

# Creswick & District Financial Services Limited

ABN 14 119 315 258



## 2010 annualreport

Creswick & District  
**Community Bank<sup>®</sup>** Branch  **Bendigo Bank**

# Contents

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**Chairman’s report .....2**

**Manager’s report .....3 – 4**

**Directors’ report .....5 – 7**

**Financial statements .....8 – 11**

**Notes to the financial statements .....12 – 20**

**Financial instruments .....21 – 23**

**Directors’ declaration .....24**

**Independence declaration .....25**

**Independent audit report .....26 – 27**

# Chairman's report

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## For year ending 30 June 2010

On behalf of the Board once again it is a pleasant duty to bring you this Annual Report.

In another successful year our business has grown from \$65 million to \$75 million which achieved our budget for the year. The profit has grown to \$158,933 before tax leaving us with net profit (after tax) of \$108,000, a very good result for our **Community Bank** ® Branch.

To our Branch Manager. Les Vercoe, and our wonderful staff, including our newest staff member Ainslee Lowe, a very big thank you and congratulations on a great year. I believe our branch to be very professional in the way they carry out their duties and the excellent service they give to our customers continues to grow.

A big thank you to our shareholders and customers in our community who have shown wonderful support for our branch. These are the people who will make possible bigger grants to the community in the future – the whole reason for us being in existence.

The Clunes Agency has had a very successful twelve months with the ATM increasing our business in this area.

We will soon be welcoming Bunninyong, Ballan, Trentham and Daylesford **Community Bank** ® Branches to our network of **Community Bank** ® Branches. This will help the **Community Bank** ® brand to keep its momentum and continue to grow stronger.

The Bendigo Bank Market Development Fund has made it possible for us to commit over \$82,000 to the community. This figure includes \$50,000 to Doug Lindsay Reserve and \$2,000 to the Magic Pudding Playground which will be settled in the coming year.

Earlier in the year we were involved in the “Ban the Bulb” campaign. This campaign brought community groups together to raise funds for the Doug Lindsay Reserve. A big thank you to our staff for ensuring that this was a successful campaign.

During the year the Board has had two resignations, Graham Stephens and Sussan Conway (nee Smith). Both were very highly regarded and did great work in establishing the Creswick **Community Bank** ® Branch and we thank them for their achievements. I know it was a satisfying experience for both of them and we thank them very much. We also experienced the sad loss of Neville Giles. Neville was very passionate about the Creswick **Community Bank** ® Branch and enjoyed his experiences on the Board. His work for the Board and the community will be sadly missed.

To the Board goes my thanks for their wonderful commitment to the community and the work they have done to make this year another successful one. The Board has set a very challenging budget for the coming year and I'm sure this will motivate us all to achieve good results for the community.

I would also like to acknowledge the Bendigo and Adelaide Bank especially Ballarat Regional Office, Simon Cornwell and his staff for their support over the year.

Once again I challenge you all to continue to promote our branch for all banking, insurance and Telco products which will help our branch become bigger and better so that we can do more for our community.



Graeme Mitchell  
Chairman

# Manager's report

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## For year ending 30 June 2010

Our third year saw our total balances grow by almost \$11 million to \$75.8 million by June 30, 2010 falling just short of our target of \$77 million. A pleasing result considering we are in still experiencing some degree of economic uncertainty throughout the world. As at June 30 our account numbers stood at 3523 and number of products per customer stands at 2.027.

Importantly our margin returns increased throughout the year and together with fee income and trailer commissions the end result is an increased profit result which I am sure will not only enable a return to shareholders in the form of a dividend but also allow us to meet our commitment of \$50,000 to the Doug Lindsay Reserve project.

This is our first major contribution back to the local community and brings our total return in the form of grants, sponsorships and donations back to the Creswick and District Community to \$78,000. This is evidence that your **Community Bank**® Branch is achieving the role we all wanted to achieve, returning capital back into our community and in particular not for profit community groups.

Provided we maintain our balances this profit will be ongoing, assisting the district community to remain sustainable into the future. Obviously our aim is to continue to grow to ensure these future returns. With this in mind significant steps have been taken by the Board of Directors to assist the Branch to grow. We are in the process of recruiting a Customer Relations Officer (CRM) for the Branch and we will have pleasure in announcing that appointment at our AGM.

The role of the CRM will be to assist the Manager in loan applications and processing, enabling the Manager to get out and about, visiting both customers and potential clients to further drive the business growth. Over the past 12 months the continued business growth (and the increased account maintenance that goes with growth) has virtually made my position office bound. The introduction of the CRM will enable our branch to offer our customers another major point of difference, a Manager who is able to visit their establishments and observe their operations first hand.

Whilst on the topic of Branch Staff, I would like to once again acknowledge the efforts of our truly wonderful staff. Our aim to become the best **Community Bank**® Branch in Australia. By being the best I don't mean the biggest, biggest is not necessarily the best. We want to have a Branch that is not only the envy of all others, we want our shareholders, customers and Board of Directors to feel proud of our achievements in customer service standards. We want everyone to feel welcome and appreciated, like one big happy family. You would be aware that this is not easy to achieve as many have preconceived ideas about Banks to the point where Bank bashing has over time almost become an Olympic sport. Our staff work hard on achieving our customer service goals and ensuring our customers really do experience a point of difference when they visit our Branch. Having said that there will always be customers with grievances. We need to see these grievances as opportunities and ensure the customer experiences an understanding and unexpected result, strengthening their relationship with our Branch.

During the year Kristin Living went on maternity leave and was replaced by new appointee Ainslee Lowe, who is doing the maternity relief. We welcome Ainslee to our team and trust her stay with us is an enjoyable and learning experience. I am confident that on Kristins return Ainslee will remain employed by Bendigo Bank within the Ballarat region if we are not in a position to retain her services at Creswick

Our Customer Relations Officer, Louise Jennings is getting married in October this year and we wish Louise and her fiancée Damien all the very best for the future.

## Manager's report continued

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We also thank the staff for their efforts within the community throughout the year. For example their participation in the Forestry Fiesta parade, assisting at the volunteers party for Clunes Booktown and in particular their efforts in the organisation and bookings for the Ban the Bulb campaign. Whilst it's fair to say the organisation of the Ban the Bulb programme was at times chaotic and out of control, in the end we got the job done resulting in the installation of some 5,800 bulbs and the proceeds of \$11,600 going to the Creswick Lions Club who in return will be presenting these funds to the Doug Lindsay Reserve project, making our overall contribution to the Doug Lindsay Reserve Community Building \$61,600.

The Ban the Bulb project was significant not only for the fact of assisting to reduce carbon emissions but just as importantly we drew on the assistance of volunteers from Creswick Lions Club, Creswick Fire Brigade, Creswick Football and Netball Club, Creswick Brass Band, Creswick Soccer Club and Creswick Cricket Club, all future users of the Doug Lindsay Reserve facilities. We thank these volunteers and also a number of our Board members for their contribution in raising the \$11,600 and appreciate the giving of their time over a number of weekends to install the globes. A genuine community effort.

Our growth target for the year ending June 30, 2011 is \$15 million (\$10 million in lending and \$5 million in deposit growth). These are challenging targets but given the appointment of our new CRM we need to ensure those targets are met. To assist us with our growth we have our extended staff family in Neil Short (Business Banking), Gavin Svanosio (Agribusiness) and Darren Pryor (Financial Planner) and we thank these specialists for their efforts in 2009/10.


Our thanks also go to Ken and Margaret Gibson who keep the Clunes agency ticking along and provide our Clunes customers with the same level of service we strive to achieve at Branch level. Clunes has developed into one of the most active Agencies within the Ballarat Region and has undoubtedly assisted us with our balance growth.

Our ATM at Clunes returned steady figures throughout the year and has justified our decision to install it, keeping in mind that our major reason for installing the ATM was not necessarily to make a profit but more importantly to provide a much needed service our Clunes customers and indeed the Clunes residents in general.

My staff and I are very appreciative of the support and encouragement of our Board of Directors. We thank retired members Graham Stephens and Sussan Conway for their efforts and friendship which will be ongoing despite them leaving the Board. The staff also recognises the passing of Neville Giles. Neville is sadly missed; he was a regular visitor to the Branch and was always interested in how the branch was going and enjoyed chatting with the staff, often reminiscing of his days with Esanda and ANZ.

In August this year the Buninyong **Community Bank**® Branch opened and we wish them all the very best for their future. With Trentham, Daylesford and Ballan **Community Bank**® Branches expected to open within the next 12 months we look forward to the overall growth of the Bendigo Bank and in particular the Community Bank network within our district, which can only enhance our reputation and strength within the industry.

I look forward to continue to serve the Creswick and District community in the capacity of their **Community Bank**® Branch Community Bank Manager which I consider an absolute privilege and am extremely grateful for the opportunity.



Les Vercoe  
Branch Manager

# Directors' report

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

## Directors

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

Graeme Mitchell Chairperson Business Proprietor	Margaret Giles Director Employment Consultant
Neville Giles (deceased 28/06/10) Director Retired	Bernie Charleson Director Farmer
Janine Booth Director Business Proprietor	Bob Orr Director Retired
Brendan Smith Director Hotelier	Sussan Conway (retired 25/05/10) Director Nurse
Graham Stephens (retired 31/01/10) Director Retired Farmer	Marcus Walsh Director Business Proprietor
Quentin Turner Director Retired	Michael Daunt Director Retired

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 banking services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

## Operating Results

Operations have performed in line with expectations. The profit of the Company for the financial year after provision for income tax was \$108,529 ( 2009: \$30,222 ).

## Dividends

No dividends were paid or proposed during the year.

## 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.



# Directors' report continued

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## Significant events after the balance date

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

## Likely Developments

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

## Directors' Benefits

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

## Indemnification and Insurance of Directors and Officers

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

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

## Directors Meetings

Director	Board Meetings #	Audit Committee Meetings #
Graeme Mitchell	11 (12)	2 (2)
Margaret Giles	11 (12)	N/A
Neville Giles (deceased 28/06/10)	6 (11)	N/A
Bernie Charleson	12 (12)	N/A
Janine Booth	9 (12)	N/A
Bob Orr	10 (12)	2 (2)
Brendan Smith	5 (12)	1 (2)
Sussan Conway (retired 25/05/10)	4 (11)	N/A
Graham Stephens (retired 31/01/10)	7 (7)	N/A
Quentin Turner	9 (12)	N/A
Marcus Walsh	7 (12)	1 (2)
Michael Daunt	11 (12)	2 (2)

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

N/A - not a member of that Committee.

# Directors' report continued

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## Company Secretary

Michael Daunt was appointed the Company secretary of Creswick & District Financial Services Limited on 25 August 2009 after Brendan Smith stood down from this position. Michael's qualifications and experience include owning and operating his own Real Estate business for a number of years.

## 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 Bob Orr, Marcus Walsh, Graeme Mitchell, Michael Daunt and Brendan Smith;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

## Auditor Independence Declaration

The directors received the following declaration from the auditor of the Company:

**Richmond Sinnott & Delahunty**  
Chartered Accountants



172-176 Melvor Rd  
PO Box 30  
Bendigo. 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
E-mail: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)

## Auditor's Independence Declaration

In relation to our audit of the financial report of Creswick & District Financial Services Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Warren Sinnott**  
Partner  
Richmond Sinnott & Delahunty  
Bendigo  
23 August 2010

Signed in accordance with a resolution of the Board of Directors at Creswick on 23 August 2010.



# Financial Statements

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## Income Statement For year ending June 2010

	<u>Notes</u>	<b>2010 \$</b>	<b>2009 \$</b>
Revenues from ordinary activities	2	673,367	526,750
Employee benefits expense	3	(266,318)	(245,188)
Charitable donations and sponsorship		(1,310)	(5,186)
Depreciation and amortisation expense	3	(27,138)	(26,938)
Other expenses from ordinary activities		<u>(219,668)</u>	<u>(205,646)</u>
<b>Profit before income tax expense</b>		158,933	43,792
Income tax expense	4	<u>(50,404)</u>	<u>(13,570)</u>
<b>Profit after income tax expense</b>		108,529	30,222
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u><u>108,529</u></u>	<u><u>30,222</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	23	16.04	4.47
- diluted for profit for the year	23	16.04	4.47

# Financial Statements

## Balance Sheet

For year ending June 2010

	<u>Notes</u>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents	6	404,058	283,362
Receivables	7	64,354	56,548
<b>Total Current Assets</b>		<u>468,412</u>	<u>339,910</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	163,927	168,434
Deferred tax assets	4	6,922	43,718
Investments	9	24,125	-
Intangible assets	10	31,945	53,945
<b>Total Non-Current Assets</b>		<u>226,919</u>	<u>266,097</u>
<b>Total Assets</b>		<u>695,331</u>	<u>606,007</u>
<b>Current Liabilities</b>			
Payables	11	49,465	48,248
Current tax payable	12	13,608	-
Provisions	13	15,837	16,044
<b>Total Current Liabilities</b>		<u>78,910</u>	<u>64,292</u>
<b>Total Liabilities</b>		<u>78,910</u>	<u>64,292</u>
<b>Net Assets</b>		<u>616,421</u>	<u>541,715</u>
<b>Equity</b>			
Share capital	14	618,364	652,187
Accumulated Losses	15	(1,943)	(110,472)
<b>Total Equity</b>		<u>616,421</u>	<u>541,715</u>

# Financial Statements

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## Statement of cash flows For year ending June 2010

	<u>Notes</u>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		714,537	543,701
Cash payments in the course of operations		(551,307)	(491,842)
Interest received		16,045	16,934
<b>Net cash flows from/(used in) operating activities</b>	16b	<u>179,275</u>	<u>68,793</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(631)	(1,377)
Purchase of investments		(24,125)	-
<b>Net cash flows from/(used in) investing activities</b>		<u>(24,756)</u>	<u>(1,377)</u>
<b>Cash Flows From Financing Activities</b>			
Equity raising costs		-	(4,265)
Return of capital		(33,823)	-
<b>Net cash flows from/(used in) financing activities</b>		<u>(33,823)</u>	<u>(4,265)</u>
<b>Net increase / (decrease) in cash held</b>		120,696	63,151
Cash and cash equivalents at start of year		283,362	220,211
<b>Cash and cash equivalents at end of year</b>	16a	<u>404,058</u>	<u>283,362</u>

# Financial Statements

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## Statement of changes in equity For year ending June 2010

	<u>Notes</u>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
<b>SHARE CAPITAL</b>			
Balance at start of year		652,187	656,452
Issue of share capital		-	-
Return of capital		(33,823)	-
Share issue costs		<u>-</u>	<u>(4,265)</u>
<b>Balance at end of year</b>		<b><u>618,364</u></b>	<b><u>652,187</u></b>
<b>ACCUMULATED LOSSES</b>			
Balance at start of year		(110,472)	(140,694)
Profit after income tax expense		108,529	30,222
Dividends paid	22	<u>-</u>	<u>-</u>
<b>Balance at end of year</b>		<b><u>(1,943)</u></b>	<b><u>(110,472)</u></b>

# Notes to the Financial Statements

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## 1. Basis of preparation of the Financial Report

### (a) Basis of preparation

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

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

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

The financial statements were authorised for issue by the Directors on 23 August 2010.

### (b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

### (c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

#### Income tax

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

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

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

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

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

# Notes to the Financial Statements

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## 1. Basis of preparation of the Financial Report (continued)

### Property, plant and equipment

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

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

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

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Building improvements	2.5%
Furniture & fittings	30%

### *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.

### Recoverable amount of assets

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

### Investments

Listed shares are valued at cost.



# Notes to financial statements continued

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## 1. Basis of preparation of the Financial Report (continued)

### 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.

### Employee Benefits

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

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

### Intangibles

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

### Cash

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

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

### Revenue

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

### Receivables and Payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

# Notes to financial statements continued

## 1. Basis of preparation of the Financial Report (continued)

### Loans and Borrowings

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

### Provisions

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

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

### Share Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

## 2. Revenue from ordinary activities

	2010 \$	2009 \$
Operating activities		
- services commissions	657,322	509,816
- other revenue	-	-
Total revenue from operating activities	<u>657,322</u>	<u>509,816</u>
Non-operating activities:		
- interest received	16,045	16,934
- other revenue	-	-
Total revenue from non-operating activities	<u>16,045</u>	<u>16,934</u>
Total revenue from ordinary activities	<u>673,367</u>	<u>526,750</u>

## 3. Expenses

Employee benefits expense		
- wages and salaries	230,108	214,426
- superannuation costs	20,928	19,707
- workers' compensation costs	768	541
- other costs	14,514	10,514
	<u>266,318</u>	<u>245,188</u>
Depreciation of non-current assets:		
- building improvements	4,461	4,461
- furniture & fittings	677	477
Amortisation of non-current assets:		
- Intangibles	22,000	22,000
	<u>27,138</u>	<u>26,938</u>
Bad debts	98	-

# Notes to financial statements continued

<b>4. Income Tax Expense</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
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%	47,680	13,138
Add tax effect of:		
- Non-deductible/other deductible expenses	(930)	432
- Under provision of tax in prior years	<u>3,654</u>	<u>-</u>
<i>Current income tax expense</i>	50,404	13,570
Income tax expense	<u><u>50,404</u></u>	<u><u>13,570</u></u>
<b>Deferred tax assets</b>		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.		
	<u><u>6,922</u></u>	<u><u>43,718</u></u>
<b>5. Auditors' Remuneration</b>		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,650
- Preparation and lodgement of income tax return	-	450
- Share registry services	455	1,800
	<u><u>4,355</u></u>	<u><u>5,900</u></u>
<b>6. Cash and Cash Equivalents</b>		
Cash at bank and on hand	<u><u>404,058</u></u>	<u><u>283,362</u></u>
<b>7. Receivables</b>		
Trade debtors	<u><u>64,354</u></u>	<u><u>56,548</u></u>
<b>8. Property, Plant and Equipment</b>		
<i>Building Improvements</i>		
At cost	178,442	178,442
Less accumulated depreciation	<u>(15,874)</u>	<u>(11,413)</u>
	<u><u>162,568</u></u>	<u><u>167,029</u></u>
<i>Furniture &amp; Fittings</i>		
At cost	2,672	2,041
Less accumulated depreciation	<u>(1,313)</u>	<u>(636)</u>
	<u><u>1,359</u></u>	<u><u>1,405</u></u>
Total written down amount	<u><u>163,927</u></u>	<u><u>168,434</u></u>

# Notes to financial statements continued

<b>8. Property, Plant and Equipment (continued)</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in carrying amounts</b>		
<i>Building Improvements</i>		
Carrying amount at beginning of year	167,029	171,490
Additions	-	-
Disposals / (refund of costs)	-	-
Depreciation expense	(4,461)	(4,461)
Carrying amount at end of year	<u>162,568</u>	<u>167,029</u>
<i>Furniture &amp; Fittings</i>		
Carrying amount at beginning of year	1,405	505
Additions	631	1,377
Disposals	-	-
Depreciation expense	(677)	(477)
Carrying amount at end of year	<u>1,359</u>	<u>1,405</u>
<b>9. Investments</b>		
List shares at cost	<u>24,125</u>	<u>-</u>
<b>10. Intangible Assets</b>		
<i>Franchise Fee</i>		
At cost	10,000	10,000
Less accumulated amortisation	(7,096)	(5,096)
	<u>2,904</u>	<u>4,904</u>
<i>Establishment Fee</i>		
At cost	100,000	100,000
Less accumulated amortisation	(70,959)	(50,959)
	<u>29,041</u>	<u>49,041</u>
	<u>31,945</u>	<u>53,945</u>
<b>11. Payables</b>		
Trade creditors	23,567	27,274
Other creditors and accruals	25,898	20,974
	<u>49,465</u>	<u>48,248</u>
<b>12. Current tax liability</b>		
Current tax payable	<u>13,608</u>	<u>-</u>
<b>13. Provisions</b>		
Employee benefits	<u>15,837</u>	<u>16,044</u>

# Notes to financial statements continued

	2010 \$	2009 \$
<b>14. Share Capital</b>		
676,459 Ordinary Shares fully paid of \$1 each	676,459	676,459
Less: Return of capital	(33,823)	-
Less: Equity raising costs	(24,272)	(24,272)
	<u>618,364</u>	<u>652,187</u>
<b>15. Accumulated Losses</b>		
Balance at the beginning of the financial year	(110,472)	(140,694)
Profit after income tax	108,529	30,222
Balance at the end of the financial year	<u>(1,943)</u>	<u>(110,472)</u>
<b>16. Statement of Cash Flows</b>		
<b>(a) Cash and cash equivalents</b>		
Cash assets	<u>404,058</u>	<u>283,362</u>
<b>(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities</b>		
Profit after income tax	108,529	30,222
Non cash items		
- Depreciation	5,138	4,938
- Amortisation	22,000	22,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(7,806)	(15,670)
- (Increase) decrease in deferred income tax asset	36,796	13,570
- (Increase) decrease in income tax payable	13,608	-
- Increase (decrease) in payables	1,217	7,552
- Increase (decrease) in provisions	(207)	6,181
Net cashflows from/(used in) operating activities	<u>179,275</u>	<u>68,793</u>

## 17. Director and Related Party Disclosures

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

Graeme Mitchell  
 Margaret Giles  
 Neville Giles (deceased 28/06/10)  
 Bernie Charleson  
 Janine Booth  
 Bob Orr  
 Brendan Smith  
 Sussan Conway (retired 25/05/10)  
 Graham Stephens (retired 31/01/10)  
 Marcus Walsh  
 Quentin Turner  
 Michael Daunt

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

# Notes to financial statements continued

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## 17. Director and Related Party Disclosures (continued)

Directors shareholdings	2010	2009
Graeme Mitchell	10,001	10,001
Margaret Giles	3,001	3,001
Neville Giles (deceased 28/06/10)	2,001	2,001
Bernie Charleson	5,000	5,000
Janine Booth	3,501	3,501
Bob Orr	5,001	5,001
Brendan Smith	6,000	6,000
Sussan Conway (retired 25/05/10)	1,001	1,001
Graham Stephens (retired 31/01/10)	1,501	1,501
Marcus Walsh	501	501
Quentin Turner	500	500
Michael Daunt	5,000	5,000

There was no movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

## 18. Subsequent Events

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

## 19. Contingent Liabilities

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

## 20. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Creswick, Victoria.

## 21. Corporate Information

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

The registered office is:

9 Creswick Road  
Ballarat

The principal place of business is:

1 Raglan Street  
Creswick

## 22. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the Company during the period.



## Notes to financial statements continued

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### 23. Earnings per share

2010  
\$

2009  
\$

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	<u>108,529</u>	<u>30,222</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>676,459</u>	<u>676,459</u>

# Financial Instruments

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## 24. Financial risk management

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

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

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

### (a) Credit Risk

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

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

	<u>Carrying Amount</u>	
	<u>2010</u>	<u>2009</u>
	\$	\$
Cash assets	404,058	283,362
Receivables	64,354	56,548
Investments	24,125	-
	<u>492,537</u>	<u>339,910</u>

The Company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the Company are past due (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

### (b) Liquidity risk

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

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

# Financial Instruments continued

## 24. Financial risk management (continued)

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

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
<b>30 June 2010</b>					
Payables	49,465	(49,465)	(49,465)	-	-
	<u>49,465</u>	<u>(49,465)</u>	<u>(49,465)</u>	<u>-</u>	<u>-</u>
<b>30 June 2009</b>					
Payables	48,248	(48,248)	(48,248)	-	-
	<u>48,248</u>	<u>(48,248)</u>	<u>(48,248)</u>	<u>-</u>	<u>-</u>

### (c) Market risk

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

#### *Interest Rate Risk*

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

#### **Sensitivity analysis**

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

	<b>Carrying Amount</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Fixed rate instruments</b>		
Financial assets	348,254	207,170
Financial liabilities	-	-
	<u>348,254</u>	<u>207,170</u>
<b>Variable rate instruments</b>		
Financial assets	55,804	76,192
Financial liabilities	-	-
	<u>55,804</u>	<u>76,192</u>

#### *Fair value sensitivity analysis for fixed rate instruments*

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

#### *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

# Financial Instruments continued

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## 24. Financial risk management (continued)

### (d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

### (e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of Financial Position.

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

- (i) the Distribution Limit is the greater of:
  - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

# Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Graeme Mitchell, Chairperson

Signed at Creswick on 23 August 2010.

# Independence Declaration

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## **Richmond Sinnott & Delahunty** Chartered Accountants



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

23 August 2010

The Directors  
C/O Company Secretary  
Creswick & District Financial Services Limited  
1 Raglan Street  
CRESWICK VIC 3363

Dear Directors

### **Auditor's Independence Declaration**

In relation to our audit of the financial report of Creswick & District Financial Services Limited for the year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Warren Sinnott**  
Partner  
Richmond Sinnott & Delahunty



# Independent audit report

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## **Richmond Sinnott & Delahunty** Chartered Accountants



### **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF CRESWICK & DISTRICT FINANCIAL SERVICES LIMITED**

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

#### **SCOPE**

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

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

#### **Audit approach**

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

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

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

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

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

## Independent audit report continued

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

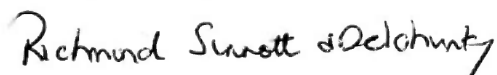
### **INDEPENDENCE**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

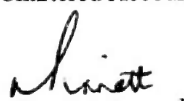
### **AUDIT OPINION**

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

- (a) the Corporations Act 2001 including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants



**W. J. SINNOTT**  
Partner  
Bendigo

Date: 23 August 2010

# Notes

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# 78,000 REASON\$ TO SUPPORT OUR...

## Creswick & District **Community Bank**<sup>®</sup> Branch **Bendigo Bank**

Bald Hills Landcare Group  
Ballarat Agricultural Society  
Clunes Agricultural Society  
Clunes Bowling Club  
Clunes Golf Club  
Clunes Tourist & Development Association  
Creative Clunes Back to Booktown  
Creswick & District Hospital Auxiliary  
Creswick & District Pre School  
Creswick CFA  
Creswick Development Committee  
Creswick District Development Association  
Creswick District News  
Creswick Football Netball Club  
Creswick Forestry Fiesta  
Creswick Light Horse Brigade  
Creswick Men's Indoor Bias Bowls Club  
Creswick Municipal Band  
Creswick Museum  
Creswick North Primary School  
Creswick Primary School  
Creswick U3A  
Doug Lindsay Recreation Reserve\*  
Eureka Veterans Cycling  
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John Curtin Memorial Hostel  
Keays School of Dance  
Kingston Agricultural Society  
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Mt Prospect Junior Tennis Association  
Newlyn Football Netball Club  
Smeaton Bowling Club  
The Roundabout Newsletter



Fern Wallis, Lou Beames, Les Vercoe, Louise Jennings, Ainslee Lowe (Absent: Kristin Living)

Creswick & District **Community Bank**<sup>®</sup> Branch  
1 Raglan Street, Creswick, VIC 3363  
Phone: (03) 5345 1233 Fax: (03) 5345 1250

Franchisee: Creswick & District Financial Services Limited  
c/- 1 Raglan Street, Creswick, VIC 3363  
Phone: (03) 5345 1233 Fax: (03) 5345 1250  
ABN 14 119 315 258

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Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo, VIC 3550  
ABN 11 068 049 178. AFSL 237879.

## ... and **GROWING**

\* Pledged