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Bendigo Bank

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Chairman's report

On behalf of the Board of Directors it gives me great pleasure to bring shareholders our report. During this past financial year our business grew from \$75 million to \$93 million an increase of 24%. Our net profit is \$107,568, a great achievement when taking into consideration our tax free contributions to the Doug Lindsay Recreation Reserve (\$50,000) and the Magic Pudding Playground (\$2,000). This profit also reflects the re-alignment of commission paid by Bendigo and Adelaide Bank Limited which has affected our profit by approximately \$12,000 per year. Continued growth over the coming year will still allow for a profit in the coming 12 months. Considering all matters a great result for our Creswick & District **Community Bank**[®] Branch and this will mean an increase in dividends to our shareholders.

To the Board, Manager Les and his excellent staff my sincere thanks for this great achievement. Thanks also go to our shareholders and customers for their continued support of our bank. In a difficult year for Creswick, with three floods making life a misery for some of our residents and customers, our bank opened an appeal immediately with a donation of \$5,000. This appeal reached \$65,672 and with the help of the Hepburn Shire, The Salvation Army and a local committee this was distributed in January. The Board decided to leave the appeal open and a further \$30,425 will be distributed shortly.


The Creswick & District **Community Bank**[®] Branch has now donated \$140,000 to the Community in its four years of existence.

This year a commitment of \$15,000 to the CFA towards a Forward Support Vehicle which will be available to the 10 brigades in our area is our major sponsorship for the year. Many other non-for-profit clubs and organisations received money for their projects during the year.

Once again the Board have set a very challenging budget for the coming year. I am sure with the commitment of the Board and staff we will be able to achieve this continued growth. During the year we will pass the \$100 million in banking business which will make our 5th Birthday a special occasion.

The Board would like to acknowledge the support of Simon Cornwell and his staff for their efforts on our behalf during the last 12 months and our partnership is working very well.

As always I challenge our shareholders and customers to promote our Branch to family, friends, neighbours for their greater benefit and that of our community.



Graeme Mitchell
Chairman

Manager's report

It is with great pleasure I present the Branch Manager's report for the year ending June 30 2011. This year we continued our growth and in fact succeeded our total balances target of \$90 million by \$3 million to end the year with total footings of \$93 million

This was indeed a wonderful result and is the result of a lot of hard work by my dedicated staff and active board members. I would also like to acknowledge the efforts of our branch specialists, Darren Pryor, Neil Short and Gavin Svanosio for their efforts in helping us to grow our total balances. Of course the key ingredient is our customers for without them our Branch could not exist. With (number) of accounts now held I think it is fair to say the majority of local residents have welcomed our **Community Bank**[®] Branch and realise that their support will result in huge benefits to the district communities.

If one particular project stands out in my mind this year I would have to say our support of the Creswick Group of Fires Brigades. We have pledged a grant of \$15,000 to the group, which will be evenly distributed back to each individual brigade (\$1,500 each), to assist with the purchase of a forward support vehicle. To me this is what a **Community Bank**[®] is all about, giving its profits back to the community, to improve and make the community more sustainable. Just by banking with us benefits the whole community.

2010/11 saw unprecedented flooding in the townships of both Creswick and Clunes. It was with great pride that we witnessed the Creswick & District **Community Bank**[®] through the assistance of the Community Enterprise Foundation, launch the local flood appeal. The appeal was launched with a substantial donation of \$5,000 from the **Community Bank**[®] Branch. When the proceeds of the appeal were finally distributed to flood effected residents in January 2011 a total of \$65,672 had been raised. I also thank the flood appeal committee who spent a great deal of time and effort in coming up with a fair and reasonable method of distribution. Thanks also to the Salvation Army who distributed the cheques on our behalf. Of course the second and third floods in January and February again took the town by surprise. The appeal was left open and a further \$30,425 is now in the process of being distributed at the time of writing this report. A super effort by a group of local and Ballarat ladies who wish to remain anonymous saw a total of \$24,000 raised for the appeal. It should also be remembered that when the February appeal was launched the States of Queensland and Victoria had been seriously affected by floods and many major Flood appeals had been launched.

Staffing wise this year was again a busy time in general with Kristin bringing Riley into the world and then returning from maternity leave in May. Unfortunately this saw the end of Ainslee Lowe's contract as she was employed to replace Kristin during her maternity leave. Ainslee was a real bonus for our Branch and it was sad to have to let her go. I am hopeful that sometime in the near future Ainslee will regain her employment with Bendigo Bank within the Ballarat district.

Louise Jennings was married in October and in June/July this year she completed a five week trip to Europe.

We appointed Lisa White as our Customer Relations Officer in September and Lisa's presence at the Branch took a lot of pressure off myself and Louise with regard to consumer lending. This appointment has been justified with our lending results continuing to grow.

Manager's report continued

Again a big thank you to our staff for the efforts over the past 12 months. We pride ourselves in providing exceptional customer service and I would like to think we do it better than anyone else in the organisation.

Thanks also must go to Ken and Marg Gibson who operate our Clunes Agency with great efficiency. They are most popular with our Clunes customers and I know they also provide exceptional customer service, whilst ensuring the agency continues to grow. I believe that there is huge potential to grow the agency business and one of our objectives this year is to make sure this happens with a more concentrated effort in business writing in Clunes and surrounds.

Our growth target for 2011/12 is \$15 million, \$8 million in lending and \$7 million in Deposits. If we achieve these growth targets then we will accede total footings of \$100 million. I am sure that this figure was not within our wildest dreams when the Branch was first opened but here we are on the brink of this great achievement within 5 years of opening. As previously mentioned this is a real indication that the local residents truly believe in what a **Community Bank**[®] can do for their districts and accept that their continued and growing support will ensure that these benefits continue to flow back to the Community.

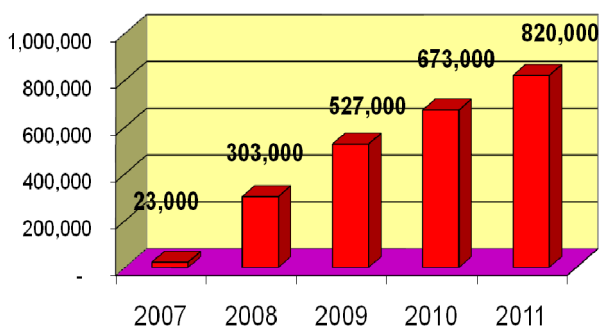
I thank the Board members and the Community in general for their ongoing support in allowing me to serve the Creswick & District Community through this wonderful organisation



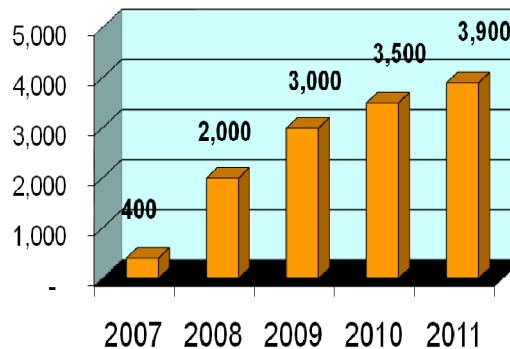
Les Vercoe
Branch Manager

Performance at a glance

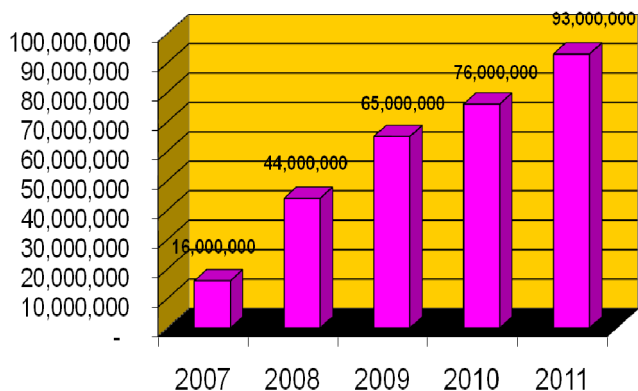
Gross Revenue (\$)



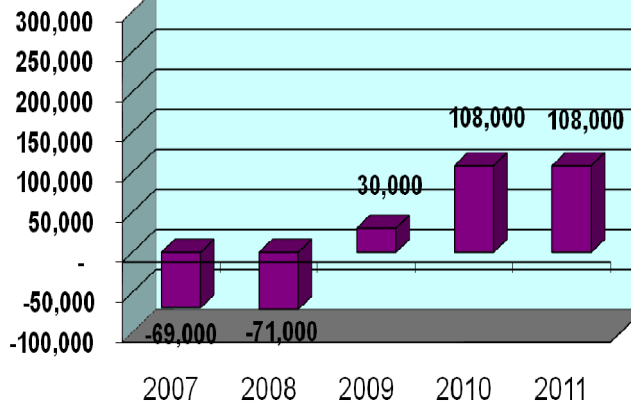
Number of Accounts



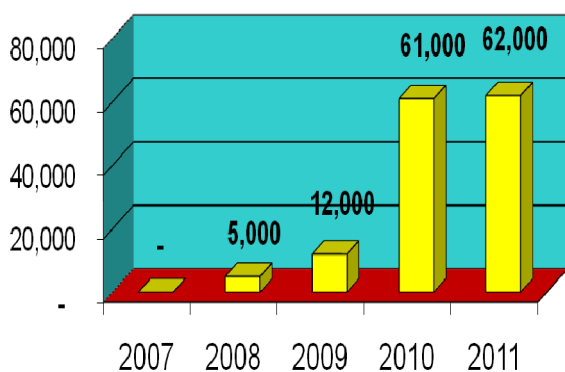
Portfolio Balances (\$m)



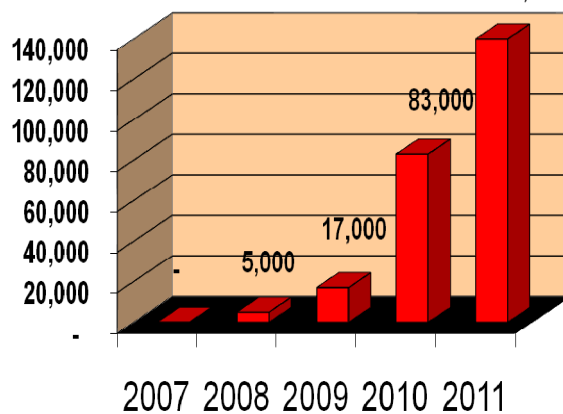
Profit After Tax (\$)



Contributions to the Community (\$)



Contributions to the Community (\$)



Directors' report

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

Directors

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

Graeme Mitchell Chairperson Business Proprietor	Margaret Giles Director Employment Consultant
Michael Daunt Director Retired	Bernie Charleson Director Farmer
Janine Booth Director Business Proprietor	Bob Orr Director Retired
Brendan Smith Director Hotelier	Marcus Walsh Director Business Proprietor
Quentin Turner Director Retired	Alan Gay (appointed 24 August 2010) Director Business Proprietor
Michael Beaumont (appointed 24 August 2010) Director Business Proprietor	

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.

Review of Operations

Operations have performed in line with expectations. The profit of the Company for the financial year after provision for income tax was \$107,568 (2010: \$108,529).

Dividends

A 5 cent per share dividend franked to 90% was issued to shareholders 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

Significant events after the balance date

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

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

Likely Developments

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

Remuneration Report

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	10 (12)	4 (5)
Margaret Giles	10 (12)	N/A
Bernie Charleson	11 (12)	N/A
Janine Booth	9 (12)	N/A
Bob Orr	9 (12)	4 (5)
Brendan Smith	6 (12)	2 (5)
Quentin Turner	12 (12)	N/A
Marcus Walsh	6 (12)	3 (5)
Michael Daunt	11 (12)	5 (5)
Alan Gay (appointed 24 August 2010)	5 (12)	N/A
Michael Beaumont (appointed 24 August 2010)	12 (12)	N/A

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

Company Secretary

Michael Daunt was appointed the Company secretary of Creswick & District Financial Services Limited on 25 August 2009. 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

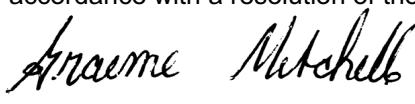
Level 2, 10-16 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

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 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Warren Sinnott
Partner
Richmond Sinnott & Delahunty
Bendigo
25 August 2011**

Signed in accordance with a resolution of the Board of Directors at Creswick on 25 August 2011.



Graeme Mitchell, Chairperson

Financial Statements

Income Statement

For year ending June 2011

	<u>Notes</u>	2011 \$	2010 \$
Revenues from continuing operations	2	820,064	673,367
Employee benefits expense	3	(325,770)	(266,318)
Charitable donations and sponsorship		(57,200)	(1,310)
Depreciation and amortisation expense	3	(32,626)	(27,138)
Other expenses		<u>(252,660)</u>	<u>(219,668)</u>
Profit before income tax expense		151,808	158,933
Income tax expense	4	<u>(44,240)</u>	<u>(50,404)</u>
Profit after income tax expense		107,568	108,529
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>107,568</u></u>	<u><u>108,529</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	24	15.90	16.04
- diluted for profit for the year	24	15.90	16.04

Financial Statements

Balance Sheet

For year ending June 2011

	<u>Notes</u>	2011 \$	2010 \$
Current Assets			
Cash and cash equivalents	6	471,619	404,058
Receivables	7	<u>77,852</u>	<u>64,354</u>
Total Current Assets		<u>549,471</u>	<u>468,412</u>
Non-Current Assets			
Property, plant and equipment	8	178,153	163,927
Deferred tax assets	4	8,782	6,922
Investments	9	40,659	24,125
Intangible assets	10	<u>9,945</u>	<u>31,945</u>
Total Non-Current Assets		<u>237,539</u>	<u>226,919</u>
Total Assets		<u>787,010</u>	<u>695,331</u>
Current Liabilities			
Payables	11	46,969	49,465
Current tax payable	12	10,338	13,608
Provisions	13	20,292	15,837
Loans and borrowings	14	<u>5,772</u>	<u>-</u>
Total Current Liabilities		<u>83,371</u>	<u>78,910</u>
Non Current Liabilities			
Loans and borrowings	14	<u>13,473</u>	<u>-</u>
Total Non Current Liabilities		<u>13,473</u>	<u>-</u>
Total Liabilities		<u>96,844</u>	<u>78,910</u>
Net Assets		<u>690,166</u>	<u>616,421</u>
Equity			
Share capital	15	618,364	618,364
Retained earnings / (accumulated losses)	16	<u>71,802</u>	<u>(1,943)</u>
Total Equity		<u>690,166</u>	<u>616,421</u>

Financial Statements

Statement of cash flows For year ending June 2011

	<u>Notes</u>	2011 \$	2010 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		861,061	714,537
Cash payments in the course of operations		(711,905)	(551,307)
Interest received		23,739	16,045
Income tax paid		(49,370)	-
Net cash flows from/(used in) operating activities	17b	<u>123,525</u>	<u>179,275</u>
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(24,852)	(631)
Purchase of investments		(16,534)	(24,125)
Net cash flows from/(used in) investing activities		<u>(41,386)</u>	<u>(24,756)</u>
Cash Flows From Financing Activities			
Proceeds from borrowings		19,245	
Return of capital		-	(33,823)
Dividends paid		(33,823)	-
Net cash flows from/(used in) financing activities		<u>(14,578)</u>	<u>(33,823)</u>
Net increase / (decrease) in cash held		67,561	120,696
Cash and cash equivalents at start of year		404,058	283,362
Cash and cash equivalents at end of year	17a	<u><u>471,619</u></u>	<u><u>404,058</u></u>

Financial Statements

Statement of changes in equity For year ending June 2011

	<u>Notes</u>	2011 \$	2010 \$
SHARE CAPITAL			
Balance at start of year		618,364	652,187
Issue of share capital		-	-
Return of capital		-	(33,823)
Share issue costs		<u>-</u>	<u>-</u>
Balance at end of year		<u>618,364</u>	<u>618,364</u>
RETAINED EARNINGS / (ACCUMULATED LOSSES)			
Balance at start of year		(1,943)	(110,472)
Profit after income tax expense		107,568	108,529
Dividends paid	23	<u>(33,823)</u>	<u>-</u>
Balance at end of year		<u>71,802</u>	<u>(1,943)</u>

Notes to the Financial Statements

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 2011 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 25 August 2011.

(b) Statement of compliance

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

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

Income tax

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

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

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

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

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

Notes to financial statements continued

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.

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.

Notes to financial statements continued

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.

Comparative Figures

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

2. Revenue from continuing operations

	2011	2010
	\$	\$
Operating activities		
- services commissions	796,325	657,322
- other revenue	-	-
	<u>796,325</u>	<u>657,322</u>
Non-operating activities:		
- interest received	23,739	16,045
- other revenue	-	-
	<u>23,739</u>	<u>16,045</u>
	<u>820,064</u>	<u>673,367</u>

3. Expenses

Employee benefits expense		
- wages and salaries	279,692	230,108
- superannuation costs	25,505	20,928
- workers' compensation costs	947	768
- other costs	19,626	14,514
	<u>325,770</u>	<u>266,318</u>
Depreciation of non-current assets:		
- building improvements	4,461	4,461
- furniture & fittings	809	677
- motor vehicles	5,356	-
Amortisation of non-current assets:		
- Intangibles	22,000	22,000
	<u>32,626</u>	<u>27,138</u>
Bad debts	70	98

Notes to financial statements continued

4. Income Tax Expense	2011	2010
	\$	\$
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%	45,542	47,680
Add tax effect of:		
- Non-deductible/other deductible expenses	(1,302)	(930)
- Under provision of tax in prior years	-	3,654
	<u>44,240</u>	<u>50,404</u>
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.		
	<u>8,782</u>	<u>6,922</u>
5. Auditors' Remuneration		
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,900
- Share registry services	1,600	455
	<u>5,500</u>	<u>4,355</u>
6. Cash and Cash Equivalents		
Cash at bank and on hand	<u>471,619</u>	<u>404,058</u>
7. Receivables		
Trade debtors	<u>77,852</u>	<u>64,354</u>
8. Property, Plant and Equipment		
<i>Building Improvements</i>		
At cost	178,442	178,442
Less accumulated depreciation	<u>(20,335)</u>	<u>(15,874)</u>
	<u>158,107</u>	<u>162,568</u>
<i>Furniture & Fittings</i>		
At cost	3,241	2,672
Less accumulated depreciation	<u>(2,122)</u>	<u>(1,313)</u>
	<u>1,119</u>	<u>1,359</u>
<i>Motor Vehicles</i>		
At Cost	24,283	-
Less accumulated depreciation	<u>(5,356)</u>	<u>-</u>
	<u>18,927</u>	<u>-</u>
Total written down amount	<u>178,153</u>	<u>163,927</u>

Notes to financial statements continued

8. Property, Plant and Equipment (continued)	2011	2010
	\$	\$
Movements in carrying amounts		
<i>Building Improvements</i>		
Carrying amount at beginning of year	162,568	167,029
Additions	-	-
Disposals	-	-
Depreciation expense	(4,461)	(4,461)
Carrying amount at end of year	<u>158,107</u>	<u>162,568</u>
<i>Furniture & Fittings</i>		
Carrying amount at beginning of year	1,359	1,405
Additions	569	631
Disposals	-	-
Depreciation expense	(809)	(677)
Carrying amount at end of year	<u>1,119</u>	<u>1,359</u>
<i>Motor Vehicles</i>		
Carrying amount at beginning of year	-	-
Additions	24,283	-
Disposals	-	-
Depreciation expense	(5,356)	-
Carrying amount at end of year	<u>18,927</u>	<u>-</u>
9. Investments		
Listed shares at cost	<u>40,659</u>	<u>24,125</u>
10. Intangible Assets		
<i>Franchise Fee</i>		
At cost	10,000	10,000
Less accumulated amortisation	(9,096)	(7,096)
	<u>904</u>	<u>2,904</u>
<i>Establishment Fee</i>		
At cost	100,000	100,000
Less accumulated amortisation	(90,959)	(70,959)
	<u>9,041</u>	<u>29,041</u>
	<u>9,945</u>	<u>31,945</u>
11. Payables		
Trade creditors	27,394	23,567
Other creditors and accruals	19,575	25,898
	<u>46,969</u>	<u>49,465</u>
12. Current tax liability		
Current tax payable	<u>10,338</u>	<u>13,608</u>

Notes to financial statements continued

13. Provisions	2011	2010
	\$	\$
Employee benefits	<u>20,292</u>	<u>15,837</u>
Movement in employee benefits		
Opening balance	15,837	16,044
Additional provisions recognised	8,938	5,250
Amounts utilised during the year	<u>(4,483)</u>	<u>(5,457)</u>
Closing balance	<u>20,292</u>	<u>15,837</u>
14. Loans and Borrowings		
Current Liability		
Chattel mortgage	6,994	-
Unexpired interest	<u>(1,222)</u>	-
	<u>5,772</u>	-
Non Current Liability		
Chattel mortgage	14,572	-
Unexpired interest	<u>(1,099)</u>	-
	<u>13,473</u>	-
15. Share Capital		
676,459 Ordinary Shares fully paid of \$1 each #	642,636	676,459
Less: Return of capital #	-	(33,823)
Less: Equity raising costs	<u>(24,272)</u>	<u>(24,272)</u>
	<u>618,364</u>	<u>618,364</u>
 # A return of capital of 5 cents a share was paid in November 2009.		
16. Retained Earnings / (Accumulated Losses)		
Balance at the beginning of the financial year	(1,943)	(110,472)
Profit after income tax	107,568	108,529
Dividends paid	<u>(33,823)</u>	-
Balance at the end of the financial year	<u>71,802</u>	<u>(1,943)</u>

Notes to financial statements continued

17. Statement of Cash Flows	2011	2010
	\$	\$
(a) Cash and cash equivalents		
Cash assets	<u>471,619</u>	<u>404,058</u>
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	107,568	108,529
Non cash items		
- Depreciation	10,626	5,138
- Amortisation	22,000	22,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(13,498)	(7,806)
- (Increase) decrease in deferred tax assets	(1,860)	36,796
- (Increase) decrease in income tax payable	(3,270)	13,608
- Increase (decrease) in payables	(2,496)	1,217
- Increase (decrease) in provisions	4,455	(207)
Net cashflows from/(used in) operating activities	<u>123,525</u>	<u>179,275</u>

18. Director and Related Party Disclosures

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

Graeme Mitchell
Margaret Giles
Bernie Charleson
Janine Booth
Bob Orr
Brendan Smith
Marcus Walsh
Quentin Turner
Michael Daunt
Alan Gay (appointed 24 August 2010)
Michael Beaumont (appointed 24 August 2010)

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

18. Director and Related Party Disclosures (continued)

Directors shareholdings	2011	2010
Graeme Mitchell	10,001	10,001
Margaret Giles	3,001	3,001
Bernie Charleson	* 7,500	5,000
Janine Booth	3,501	3,501
Bob Orr	5,001	5,001
Brendan Smith	6,000	6,000
Marcus Walsh	501	501
Quentin Turner	500	500
Michael Daunt	5,000	5,000
Alan Gay (appointed 24 August 2010)	* 2,000	-
Michael Beaumont (appointed 24 August 2010)	* 7,500	-

* Purchased additional shares on 23 February 2011.

Other than noted (*) there was no movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

19. Subsequent Events

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

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

20. Contingent Liabilities and Assets

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

21. 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.

22. 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

Notes to financial statements continued

23. Dividends paid or provided for on ordinary shares	2011	2010
	\$	\$
(a) Dividends paid during the year		
- Dividends of 5 cents per share {franked to 90%} (2010: Nil)	<u>33,823</u>	<u>-</u>
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	36,323	-
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	10,338	13,608
	<u>46,661</u>	<u>13,608</u>

The tax rate at which dividends have been franked is 30% (2010: 30%).

24. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	<u>107,568</u>	<u>108,529</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>676,459</u>	<u>676,459</u>

Financial Instruments

25. 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>2011</u>	<u>2010</u>
	\$	\$
Cash assets	471,619	404,058
Receivables	77,852	64,354
Investments	40,659	24,125
	<u>590,130</u>	<u>492,537</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 (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

(b) Liquidity risk

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

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

Financial Instruments continued

25. 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
	\$	\$	\$	\$	\$
30 June 2011					
Loans and borrowings	19,245	(21,566)	(6,994)	(14,572)	-
Payables	46,969	(46,969)	(46,969)	-	-
	<u>66,214</u>	<u>(68,535)</u>	<u>(53,963)</u>	<u>(14,572)</u>	<u>-</u>
30 June 2010					
Payables	49,465	(49,465)	(49,465)	-	-
	<u>49,465</u>	<u>(49,465)</u>	<u>(49,465)</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:

	Carrying Amount	
	2011	2010
	\$	\$
Fixed rate instruments		
Financial assets	333,311	332,140
Financial liabilities	-	-
	<u>333,311</u>	<u>332,140</u>
Variable rate instruments		
Financial assets	138,308	71,918
Financial liabilities	-	-
	<u>138,308</u>	<u>71,918</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 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

Financial Instruments continued

25. 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 2011 can be seen in the Statement of Comprehensive Income.

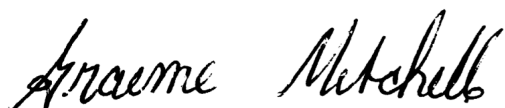
There were no changes in the Company's approach to capital management during the year.

Directors' Declaration

In accordance with a resolution of the directors of 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 2011 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Graeme Mitchell, Chairperson

Signed at Creswick on 25 August 2011.

Independence Declaration



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

25 August 2011

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 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Creswick & District Financial Services Limited, for the year ended 30 June 2011.

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

Audit approach

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

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

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

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

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

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

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Independent audit report continued

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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty
RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 25 August 2011

Notes

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