Instrument Composition and Maturity Analysis

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

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 %	2013 %
Financial assets												
Cash and cash equivalents	334,344	267,452	-	-	-	-	-	-	-	-	2.82	3.04
Receivables	-	-	-	-	-	-	-	-	49,932	49,766	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	15,000	21,382	N/A	N/A

Net Fair Values

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

Credit Risk

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

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

Interest Rate Risk

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

Note 26. Financial instruments (continued)

Sensitivity Analysis

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

As at 30 June 2014, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2014 $	2013 $
Change in profit		
Increase in interest rate by 1%	3,343	2,675
Decrease in interest rate by 1%	3,343	2,675
Change in equity		
Increase in interest rate by 1%	3,343	2,675
Decrease in interest rate by 1%	3,343	2,675

Directors' declaration

In accordance with a resolution of the directors of Rushworth & District Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

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

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

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

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

Jeffery Perry,
Chairman

Signed on the 15th of September 2014.

Independent audit report

AFS
Partners in success
Chartered Accountants

Independent auditor's 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 balance sheet as at 30 June 2014, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

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

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

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Independence

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

Auditor's opinion on the financial report

In our opinion:

1. The financial report of Rushworth & District Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2014 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Rushworth & District Financial Services Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

David Hutchings
Lead Auditor

Dated: 15 September 2014

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