# Creswick & District Financial Services Limited

ABN 14 119 315 258

Creswick Hosts State Conference

# 2012 annualreport

Creswick & District
**Community Bank®** Branch
Bendigo Bank

# Contents

# Chairman's report

**For the year ended 30 June 2012**

One of the pleasures of being Chairman is to give shareholders another report on a very busy and successful year. The 2011/2012 year was a period of greater growth than the previous year with a $23 million increase in business against a $15 million budget. A great result for the Creswick & District **Community Bank®** Branch Board, staff and loyal shareholders – whose ongoing effort never ceases to amaze me.

This year we won the right to host the annual Bendigo and Adelaide Bank **Community Bank®** State conference. Over 400 delegates attended the two day event providing a great public relations opportunity for Creswick business and tourism groups to promote our district's products to people from all over the State.

I am pleased to report that during the year we negotiated and purchased the Freehold of our branch premises. This resulted in an immediate positive benefit on our costs and will be a great asset for the future.

We increased our dividend paid to shareholders on 1 December 2011 from 5 cents to 8.5 cents per share fully franked.

Our Board have re-signed a new Franchise Agreement with Bendigo and Adelaide Bank for three five year terms which will take us to 2027. A major plus for both parties. This will allow us to plan ahead with confidence knowing that our future is secure for many years.

Our fifth birthday in May was a great day for our customers, with a jumping castle, rock climbing wall and face painting for the children, cake tea and coffee for the adults and the Creswick Band supplying very good music to celebrate five years. How quick time has gone, who would have imagined that in five years we would have put $180,000 back into our district's community based organisations - a proud moment for all.

My thanks go to our Board for their continued efforts to help us to grow even bigger each year, Les Vercoe and staff for their excellence in customer service and continuing to sell our Community Bank story to new customers every year, a service all Creswick and District can be proud of. Our shareholders who made this all happen should be proud of what they achieved for Creswick and District. We thank them for their involvement and on going support. I am sure they will be rewarded when dividends are announced at the Annual General Meeting.

Our customers have been fantastic for their support of our **Community Bank®** branch and this year over $40,000 was returned to the district - all because they bank locally at our Creswick & District **Community Bank®** branch Many thanks to all of our friends, customers, and shareholders. I challenge you to keep telling our wonderful story so that we continue to grow so that we can do more for our community.

In concluding I believe we have had a very successful year and we really look forward to a very exciting future.

Graeme Mitchell

Graeme Mitchell
Chairman.

# Managers Report

**For the year ended 30 June 2012**

Another year has passed and our 5th Birthday has come and gone. Where has the time gone?

Our Branch growth target for the year was $15 million which would have seen us reach $108 million. I am pleased to report that our balances as at June 30 2012 had reached $117 million, a growth of $24 million or $9 million above target. Our account numbers as at June 30 2012 stood at 4,359.

This growth is an outstanding effort and congratulations must go to our Staff, Board and of course our loyal customers. We should never loose sight of the fact that our customers are the most vital ingredient to this **Community Bank ®** concept for without customers we have no **Community Bank ® Branch**. The continual growth of our branch never ceases to amaze me. I am sure as long as we continue to provide outstanding customer service and also support our community organisations the way we have done in the past, we will continue to grow and prosper.

Community contributions this year were in excess of $40,000 and again this is a fantastic result. I have been pleased with the direction of some of our grants this year in particular: $14,000 John Curtin Aged Care Inc for Kitchen upgrade, $5,000 Creswick Youth Alliance (Creswick RSL Lighthorse Troop) and $3,000 Creswick Theatre Company

We have also entered into two new potentially beneficial sponsorship arrangements this year being Mt Prospect Tennis Association and the Ballarat/Sebastopol Cycling Club. With the Cycling Club we sponsored the Fred Icke Classic and in return have gained some substantial banking. A win, win situation for both parties

Other highlights of the year included:

- Our hosting of the State Conference. This was a very successful event and put the township of Creswick in the forefront of all Victorian communities. The dinner at Forest Resort also gave our local traders an opportunity to display their wares and promote their businesses.
- Farmers Breakfast held in September
- Business Women's Luncheon held at Forest Resort in March
- The purchase of our building in September

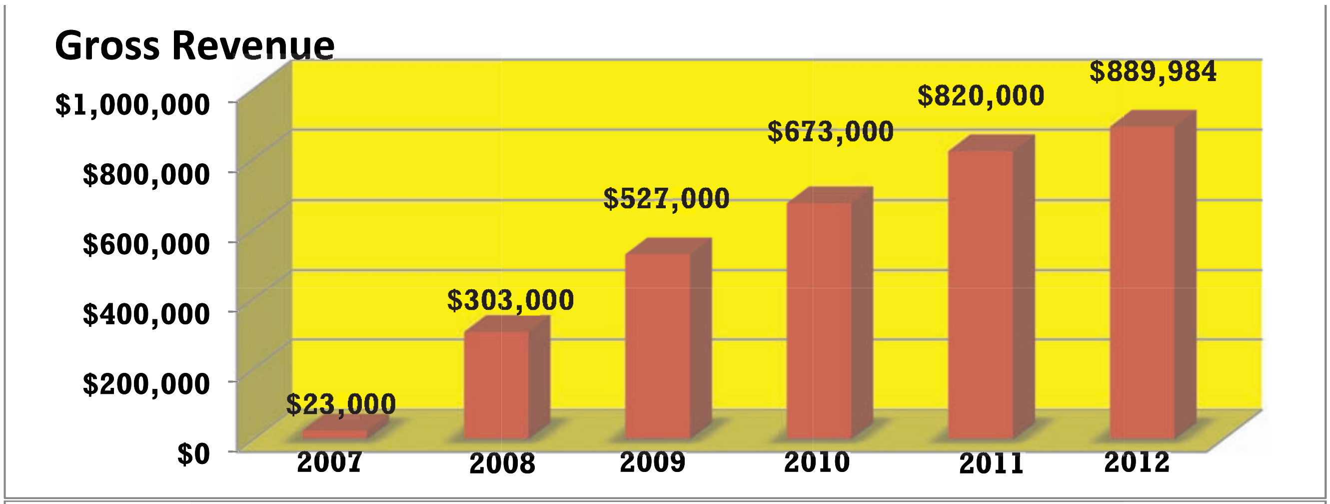
In September Rhonda Lowe joined our staff as the Customer Relationship Manager, replacing Lisa White who transferred back to the Ballarat Branch. Rhonda has proven to be a great acquisition for the branch and has been kept extremely busy writing home loans and some small business loans. Later this year Kristin will be taking maternity leave. Succession planning is one area we need to keep in front of mind and the Human Recourse Committee has been actively planning for the future in recent weeks.

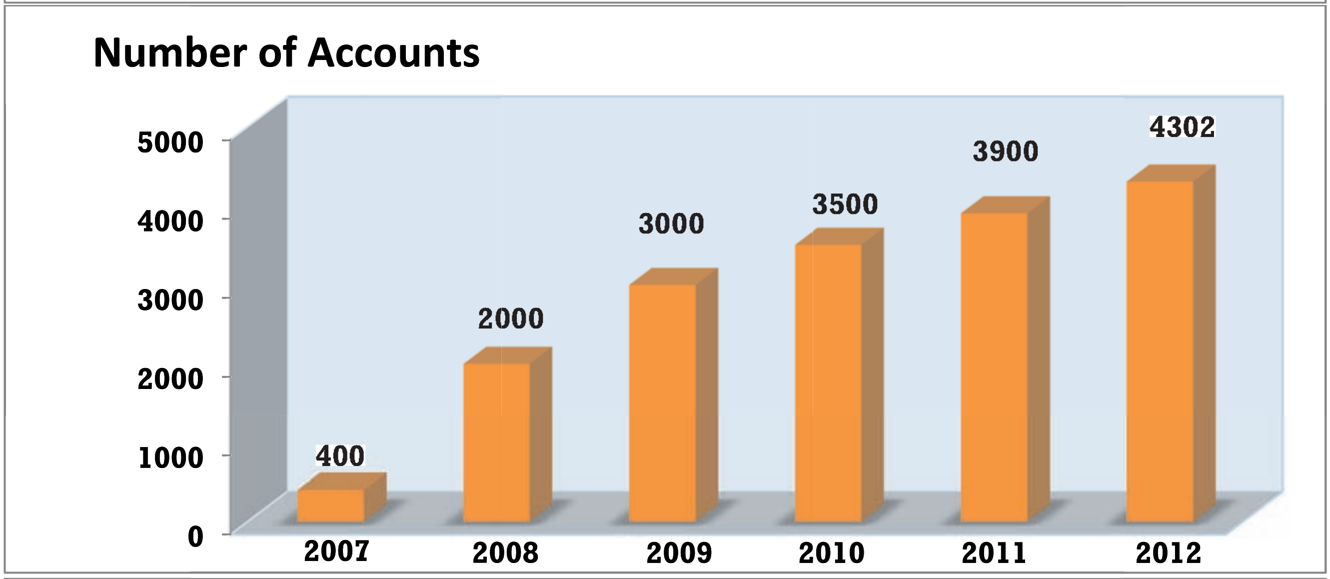
In conclusion I believe 2011/12 has been a very successful year and has resulted from a great team effort not only from our staff and Board members but also our extended team of Neil Short (Business Banker), Gavin Svanosio (Agribusiness) and Darren Pryor (Financial Planning. I also acknowledge the contributions and support throughout the year from our Regional Manager, Simon Cornwell and his State support staff.

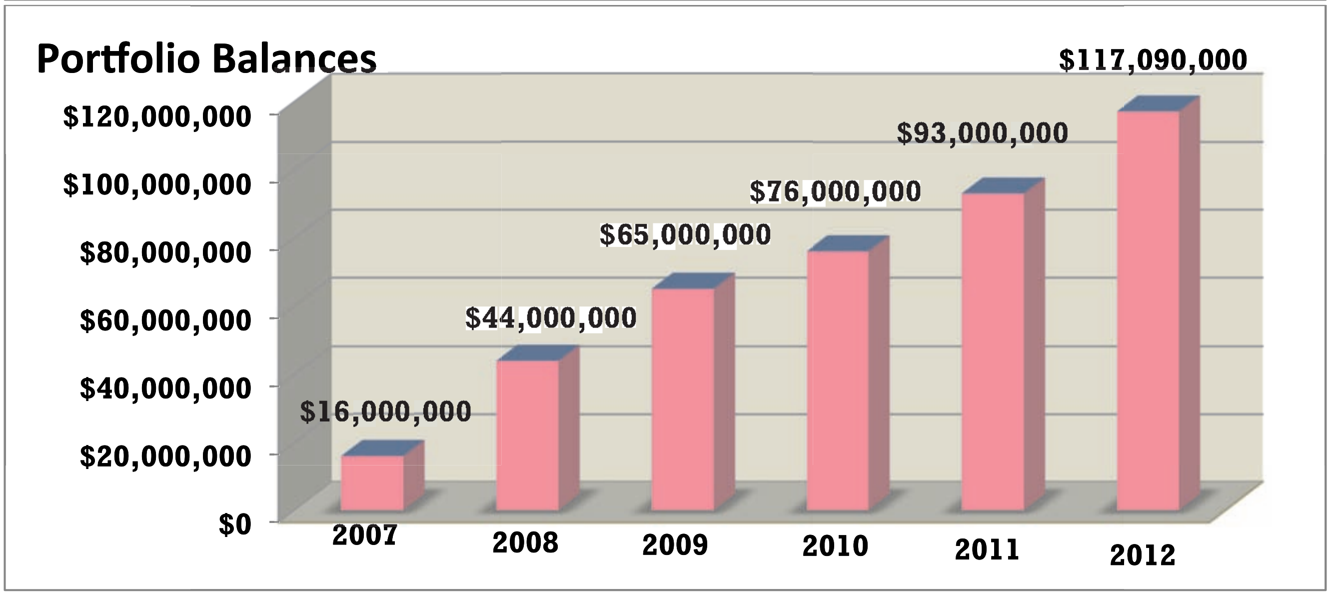
We look forward to the challenge of achieving our growth targets for the coming twelve months

Les Vercoe
Branch Manager

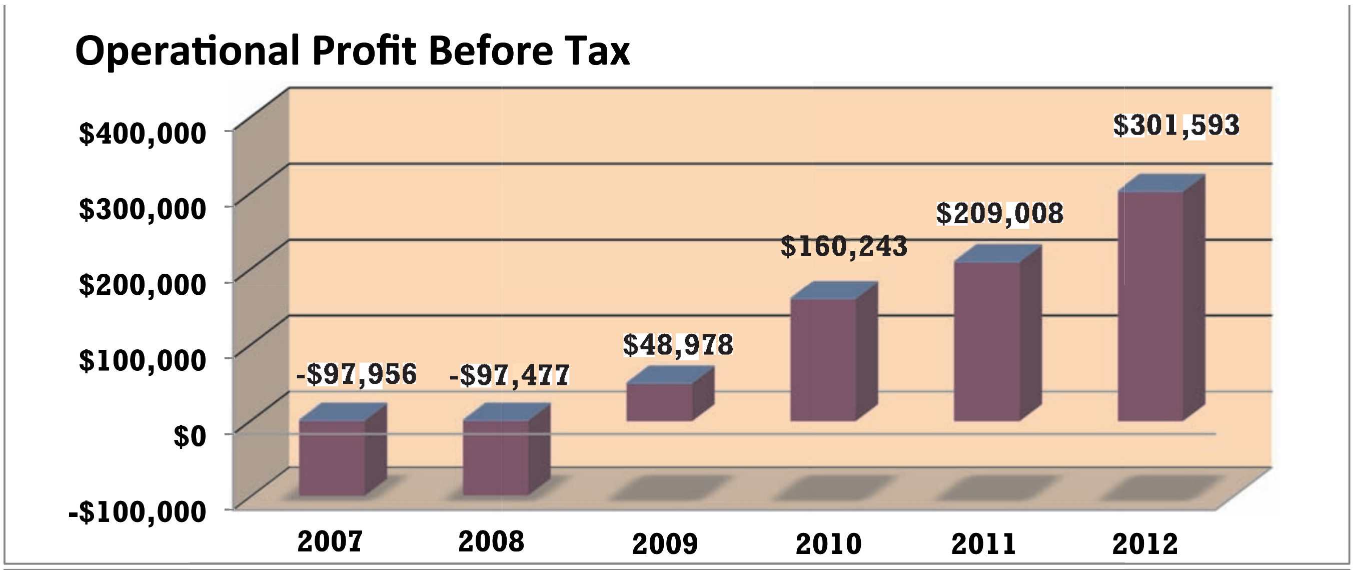
# Performance at a glance

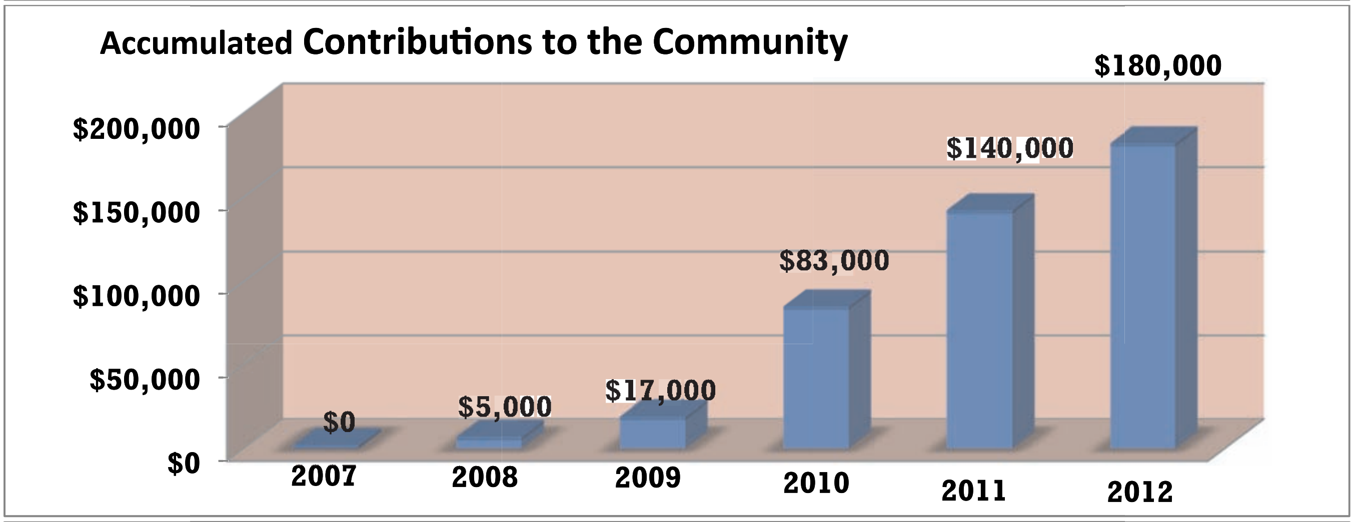


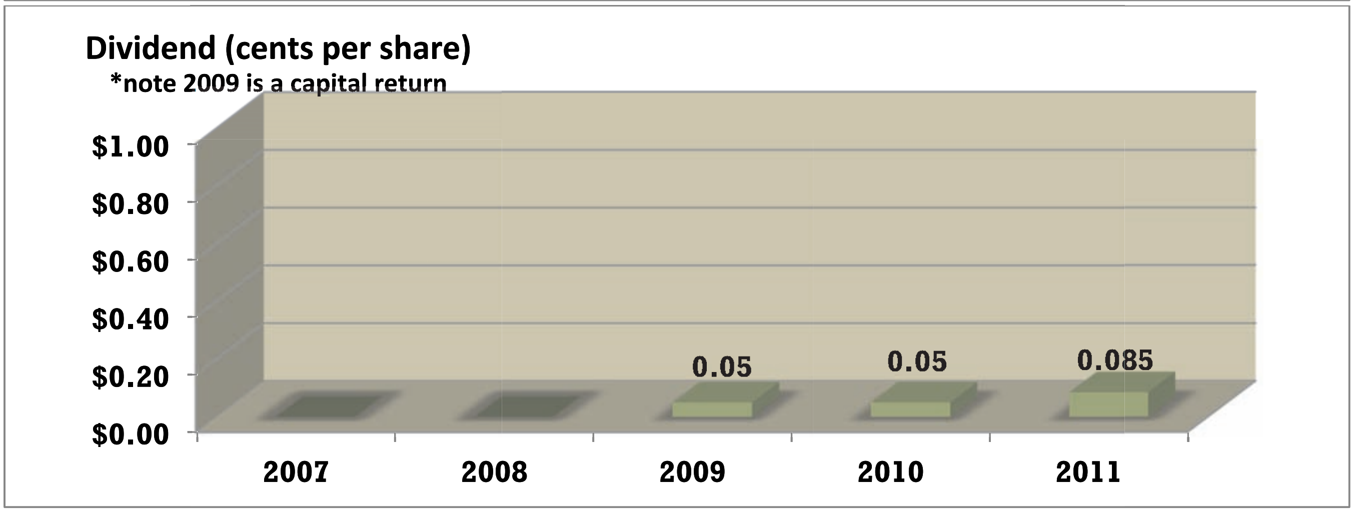



# Performance at a glance



# Connecting with the Community

Graeme Mitchell

Graeme is a local resident of Creswick and has operated his own retail business. He is a community leader and the driving force behind establishing the bank.

Michael Daunt

Michael has a strong background in the Livestock and Real Estate Industry. specialising in Hospitality and Accommodation throughout Victoria for over 30 years.

Robert Orr

A local resident since 1969 and is a former Principal of the Victorian School of Forestry. Bob has extensive executive experience.

Brendan Smith

Brendan has over 30 years within the hospitality industry and is the current owner operator of the American Hotel. He is a past Secretary of CDFSL.

Janine Booth

Janine is the Owner/Manager of the Creswick Post Office. Janine is currently a Creswick Ward Councillor for the Hepburn Shire.

Bernie Charleson

Bernie has been a resident of Kingston all his life. He is currently a member of the Creswick & District Sports club and the Kingston CFA

Margaret Giles

Margaret is a previous owner of the Creswick Newsagency and currently owns and operates Rossmore Cottage. Margaret serves on a number of local committees.

Marcus Walsh

Since moving to Creswick in 2002 Marcus has been involved in many community groups including being President of Business & Tourism Creswick.

Quentin Turner

Quentin is a retired Industrial Relations Commissioner and has been involved in the Creswick CFA for over 50 years.

Alan Gay

Alan is a director of AAG Property Consultants. He is involved in many community organisations including John Curtin Aged Care.

Michael Beaumont

Michael has been involved in the retail and wholesale meat Business for over 35 years.

# Connecting with the Community


Les Vercoe
Branch Manager


Rhonda Lowe
Customer Relationship Manager


Louise Jennings
Customer Relationship Officer


Lou Beames
Customer Services Officer


Kristin Living
Customer Services Officer


Fern Wallis
Customer Services Officer


Narelle Barrett
Executive Assistant
to the Board

# Community Contributions

Community Contributions and Local Projects supported by the shareholders of Creswick & District Financial Services over the 2011/2012 Financial Year.

Creswick Neighborhood House
Friends of Park Lake
Clunes CFA
Creswick North Primary School
John Curtin Hostel
Campbelltown CFA
Creswick CFA
Creswick Fire Brigades Group
Glen Park CFA
Kingston CFA
Koorocheang Werona CFA
Mollongghip CFA
Newlyn Dean CFA
Smeaton CFA
Ullina CFA
Smeaton Bowling Club
Community Project
Creswick Historical Society
Creswick Activities and Outreach Youth Group
Creswick Theatre Company
Creswick Municipal Brass Band
Creswick Lions Club
Creswick Youth Alliance
Business & Tourism Creswick
Clunes Tourist & Development Association
Dean Community News
Creswick Men's Indoor Bias Bowls
Creswick Hospital Auxiliary
Creswick Football Netball Club
Newlyn Football Netball Club
Kingston Agricultural Society
Mount Prospect Tennis Association
Fred Icke Memorial Cycling Classic
Clunes Golf Club
Clunes Preschool
Clunes Football Netball Club

# Directors' report

Your Directors submit their report of the company and its controlled entity for the financial year ended 30 June 2012. The consolidated entity is referred to as "the group".

**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
Retired
Board member since 2005

Margaret Giles
Director
Retired
Board member since 2005

Michael Daunt
Director
Retired
Board member since 2009

Bernie Charleson
Director
Farmer
Board member since 2005

Janine Booth
Director
Business Proprietor
Board member since 2005

Bob Orr
Director
Retired
Board member since 2005

Brendan Smith
Director
Hotelier
Board member since 2005

Marcus Walsh
Director
Business Proprietor
Board member since 2005

Quentin Turner
Director
Retired
Board member since 2009

Alan Gay
Director
Business Proprietor
Board member since 2010

Michael Beaumont
Director
Business Proprietor
Board member since 2010

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**

The consolidated profit of the group for the financial year after provision for income tax was $174,345 (2011: $107,568).

# Directors' report continued...

**Financial position**

The net assets of the group have increased by $103,219 from June 30, 2011 to $793,385 in 2012. The increase is largely due to improved operating performance of the company.

**Dividends**

A 8.5 cent per share (2011: 5 cents per share) dividend 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.

**Events after the reporting period**

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

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

**Environmental issues**
The company is not subject to any significant environmental regulation.

**Proceedings on behalf of company**

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

**Remuneration Report**

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.

**Indemnifying officers or auditor**

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

# Directors' report continued...

**Indemnifying officers or auditor (continued)**

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.

**Directors Meetings**

| Director | Board Meetings # | Audit Committee Meetings # |
|---|---|---|
| Graeme Mitchell | 11 (12) | 5 (5) |
| Margaret Giles | 12 (12) | N/A |
| Bernie Charleson | 11 (12) | N/A |
| Janine Booth | 9 (12) | N/A |
| Bob Orr | 11 (12) | 5 (5) |
| Brendan Smith | 8 (12) | 2 (5) |
| Quentin Turner | 11 (12) | N/A |
| Marcus Walsh | 9 (12) | 1 (5) |
| Michael Daunt | 9 (12) | 5 (5) |
| Alan Gay | 9 (12) | N/A |
| Michael Beaumont | 11 (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.*

**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.

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

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the auditor; and

# Directors' report continued...

**Non audit services (continued)**

- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

**Auditor independence declaration**

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 5 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Creswick on 28 August 2012.

Graeme Mitchell

Graeme Mitchell
Chairperson

# Independence Declaration

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

28 August 2012

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

Dear Directors

To the Directors of Creswick & District Financial Services Limited

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

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

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

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

**Warren Sinnott**
**Partner**
**Richmond Sinnott & Delahunty**

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

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

# Financial Statements

## Income Statement
## For year ending June 2012

| | Notes | Consolidated Entity 2012 $ | Consolidated Entity 2011 $ | Parent Entity 2012 $ | Parent Entity 2011 $ |
|---|---|---|---|---|---|
| Revenue | 2 | 930,235 | 820,064 | 929,986 | 820,064 |
| Employee benefits expense | 3 | (356,112) | (325,770) | (356,112) | (325,770) |
| Depreciation and amortisation expense | 3 | (25,209) | (32,626) | (22,068) | (32,626) |
| Other expenses | | (259,595) | (252,660) | (277,397) | (252,660) |
| **Operating profit before charitable donations & sponsorships** | | 289,319 | 209,008 | 274,409 | 209,008 |
| Charitable donations and sponsorship | | (42,303) | (57,200) | (42,303) | (57,200) |
| **Profit before income tax expense** | | 247,016 | 151,808 | 232,106 | 151,808 |
| Income tax expense | 4 | 72,671 - | 44,240 | 68,198 - | 44,240 |
| **Net Profit for the year** | | 174,345 - | 107,568 | 163,908 - | 107,568 |
| Other comprehensive income | | - | - | - | - |
| **Total comprehensive income for the year** | | 174,345 | 107,568 | 163,908 | 107,568 |
| **Earnings per share (cents per share)** | | | | | |
| - basic for profit for the year | 26 | 25.77 | 15.90 | 24.23 | 15.90 |
| - diluted for profit for the year | 26 | 25.77 | 15.90 | 24.23 | 15.90 |

# Financial Statements

## Balance Sheet
For the year ending June 2012

| | Notes | Consolidated Entity 2012 $ | Consolidated Entity 2011 $ | Parent Entity 2012 $ | Parent Entity 2011 $ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Cash and cash equivalents | 6 | 170,387 | 471,619 | 151,477 | 471,619 |
| Receivables | 7 | 94,932 | 77,852 | 94,932 | 77,852 |
| **Total Current Assets** | | 265,319 | 549,471 | 246,409 | 549,471 |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 8 | 641,630 | 178,153 | 171,285 | 178,153 |
| Deferred tax assets | 4 | 14,208 - | 8,782 | 14,208 - | 8,782 |
| Investments | 9 | 50,238 | 40,659 | 426,751 | 40,659 |
| Intangible assets | 10 | 66,985 | 9,945 | 66,985 | 9,945 |
| Other non-current assets | 11 | 1,658 | - | - | - |
| **Total Non-Current Assets** | | 774,719 | 237,539 | 679,229 | 237,539 |
| **Total Assets** | | 1,040,038 | 787,010 | 925,638 | 787,010 |
| **Liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Payables | 12 | 57,768 | 46,969 | 56,725 | 46,969 |
| Current tax payable | 13 | 42,032 | 10,338 | 37,670 | 10,338 |
| Provisions | 14 | 34,823 | 20,292 | 34,823 | 20,292 |
| Loans and borrowings | 15 | 18,786 | 5,772 | 6,210 | 5,772 |
| **Total Current Liabilities** | | 153,409 | 83,371 | 135,428 | 83,371 |
| **Non Current Liabilities** | | | | | |
| Loans and borrowings | 15 | 93,244 | 13,473 | 7,262 | 13,473 |
| **Total Non Current Liabilities** | | 93,244 | 13,473 | 7,262 | 13,473 |
| **Total Liabilities** | | 246,653 | 96,844 | 142,690 | 96,844 |
| **Net Assets** | | 793,385 | 690,166 | 782,948 | 690,166 |
| **Equity** | | | | | |
| Issued capital | 16 | 618,364 | 618,364 | 618,364 | 618,364 |
| Retained earnings | 17 | 175,021 | 71,802 | 164,584 | 71,802 |
| **Total Equity** | | 793,385 | 690,166 | 782,948 | 690,166 |

# Financial Statements

## Statement of Cash Flow
For the year ending June 2012

| | Notes | Consolidated Entity 2012 $ | Consolidated Entity 2011 $ | Parent Entity 2012 $ | Parent Entity 2011 $ |
|---|---|---|---|---|---|
| **Cash Flows From Operating Activities** | | | | | |
| Cash receipts in the course of operations | | 895,735 | 861,061 | 895,735 | 861,061 |
| Cash payments in the course of operations | | (639,743) | (711,905) | (663,932) | (711,905) |
| Interest paid | | (8,219) | - | (1,223) | - |
| Interest received | | 17,421 | 23,739 | 17,172 | 23,739 |
| Income tax paid | | (46,409) | (49,370) | (46,292) | (49,370) |
| **Net cash flows from operating activities** | 18b | 218,785 | 123,525 | 201,460 | 123,525 |
| **Cash Flows From Investing Activities** | | | | | |
| Payments for property, plant and equipment | | (476,404) | (24,852) | (2,918) | (24,852) |
| Shares in Bendigo Bank | | (9,578) | (16,534) | (9,578) | (16,534) |
| Shares in CCPG | | - | - | (376,513) | - |
| Payments for intangibles | | (69,322) | - | (69,322) | - |
| **Net cash flows (used in) investing activities** | | (555,304) | (41,386) | (458,331) | (41,386) |
| **Cash Flows From Financing Activities** | | | | | |
| Proceeds from borrowings | | 98,558 | 19,245 | - | 19,245 |
| Repayment of finance leases | | (5,772) | - | (5,772) | - |
| Return of capital | | | - | - | - |
| Dividends paid | | (57,499) | (33,823) | (57,499) | (33,823) |
| **Net cash flows from/(used in) financing activities** | | 35,287 | (14,578) | (63,271) | (14,578) |
| **Net increase / (decrease) in cash held** | | (301,232) | 67,561 | (320,142) | 67,561 |
| Cash and cash equivalents at start of year | | 471,619 | 404,058 | 471,619 | 404,058 |
| **Cash and cash equivalents at end of year** | 18a | 170,387 | 471,619 | 151,477 | 471,619 |

# Financial Statements

## Statement of changes in equity
For the year ending June 2012

| | Notes | Consolidated Entity 2012 $ | Consolidated Entity 2011 $ | Parent Entity 2012 $ | Parent Entity 2011 $ |
|---|---|---|---|---|---|
| **ISSUED CAPITAL** | | | | | |
| Balance at start of year | | 618,364 | 618,364 | 618,364 | 618,364 |
| Issue of share capital | | - | - | - | - |
| Return of capital | | - | - | - | - |
| Share issue costs | | - | - | - | - |
| **Balance at end of year** | | 618,364 | 618,364 | 618,364 | 618,364 |
| **RETAINED EARNINGS** | | | | | |
| Balance at start of year | | 71,802 | (1,943) | 71,802 | (1,943) |
| Net Profit for the year | | 174,345 | 107,568 | 163,908 | 107,568 |
| Bring to account LSL provision at 30 June 2011 via retained earnings | 25 | (13,627) | - | (13,627) | - |
| Dividends paid | 23 | (57,499) | (33,823) | (57,499) | (33,823) |
| **Balance at end of year** | | 175,021 | 71,802 | 164,584 | 71,802 |

# Notes to the financial statements

**1. Summary of significant accounting policies**

**(a) Basis of preparation**

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

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

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

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

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

The financial statements were authorised for issue by the Directors on 28 August 2012.

**(b) Income tax**

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

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

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

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

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

# Notes to the financial statements continued

**1. Summary of significant accounting policies (continued)**

**(c) Property, plant and equipment**

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

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

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

| *Class of Asset* | *Depreciation Rate* |
|---|---|
| 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.

**(d) Impairment of assets**

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

# Notes to financial statements continued

**1. Summary of significant accounting policies (continued)**

**(e) Goods and services tax**

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

**(f) Employee benefits**

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

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

**(g) Intangibles**

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

**(h) Cash**

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

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

**(i) Revenue**

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

**(j) Receivables and payables**

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

# Notes to the financial statements continued

**1. Summary of significant accounting policies (continued)**

**(k) New accounting standards for application in future periods**

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

**(l) Loans and borrowings**

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

**(m) Provisions**

Provisions are recognised when the 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.

**(n) Share capital**

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

**(o) Comparative figures**

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

**(p) Critical accounting estimates and judgements**
The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

*Estimation of useful lives of assets*

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

# Notes to the financial statements continued

**1. Summary of significant accounting policies (continued)**

**(p) Critical accounting estimates and judgements (continued)**

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

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

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

Classification and subsequent measurement
Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost.

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.
Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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

(ii) Financial liabilities
Non derivative financial liabilities are subsequently measured at amortised cost.

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

# Notes to the financial statements continued

**1. Summary of significant accounting policies (continued)**

**(r) Principles of consolidation**

The consolidated financial statements incorporate the assets, liabilities, and results of entities controlled by Creswick & District Financial Services Ltd at the end of the reporting period. A controlled entity is an entity over which Creswick & District Financial Services Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. Details of the controlled entity can be found at note12 to the financial statements.

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **2. Revenue** | $ | $ | $ | $ |
| Revenue from continuing activities | | | | |
| - services commissions | 912,814 | 796,325 | 912,814 | 796,325 |
| Other revenue | | | | |
| - interest received | 17,421 | 23,739 | 17,172 | 23,739 |
| | 930,235 | 820,064 | 929,986 | 820,064 |
| **3. Expenses** | | | | |
| Employee benefits expense | | | | |
| - wages and salaries | 294,632 | 279,692 | 294,632 | 279,692 |
| - superannuation costs | 27,474 | 25,505 | 27,474 | 25,505 |
| - workers' compensation costs | 1,171 | 947 | 1,171 | 947 |
| - other costs | 32,835 | 19,626 | 32,835 | 19,626 |
| | 356,112 | 325,770 | 356,112 | 325,770 |
| Depreciation of non-current assets: | | | | |
| - building improvements | 7,602 | 4,461 | 4,461 | 4,461 |
| - furniture & fittings | 592 | 809 | 592 | 809 |
| - motor vehicles | 4,732 | 5,356 | 4,732 | 5,356 |
| Amortisation of non-current assets: | | | | |
| - Intangible assets | 12,283 | 22,000 | 12,283 | 22,000 |
| | 25,209 | 32,626 | 22,068 | 32,626 |
| Bad debts | 492 | 70 | 492 | 70 |

# Notes to the financial statements continued

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **4. Income Tax Expense** | $ | $ | $ | $ |
| The prima facie tax on profit before income tax is reconciled to the income tax expense as follows: | | | | |
| Prima facie tax on profit before income tax at 30% | 74,104 | 45,542 | 69,631 | 45,542 |
| Add tax effect of: | | | | |
| - Non-deductible/other deductible expenses | (1,433) | (1,302) | (1,433) | (1,302) |
| - Under provision of tax in prior years | - | - | - | - |
| Income tax expense | 72,671 | 44,240 | 68,198 | 44,240 |
| **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. | 14,208 | 8,782 | 14,208 | 8,782 |
| **5. Auditors' remuneration** | | | | |
| Remuneration of the auditor for: | | | | |
| - Audit or review of the financial report | 3,900 | 3,900 | 3,900 | 4,100 |
| - Share registry services | 1,183 | 1,600 | 1,183 | 1,600 |
| | 5,083 | 5,500 | 5,083 | 5,700 |
| **6. Cash and cash equivalents** | | | | |
| Cash at bank and on hand | 170,387 | 471,619 | 151,477 | 471,619 |
| **7. Receivables** | | | | |
| Trade debtors | 94,932 | 77,852 | 94,932 | 77,852 |
| **8. Property, plant and equipment** | | | | |
| *Land at cost* | 150,000 | - | - | - |
| *Buildings* | | | | |
| At cost | 323,486 | - | - | - |
| Less accumulated depreciation | (3,141) | - | - | - |
| | 320,345 | - | - | - |
| *Building Improvements* | | | | |
| At cost | 178,442 | 178,442 | 178,442 | 178,442 |
| Less accumulated depreciation | (24,796) | (20,335) | (24,796) | (20,335) |
| | 153,646 | 158,107 | 153,646 | 158,107 |
| *Furniture & Fittings* | | | | |
| At cost | 5,904 | 3,241 | 5,904 | 3,241 |
| Less accumulated depreciation | (2,461) | (2,122) | (2,461) | (2,122) |
| | 3,443 | 1,119 | 3,443 | 1,119 |
| *Motor Vehicles* | | | | |
| At Cost | 24,283 | 24,283 | 24,283 | 24,283 |
| Less accumulated depreciation | (10,087) | (5,356) | (10,087) | (5,356) |
| | 14,196 | 18,927 | 14,196 | 18,927 |
| Total written down amount | 641,630 | 178,153 | 171,285 | 178,153 |

# Notes to the financial statements continued

| 8. Property, plant and equipment (continued) | Consolidated Entity 2012 $ | Consolidated Entity 2011 $ | Parent Entity 2012 $ | Parent Entity 2011 $ |
|---|---|---|---|---|
| **Movements in carrying amounts** | | | | |
| *Land* | | | | |
| Carrying amount at beginning of year | - | - | - | - |
| Additions | 150,000 | - | - | - |
| Disposals | - | - | - | - |
| Carrying amount at end of year | 150,000 | - | - | - |
| *Buildings* | | | | |
| Carrying amount at beginning of year | - | - | - | - |
| Additions | 323,486 | - | - | - |
| Disposal | - | - | - | - |
| Depreciation expense | (3,141) | - | - | - |
| Carrying amount at end of year | 320,345 | - | - | - |
| *Building Improvements* | | | | |
| Carrying amount at beginning of year | 158,107 | 162,568 | 158,107 | 162,568 |
| Additions | - | - | - | - |
| Disposal | - | - | - | - |
| Depreciation expense | (4,461) | (4,461) | (4,461) | (4,461) |
| Carrying amount at end of year | 153,646 | 158,107 | 153,646 | 158,107 |
| *Furniture & Fittings* | | | | |
| Carrying amount at beginning of year | 1,119 | 1,359 | 1,119 | 1,359 |
| Additions | 2,995 | 569 | 2,995 | 569 |
| Disposal | (79) | - | (79) | - |
| Depreciation expense | (592) | (809) | (592) | (809) |
| Carrying amount at end of year | 3,443 | 1,119 | 3,443 | 1,119 |
| *Motor Vehicles* | | | | |
| Carrying amount at beginning of year | 18,927 | - | 18,927 | - |
| Additions | - | 24,283 | - | 24,283 |
| Disposal | - | - | - | - |
| Depreciation expense | (4,731) | (5,356) | (4,731) | (5,356) |
| Carrying amount at end of year | 14,196 | 18,927 | 14,196 | 18,927 |
| **9. Investments** | | | | |
| Listed shares at cost | 50,238 | 40,659 | 50,238 | 40,659 |
| Unlisted shares at cost | - | - | 376,513 | - |
| | 50,238 | 40,659 | 426,751 | 40,659 |
| **10. Intangible assets** | | | | |
| *Franchise Fee* | | | | |
| At cost | 69,322 | 10,000 | 69,322 | 10,000 |
| Less accumulated amortisation | (2,337) | (9,096) | (2,337) | (9,096) |
| *Establishment Fee* | | | | |
| At cost | 100,000 | 100,000 | 100,000 | 100,000 |
| Less accumulated amortisation | (100,000) | (90,959) | (100,000) | (90,959) |
| | - | 9,041 | - | 9,041 |
| | 66,985 | 9,945 | 66,985 | 9,945 |

# Notes to the Financial Statements continued ...

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **11. Other non-current assets** | $ | $ | $ | $ |
| Initial set up costs | 850 | - | - | - |
| Unexpired borrowing costs | 808 | - | - | - |
| | 1,658 | - | - | - |
| **12. Payables** | | | | |
| Trade creditors | 36,333 | 27,394 | 36,139 | 27,394 |
| Other creditors and accruals | 21,435 | 19,575 | 20,586 | 19,575 |
| | 57,768 | 46,969 | 56,725 | 46,969 |
| **13. Current tax liability** | | | | |
| Current tax payable | 42,032 | 10,338 | 37,670 | 10,338 |
| **14. Provisions** | | | | |
| Employee benefits | 34,823 | 20,292 | 34,823 | 20,292 |
| **Movement in employee benefits** | | | | |
| *Annual leave* | | | | |
| Opening balance | 20,292 | 15,837 | 20,292 | 15,837 |
| Additional provisions recognised | 4,231 | 8,938 | 4,231 | 8,938 |
| Amounts utilised during the year | (7,330) | (4,483) | (7,330) | (4,483) |
| Closing balance | 17,193 | 20,292 | 17,193 | 20,292 |
| *Long service leave* | | | | |
| Opening balance | - | - | - | - |
| Additional provisions recognised | 17,630 | - | 17,630 | - |
| Amounts utilised during the year | - | - | - | - |
| Closing balance | 17,630 | - | 17,630 | - |
| **15. Loans and borrowings** | | | | |
| **Current Liability** | | | | |
| Chattel mortgage | 6,967 | 6,994 | 6,967 | 6,994 |
| Unexpired interest | (757) | (1,222) | (757) | (1,222) |
| Mortgage | 12,576 | - | - | - |
| | 18,786 | 5,772 | 6,210 | 5,772 |
| **Non Current Liability** | | | | |
| Chattel mortgage | 7,577 | 14,572 | 7,577 | 14,572 |
| Unexpired interest | (315) | (1,099) | (315) | (1,099) |
| Mortgage | 85,982 | - | - | - |
| | 93,244 | 13,473 | 7,262 | 13,473 |
| **16. Share capital** | | | | |
| 676,459 Ordinary Shares fully paid of $1 each | 642,636 | 642,636 | 642,636 | 642,636 |
| Less: Return of capital | - | - | - | - |
| Less: Equity raising costs | (24,272) | (24,272) | (24,272) | (24,272) |
| | 618,364 | 618,364 | 618,364 | 618,364 |

# Notes to the Financial Statements continued ...

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **17. Retained Earnings** | $ | $ | $ | $ |
| Balance at the beginning of the financial year | 71,802 | (1,943) | 71,802 | (1,943) |
| Profit after income tax | 174,345 | 107,568 | 163,908 | 107,568 |
| Bring to account LSL provision at 30 June 2011 via retained earnings | (13,627) | - | (13,627) | - |
| Dividends paid | (57,499) | (33,823) | (57,499) | (33,823) |
| Balance at the end of the financial year | 175,021 | 71,802 | 164,584 | 71,802 |

**18. Statement of Cash Flows**

**(a)** *Cash and cash equivalents*

| | | | | |
|---|---|---|---|---|
| Cash assets | 170,387 | 471,619 | 151,477 | 471,619 |

**(b)** *Reconciliation of profit after tax to net cash provided from/(used in) operating activities*

| | | | | |
|---|---|---|---|---|
| Profit after income tax | 174,345 | 107,568 | 163,908 | 107,568 |
| Non cash items | | | | |
| - Depreciation | 12,926 | 10,626 | 9,785 | 10,626 |
| - Amortisation | 12,283 | 22,000 | 12,283 | 22,000 |
| Changes in assets and liabilities | | | | |
| - (Increase) decrease in receivables | (17,080) | (13,498) | (17,080) | (13,498) |
| - (Increase) decrease in deferred tax assets | (5,427) | (1,860) | (5,427) | (1,860) |
| - Increase (decrease) in income tax payable | 31,694 | (3,270) | 27,332 | (3,270) |
| - Increase (decrease) in payables | 9,139 | (2,496) | 9,754 | (2,496) |
| - Increase (decrease) in provisions | 905 | 4,455 | 905 | 4,455 |
| Net cashflows from/(used in) operating activities | 218,785 | 123,525 | 201,460 | 123,525 |

**19. 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
Quentin Turner
Marcus Walsh
Michael Daunt
Alan Gay
Michael Beaumont

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 the Financial Statements continued ...

**19. Director and related party disclosures (continued)**

| **Directors shareholdings** | **Consolidated Entity** 2012 | 2011 | **Parent Entity** 2012 | 2011 |
|---|---|---|---|---|
| Graeme Mitchell | 10,001 | 10,001 | 10,001 | 10,00 |
| Margaret Giles | 3,001 | 3,001 | 3,001 | 3,00 |
| Bernie Charleson | 7,500 | 7,500 | 7,500 | 7,50 |
| Janine Booth | 3,501 | 3,501 | 3,501 | 3,50 |
| Bob Orr | 5,001 | 5,001 | 5,001 | 5,00 |
| Brendan Smith | 6,000 | 6,000 | 6,000 | 6,00 |
| Quentin Turner | 501 | 501 | 501 | 501 |
| Marcus Walsh | 500 | 500 | 500 | 500 |
| Michael Daunt | 5,000 | 5,000 | 5,000 | 5,00 |
| Alan Gay | 2,000 | 2,000 | 2,000 | 2,00 |
| Michael Beaumont | 7,500 | 7,500 | 7,500 | 7,50 |

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

**20. Events after the reporting period**

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

**21. Contingent liabilities and assets**

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

**22. Operating segments**

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

**23. Corporate information**

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

The registered office is:
21 Armstrong St Nth
Ballarat

The principal place of business is:
1 Raglan Street
Creswick

# Notes to the Financial Statements continued ...

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $ | $ | $ | $ |
| **24. Dividends paid or provided for on ordinary shares** | | | | |
| **(a) Dividends paid during the year** | | | | |
| - Dividends of 8.5 cents per share {franked to 100%} | 57,499 | 33,823 | 57,499 | 33,823 |
| (2011: 5 cents per share {franked to 90%}) | | | | |
| **(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 | 45,988 | 36,323 | 45,988 | 36,323 |
| - Franking credits that will arise from the payment of income tax payable as at the end of the financial year | 37,670 | 10,338 | 37,670 | 10,338 |
| | 83,658 | 46,661 | 83,658 | 46,661 |

**25. Adjustment to Retained Earnings**

Subsequent to 30 June 2011, the Board decided to bring to account the Long Service Leave Entitlements provision for employees not previously accounted for. This provision was brought to account at 31 December 2011, with $1,994 expensed for the six months to 31 December 2011. The balance of $13,627 relating to the period up to 30 June 2011 was adjusted to the retained earnings brought forward at 1 July 2011 so as not to distort the current year earnings figure.

**26. Controlled Entities**

On 27 July 2011 the Group acquired 100% of the issued capital of Creswick Community Property Group Pty Ltd for $376,513. Through acquiring 100% of the issued capital of Creswick Community Property Group Pty Ltd (incorporated in Australia), the Group has obtained control of the company.

The acquisition is part of the Group's strategy to own the building in which it operates its business from.

| | Consolidated Entity | | Parent Entity | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **26. 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:

| | Consolidated 2012 | Consolidated 2011 | Parent 2012 | Parent 2011 |
|---|---|---|---|---|
| Profit after income tax expense | 174,345 | 107,568 | 163,908 | 107,568 |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 642,636 | 676,459 | 642,636 | 642,636 |

# Financial Instruments

**27. Financial risk management**

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

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

| | Note | Consolidated Entity 2012 $ | Consolidated Entity 2011 $ | Parent Entity 2012 $ | Parent Entity 2011 $ |
|---|---|---|---|---|---|
| **Financial Assets** | | | | | |
| Cash & cash equivalents | 6 | 170,387 | 471,619 | 151,477 | 471,619 |
| Receivables | 7 | 94,932 | 77,852 | 94,932 | 77,852 |
| Investments | 9 | 50,238 | 40,659 | 426,751 | 40,659 |
| **Total Financial Assets** | | 315,557 | 590,130 | 673,160 | 590,130 |
| **Financial Liabilities** | | | | | |
| Payables | 12 | 57,768 | 46,969 | 56,725 | 46,969 |
| Loans & borrowings | 15 | 112,030 | 19,245 | 13,472 | 19,245 |
| **Total Financial Liabilities** | | 169,798 | 66,214 | 70,197 | 66,214 |

Financial Risk Management Policies

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

Specific Financial Risk Exposure and Management

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

**(a) Credit Risk**

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

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

The company's maximum exposure to credit risk at reporting date was:

| | Carrying Amount Consolidated Entity 2012 $ | Carrying Amount Consolidated Entity 2011 $ | Carrying Amount Parent Entity 2012 $ | Carrying Amount Parent Entity 2011 $ |
|---|---|---|---|---|
| Cash and cash equivalents | 170,387 | 471,619 | 151,477 | 471,619 |
| Receivables | 94,932 | 77,852 | 94,932 | 77,852 |
| Investments | 50,238 | 40,659 | 426,751 | 40,659 |
| | 315,557 | 590,130 | 673,160 | 590,130 |

# Financial Instruments continued ...

**27. Financial risk management (continued)**

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

None of the assets of the company are past due (2011: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

**(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.
In addition the company has established an overdraft facility of $700,000 with Bendigo & Adelaide Bank Limited.

Financial liability and financial asset maturity analysis

| **30 June 2012** | | **Within** | **1 to** | **Over** |
|---|---|---|---|---|
| | **Total** | **1 year** | **5 years** | **5 years** |
| **Consolidated Group** | **$** | **$** | **$** | **$** |
| **Financial Liabilities due for payment** | | | | |
| Payables | (57,768) | (57,768) | - | - |
| Loans and borrowings | (112,030) | (18,786) | (70,542) | (23,102) |
| **Total expected outflows** | (169,798) | (76,554) | (70,542) | (23,102) |
| **Financial Assets - cashflow realisable** | | | | |
| Cash & cash equivalents | 170,387 | 170,387 | - | - |
| Receivables | 94,932 | 94,932 | - | - |
| Investment | 50,238 | 50,238 | - | - |
| **Total anticipated inflows** | 315,557 | 315,557 | - | - |
| **Net (Outflow)/Inflow on** | | | | |
| **financial instruments** | 145,759 - | 239,003 - | (70,542) | - |

| **30 June 2011** | | **Within** | **1 to** | **Over** |
|---|---|---|---|---|
| | **Total** | **1 year** | **5 years** | **5 years** |
| **Consolidated Group** | **$** | **$** | **$** | **$** |
| **Financial Liabilities due for payment** | | | | |
| Payables | (46,969) | (46,969) | - | - |
| Loans and borrowings | (19,245) | (6,994) | (12,251) | - |
| **Total expected outflows** | (46,969) | (53,963) | (12,251) | - |
| **Financial Assets - cashflow realisable** | | | | |
| Cash & cash equivalents | 471,619 | 471,619 | - | - |
| Receivables | 77,852 | 77,852 | - | - |
| Investment | 40,659 | 40,659 | | |
| **Total anticipated inflows** | 590,130 | 590,130 | - | - |
| **Net (Outflow)/Inflow on** | | | | |
| **financial instruments** | 543,161 - | 536,167 - | (12,251) | - |

**27. Financial risk management (continued)**

**(b) Liquidity risk (continued)**

| **30 June 2012** | | **Within** | **1 to** | **Over** |
|---|---|---|---|---|
| | **Total** | **1 year** | **5 years** | **5 years** |
| **Parent Entity** | **$** | **$** | **$** | **$** |
| **Financial Liabilities due for payment** | | | | |
| Payables | (56,725) | (56,725) | - | - |
| Loans and borrowings | (13,472) | (6,210) | (7,262) | - |
| **Total expected outflows** | (70,197) | (62,935) | (7,262) | - |
| **Financial Assets - cashflow realisable** | | | | |
| Cash & cash equivalents | 151,477 | 151,477 | - | - |
| Receivables | 94,932 | 94,932 | - | - |
| Investment | 426,751 | 426,751 | - | - |
| **Total anticipated inflows** | 673,160 | 673,160 | - | - |
| **Net (Outflow)/Inflow on** | | | | |
| **financial instruments** | 602,963 - | 610,225 - | (7,262) - | - |

| **30 June 2011** | | **Within** | **1 to** | **Over** |
|---|---|---|---|---|
| **Parent Entity** | **$** | **$** | **$** | **$** |
| **Financial Liabilities due for payment** | | | | |
| Payables | (46,969) | (46,969) | - | - |
| Loans and borrowings | (19,245) | (6,994) | (12,251) | - |
| **Total expected outflows** | (46,969) | (53,963) | (12,251) | - |
| **Financial Assets - cashflow realisable** | | | | |
| Cash & cash equivalents | 471,619 | 471,619 | - | - |
| Receivables | 77,852 | 77,852 | - | - |
| Investment | 40,659 | 40,659 | | |
| **Total anticipated inflows** | 590,130 | 590,130 | - | - |
| **Net (Outflow)/Inflow on** | | | | |
| **financial instruments** | 543,161 - | 536,167 - | (12,251) - | - |

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

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

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

# Financial Instruments continued ...

**27. Financial risk management (continued)**

**Sensitivity analysis**

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

| | Carrying Amount Consolidated Entity | | Carrying Amount Parent Entity | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| **Fixed rate instruments** | $ | $ | $ | $ |
| Financial assets | 61,961 | 333,311 | 61,961 | 333,311 |
| Financial liabilities | - | - | - | - |
| | 61,961 | 333,311 | 61,961 | 333,311 |
| **Floating rate instruments** | | | | |
| Financial assets | 108,426 | 138,309 | 89,516 | 138,309 |
| Financial liabilities | (112,030) | (19,245) | (13,472) | (19,245) |
| | (3,604) | 119,064 | 76,044 | 119,064 |

*Fair value sensitivity analysis for fixed rate instruments*

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

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

**(d) Price risk**

The company is not exposed to any material price risk.

**Fair values**

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

**Capital management**

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

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

(i) the Distribution Limit is the greater of:

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

(b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2012 can be seen in the Statement of Comprehensive Income. There were no changes in the company's approach capital management during the year.

# Directors' Declaration

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

1 the financial statements and notes of the company as set out on pages 6 to 25 are in accordance with the Corporations Act 2001 and:

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

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

2 in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Graeme Mitchell

Graeme Mitchell
Chairman

Signed at Creswick on 28 August 2012.

# Independent Audit Report

Richmond Sinnott & Delahunty
Chartered Accountants

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***INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CRESWICK & DISTRICT FINANCIAL SERVICES LIMITED AND CONTROLLED ENTITY***

**Report on the Financial Report**

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

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

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

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

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

# Independent Audit Report continued ...

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

*Independence*

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

*Auditor's Opinion*

In our opinion:

(a) the financial report of Creswick & District Financial Services Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Richmond Sinnott & Delahunty

**RICHMOND SINNOTT & DELAHUNTY**
Chartered Accountants

Sinnott.

**W. J. SINNOTT**
Partner

Dated at Bendigo, 28 August 2012

Pictured on the front cover:
Delegates from the 2012 Community Bank State Conference.

The Creswick &District  Community Bank Branch ® hosted the 2012 Community Bank State Conference which was attended by over 400 delegates from across Victoria.

The conference kicked off with a dinner held at the Forest Resort during which local traders were given the opportunity to display their products.  During the conference Creswick and surrounds were promoted which generated a lot of interest in our community.

Hosting such a successful conference was an honor for the Board and Staff of our Community Bank®

Creswick & District **Community Bank**® Branch
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