

Drouin & District

Community Bank® Branch **Bendigo Bank**



Annual Report 2008-2009



**DROUIN & DISTRICT
COMMUNITY FINANCIAL SERVICES LTD
30 June 2009**

ABN: 37 096 687 240

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Chairman's Report

On behalf of the Drouin & District Community Financial Services Ltd, I am pleased to present the eighth annual report.

This year has proven difficult and unprecedented in our short history. There were some indications in the latter part of the last financial year that difficulties were ahead but no one predicted what was about to happen through the 2008-09 financial year.

The global economic recession hit us all with a weakening economy and turmoil in most industries world wide. Banking was not spared and in fact was in the forefront of most news stories.

Despite these global problems, I am pleased to be able to report that our company was able to meet or exceed all core elements of the budget set. Our income forecasts were reached despite a reduction in the margins being received particularly in the November to February period. Expenses were able to be curtailed and came in below the expectations for the year. These two core elements enabled us to reach our profit forecasts.

We have again been able to set aside over \$150,000 for our Community Grants Scheme and will be able to meet all our ongoing community partnership commitments required for the coming year

Going forward, we have set a budget that is challenging but in our opinion achievable for next year. The budget has been set in a climate of uncertainty as to how the economic recovery will affect us in the coming year. The budget, if achieved, will enable the company to fulfill all commitments and provide for similar results to this past year. We look forward to 2009-10 with optimism and the realization that your company will sometime in the year pass the \$1 million mark for funds returned to the Drouin & District community in only 8 years of operation. This will be an achievement that we can all be justly proud of.

These results cannot be achieved without the hard work and dedication of my fellow directors and I thank them for their support. Our manager and staff have embraced the difficult times and got on with the task of running a successful branch with their usual professional approach and excellent service. I would like to thank them for their part in a successful year..

Last, but not least, thank you to the shareholders and customers who have remained loyal to us throughout this difficult economic time. The fact that we have been able to increase our balances under management during the year is testament to that loyalty.

As our results have been within the budget forecast, I am very pleased to announce that a dividend of 0.12c per share fully franked has again been approved by the board. Payment will be made in March 2010 on Shares held on 28th February 2010.

Yours Faithfully



Bruno Persico
Chairman

Manager's Report

This year has seen a global financial recession the likes of which many have not experienced before.

All countries have been affected, some worse than others and the banking sector was one area that was the focus of government support and media scrutiny. Bendigo Bank and by association our Community Bank was not immune. Profit forecasts were down graded and Bendigo Bank's end result was less than originally budgeted. Bad debt provisions were increased and measures put in place to reduce core costs. Bendigo Bank, like all banks were taking prudent measures to ensure their business remained strong.

Governments were forced to aid confidence with guarantees on deposit funds up to \$1 million held with banks (Bendigo Bank was a beneficiary of this guarantee). This guarantee however made it difficult to borrow capital in traditional markets and the margin between deposits and loans reduced

Where did this leave the Community Bank Company?

Fortunately, following the past sound results, the level of funds under management was sufficiently high to shield us from much of the margin squeeze as it occurred. The government guarantee resulted in the confidence in Bendigo Bank remaining high. Although we experienced some reduction in income over the months of November 2008 to February 2009 (approximately 15%) this did not affect our overall income forecasts. Added to this our expenses remained in line with our expectations and overall we were able to exceed the net profit stated in our original budget. Our balances continued to grow particularly in deposits held. We saw unprecedented levels of deposits flow into the bank as investors sought safe refuges for their funds.

In summary, our business was able to withstand much of the problems associated with the financial recession. We have forged ahead with growth in our balances under management, Net Profit forecasts were met and we have been able to maintain our level of commitment to the community and our shareholders.

Our staffing remains at 2007-08 levels although we have welcomed some new faces and unfortunately farewelled others. Moving forward, we are looking to bring some more strength to our staff structure. Community involvement remains high within the staff and we have started some exciting partnerships with other groups over the year. Lyrebird Village for the Aged remains a priority for us, the memorial swimming pool partnership came to fruition with the pool being refurbished and opened during the summer of last year. We have entered into a partnership with a local employment training and placement company and are now placing up to 20 of our youth into training and employment each year. This is focusing on the youth who are not able to access government assistance as they are not as yet seen to be at risk. Our task is to assist them before they reach that at risk status.

Our district was affected by the bushfires in February and your board responded immediately by forming a partnership with the local Lions Club to replace fencing in essential areas. We have also formed a partnership with Bendigo Bank and other Bushfire relief agencies to ensure that the funds donated by our customers to the various appeals are maximised. To date the community bank has contributed \$30,000 and are looking at further projects.

I would like to thank the staff for their sound performance over what has been a difficult year. Also to the board of Directors who have as always provided their support and confidence in the staff and myself. Thanks must also go to you our shareholders and customers for remaining loyal to us in difficult times.

Based on the excellent result achieved so far and with some added confidence in the financial market place, we are approaching the coming year with optimism and look forward to seeing you all in the branch over the coming year.



Chris Harrison
Manager
Drouin & District Community Bank®
Bendigo Bank

Directors' Report

Your Directors submit their report of the Company for the financial year ended 30 June 2009.

Directors

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

Mr Bruno Persico Chairman Property Owner	Mrs Lynette Arnup Treasurer Bookkeeper
Mr Kenneth Roberts Director Retailer	Mr Kim David Rees Director Developer
Mr Christopher Arnup Director Builder	Mr George William Nicholson Director Marketing Developer
Mr Terrence Williamson Director Estate Agent/Farmer	Mr Rodney Bruce Dunlop Director Development Consultant
Mrs Deborah Mary Brown Director/ Non Voting Capacity Transport owner/Community engagement worker	

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

No Directors have material interests in contracts or proposed contracts with the Company.

Principal activities

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

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

Operating results

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$175,889.68 (2008: \$328,907.46).

Dividends	Year ended 30 June 2009	
	Cents per share	\$
Final dividends recommended:	0.12	73,890
Dividends paid in the year:		
- Interim for the year	Nil	Nil
- As recommended in the prior year report	0.12	73,890

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

Significant events after the balance date

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

Likely developments

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

Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except for a payment of \$4168 paid to George Nicholson for marketing services, and a payment of \$255 to Drouin Joinery & Builders Supplies, owned by Chris & Lyn Arnup for minor repairs and maintenance. 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 indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

Number of meetings Held: 11

Number of meetings attended:

Mr Bruno Persico	10
Mrs Lynette Arnup	11
Mr Kenneth Roberts	9
Mr Kim David Rees	10
Mr Christopher Arnup	11
Mr George William Nicholson	11
Mr Terrence Williamson	10
Mr Rodney Bruce Dunlop	10
Mrs Deborah Brown	10

Company Secretary

Terrence Patrick McRory has been the Company Secretary of Drouin & District Community Financial Services Ltd since 23/02/05.

Directors' Report

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 Bruno Persico, Rod Dunlop & Kim Rees.
- (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's Independence Declaration

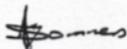
The directors received the following declaration from the auditor of the Company:

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
DROUIN & DISTRICT COMMUNITY FINANCIAL SERVICES LTD

I declare that to the best of my knowledge and belief,
during the year ended 30 June 2009 there have been:

- 1) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- 2) no contraventions of any applicable code of professional conduct in relation to the audit.

Date 16.09.09


Auditor: Julius Sommers
Registered Company Auditor 9092

Address: P O Box 37 Doncaster Vic 3108

Income Statement

	<u>Notes</u>	2009 \$	2008 \$
Revenue from ordinary activities	2	1,105,957	1,053,796
Employee benefits expense	3	(317,563)	(290,132)
Charitable donations and sponsorship		(396,242)	(204,311)
Depreciation and amortisation expense	3	(35,254)	(31,804)
Finance costs	3	(2)	(24)
Other expenses from ordinary activities		(109,412)	(92,596)
Profit/(loss) before income tax expense		247,484	434,929
Income tax expense	4	(71,594)	(106,022)
Profit/(loss) after income tax expense		175,890	328,907
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	28.57	53.42
- diluted for profit / (loss) for the year	22	28.57	53.42
- dividends paid per share	21	12.00	12.00

Income Statement

	2009	2008
	\$	\$
Income		
Commissions	1,067,421	1,024,682
Dividends Public Companies	576	527
Interest Received	37,960	28,587
	<u>1,105,957</u>	<u>1,053,796</u>
Total Income		
Accountancy	5,000	5,000
Advertising & Promotion	17,208	15,059
Amortisation - Intangibles	10,000	10,000
ASIC Compliance Costs	1,000	1,000
Auditors Remuneration	2,160	2,400
Bank Charges	58	147
Borrowing Expenses	-	71
Catering	566	1,004
Cleaning	10,080	5,602
Conferences	2,111	2,019
Consultants Fees	4,165	5,850
Credit Check	1,843	2,982
Depreciation	18,791	15,341
Capital Works deduction	6,463	6,463
Gas	580	429
Fringe Benefits Tax	3,734	3,458
Insurance	6,197	6,222
Interest	2	24
Land Tax	-	228
Loss on Sale of Fixed Asset	6685	-
Motor Vehicle Expenses	7,655	4,024
Postage	-	64
Printing & Stationery	3,115	4,209
Promotions	10,489	5,950
Rates	2,402	2,247
Referral Fee	700	-
Rent	1,800	1,800
Repairs & Maintenance	1,502	4,030
Secretarial Remuneration	5,300	4,750
Share Registry Compliance	3,393	6,252
Sponsorship	187,151	77,038
Staff Expenses	6,672	3,175
Staff Training	-	450
Superannuation	25,724	23,593
Telephone	5,524	6,029
Title Searches etc.	2,911	-
Travelling Expenses	-	1,285
Uniforms	20	-
Wages	287,167	262,147
Water (Staff & Patrons)	276	318
Workcover	938	934
	<u>649,382</u>	<u>491,594</u>
Total Expenses		
Operating Profit	456,575	562,202

Income Statement

	2009	2008
	\$	\$
Non-Operating Income & Expenses		
Non Operating Expenses		
Community Enterprise Foundation	209,091	127,273
Operating Profit Before Income Tax	247,484	434,929

Balance Sheet

	<u>Notes</u>	2009 \$	2008 \$
Current Assets			
Cash assets	6	788,474	761,887
Receivables	7	99,000	86,123
Total Current Assets		887,474	848,010
Non-Current Assets			
Financial assets	8	10,536	10,133
Property, plant and equipment	9	654,968	641,177
Intangible assets	10	28,333	38,333
Other assets	11	260	260
Total Non-Current Assets		694,097	689,903
Total Assets		1,581,571	1,537,913
Current Liabilities			
Trade and other payables	12	31,710	57,517
Provisions	12	73,890	73,890
Tax liabilities (Refunds)	4	(6,772)	25,762
Total Current Liabilities		98,828	157,169
Non-Current Liabilities			
-		-	-
Total Non-Current Liabilities		-	-
Total Liabilities		98,828	157,169
Net Assets			
Equity		1,482,743	1,380,744
Equity			
Issued capital	13	615,750	615,750
Retained earnings	14	866,993	764,994
Total Equity		1,482,743	1,380,744

Cash Flow Statement

	<u>Notes</u>	2009 \$	2008 \$
Cash Flows From Operating Activities			
Receipts from customers		1,054,544	938,559
Payments to suppliers and employees		(668,792)	(477,864)
Dividends received		576	527
Interest received		37,959	28,586
Interest paid		(2)	(24)
Community Enterprise Foundation		(209,091)	(127,273)
Income taxes paid		(104,128)	(102,079)
Net cash flows from/(used in) operating activities		111,066	260,432
Cash Flows From Investing Activities			
Proceeds			
Less provision for capital works deduction		6,463	6,463
Less provision for depreciation (net)		8,818	15,341
GST Refundable		-	4,260
Prepaid Borrowing Costs		-	71
Less Provision for Amortisation		10,000	10,000
Payments			
Motor vehicles - At Cost		(24,421)	-
Less provision for depreciation		(2,050)	-
Furniture & Fittings - At Cost		(2,600)	(3,800)
Shares - Bendigo Bank Ltd At Cost		(404)	(167)
Net cash flows from/(used in) investing activities		(4,194)	32,168
Cash Flows From Financing Activities			
Receipts			
Provision for Dividend		73,890	73,890
GST on supplies		-	11,705
Payments			
Provision for Dividend		(73,890)	-
GST on supplies		(6,395)	-
Ordinary Dividend		-	(73,890)
Ordinary Dividend Proposed		(73,890)	(73,890)
Net cash flows from/(used in) financing activities		(80,285)	(62,185)
Net increase/(decrease) in cash held		26,587	230,415
Cash at the beginning of the year		761,887	531,472
Closing cash carried forward	15	788,474	761,887

Statement of Changes in Equity

	2009	2008
	\$	\$
SHARE CAPITAL		
Ordinary shares		
Balance at start of year	615,750	615,750
Issue of share capital		-
Share issue costs	-	-
Balance at end of year	<u>615,750</u>	<u>615,750</u>
RETAINED EARNINGS / (ACCUMULATED LOSSES)		
Balance at start of year	764,994	583,866
Profit/(loss) after income tax expense	175,890	328,907
Add Rounding		1
Dividends paid	-	(73,890)
Less Ord Dividend proposed	(73,890)	(73,890)
Rounding	(1)	
Balance at end of year	<u>866,993</u>	<u>764,994</u>

Notes to the Financial Statements

1. Basis of preparation of the Financial Report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 29th September 2009.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

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

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet 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 balance sheet 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

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:

Class of Asset	Depreciation Rate
Buildings	2.5%
Plant & Equipment	10-20%
Motor Vehicle	18.75%

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.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

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.

Notes to the Financial Statements

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 excluded.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement 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 balance 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 cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative Figures

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

Revenue

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

Notes to the Financial Statements

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

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.

Interest Bearing Liabilities

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.

As at 30th June 2009 the Board of Directors have made a further commitment of \$125,000 to the Baw Baw Shire Council in relation to the Drouin & District Memorial Pool. The amount of \$75,000 was paid on 10th September 2009. The final instalment of \$50,000 is due in August 2010.

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

Contributed Capital

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

2. Revenue from ordinary activities

	2009	2008
	\$	\$
Operating activities		
- services commissions	1,067,421	1,024,682
- other revenue	-	-
Total revenue from operating activities	1,067,421	1,024,682
Non-operating activities:		
- interest received	37,960	28,587
- dividends received	576	527
Total revenue from non-operating activities	38,536	29,114
Total revenue from ordinary activities	1,105,957	1,053,796

Notes to the Financial Statements

3. Expenses	2009	2008
	\$	\$
Employee benefits expense		
- wages and salaries	287,167	262,147
- superannuation costs	25,724	23,593
- post-employment benefits (other than superannuation)	3,734	3,458
- workers' compensation costs	938	934
- other costs	-	-
	317,563	290,132
Depreciation of non-current assets:		
- plant and equipment	18,791	15,341
- buildings (capital works deduction)	6,463	6,463
Amortisation of non-current assets:		
- Franchise fee	10,000	10,000
	35,254	31,804
Finance Costs:		
- Interest paid	2	24
	2	24
4. Tax Liabilities		
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%	71,594	106,022
Add tax effect of:		
- Non-deductible expenses	-	-
Add/subtract adjustments	-	-
Income Tax expense	71,594	106,022
Less Income Tax Instalments paid	(78,366)	(80,260)
Tax (Refundable) Payable	(6,772)	25,762

Notes to the Financial Statements

5. Auditors' Remuneration	2009	2008
	\$	\$
Amounts received or due and receivable by Julius Sommers, for:		
- Audit or review of the financial report of the Company	2,160	2,400
	2,160	2,400
 6. Cash Assets		
Cash at bank and on hand	788,156	761,573
Petty Cash	145	156
Imputation credit	173	158
	788,474	761,887
 7. Receivables		
Accounts Receivable	99,000	86,123
	99,000	86,123
 8. Financial Assets		
Shares - Bendigo & Adelaide Bank Ltd	10,536	10,133
	10,536	10,133
 9. Property, Plant and Equipment		
Land & Buildings		
At cost	258,535	258,535
Asset Revaluation Reserve 07.02.07	316,465	316,465
Less accumulated depreciation	(44,234)	(37,771)
	530,766	537,229
Plant and equipment		
At cost	159,190	156,590
Less accumulated depreciation	(85,595)	(76,777)
	73,595	79,813
Motor Vehicles		
At cost	59,949	35,527
Less accumulated depreciation	(9,342)	(11,392)
	50,607	24,135
 Total written down amount	654,968	641,177

Notes to the Financial Statements

10. Intangible Assets	2009	2008
	\$	\$
Franchise Fee		
At cost	50,000	50,000
Less accumulated amortisation	(21,667)	(11,667)
	28,333	38,333
11. Other Assets		
Security Deposit - Colliers Jardine	260	260
	260	260
12. Trade & Other Payables		
Accounts Payable	8,086	4,969
Wages Tax Liability	6,029	9,128
Company Tax Instalment	-	20,065
Fringe Benefits Tax	276	-
Dividends held	243	243
Accrued Expenses	11,767	11,408
GST Payable	5,309	11,704
	31,710	57,517
Provisions		
Provision for dividend	73,890	73,890
	73,890	73,890
13. Share Capital		
615,750 Ordinary Shares fully paid of \$1 each	615,750	615,750
	615,750	615,750
14. Retained Earnings / (Accumulated Losses)		
Balance at the beginning of the financial year	764,994	583,866
Profit/(loss) after income tax	175,890	328,907
Rounding	-	1
Dividends	(73,890)	(147,780)
Rounding	(1)	
Balance at the end of the financial year	866,993	764,994

Notes to the Financial Statements

15. Cash Flow Statement	2009	2008
	\$	\$
Reconciliation of cash		
Cash assets	788,474	761,887
Bank overdraft	-	-
	<u>788,474</u>	<u>761,887</u>

16. Director and Related Party Disclosures

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

Mr Bruno Persico
Mrs Lynette Arnup
Mr Kenneth Roberts
Mr Kim David Rees
Mr Christopher Arnup
Mr George William Nicholson
Mr Terrence Williamson
Mr Rodney Bruce Dunlop
Mrs Deborah Brown

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

16. Director and Related Party Disclosures (continued)

Directors shareholdings	2009	2008
Mr Bruno Persico	3,500	3,500
Mrs Lynette Arnup	750	750
Mr Kenneth Roberts	500	500
Mr Kim David Rees	5,000	5,000
Mr Christopher Arnup	750	750
Mr George William Nicholson	-	-
Mr Terrence Williamson	500	500
Mr Rodney Bruce Dunlop	200	200
Mrs Deborah Brown	-	-

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

17. Subsequent Events

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

18. Contingent Liabilities

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

19. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients.

20. Corporate Information

Drouin & District Community Financial Services Ltd is a company limited by shares incorporated in Australia whose shares are not publicly traded.
All Share Transfers require Board approval.

The registered office is:

26 Main Street
Pakenham VIC 3810

The principal place of business is:

42 Princes Way
Drouin Vic 3818

Notes to the Financial Statements

21. Dividends paid or provided for on ordinary shares	2009	2008
	\$	\$
(a) Dividends proposed and recognised as a liability		
Franked dividends - .12 cents per share (2008: .12 cents)	73,890	73,890
(b) Dividends paid during the year		
Previous year final		
Franked dividends - .12 cents per share (2008: .12 cents per share)	73,890	73,890
(c) 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	241,256	168,707
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	(6,772)	25,604
- Franking debits that will arise from the payment of dividends as at the end of the financial year	31,667	31,667
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	247	226
- Franking credits that the entity may be prevented from distributing in the subsequent year	-	-

The tax rate at which dividends have been franked is 30% (2008: 30%).
Dividends proposed will be franked at a rate of 30% (2008: 30%).

22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) 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 / (loss) 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/(loss) after income tax expense	175,890	328,907
Weighted average number of ordinary shares for basic and diluted earnings per share	615,750	615,750

Notes to the Financial Statements

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

	<u>Carrying Amount</u>	
	<u>2009</u>	<u>2008</u>
	\$	\$
Cash assets	788,474	761,887
Receivables	99,000	86,123
	<u>887,474</u>	<u>848,010</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2008: 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.

Notes to the Financial Statements

23. 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 2009					
Payables	31,710	(31,710)	(31,710)	-	-
Interest bearing liabilities	-	-	-	-	-
	<u>31,710</u>	<u>(31,710)</u>	<u>(31,710)</u>	<u>-</u>	<u>-</u>
30 June 2008					
Payables	57,517	(57,517)	(57,517)	-	-
Interest bearing liabilities	-	-	-	-	-
	<u>57,517</u>	<u>(57,517)</u>	<u>(57,517)</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.

Notes to the Financial Statements

23. 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 Balance Sheet. 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 Balance Sheet.

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 2009 can be seen in the Income Statement.

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

Director's Declaration

In accordance with a resolution of the directors of Drouin & District Community 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 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.



Bruno Persico, Chairman



Terrence Williamson

Signed at Drouin on the 29th of September 2009

Independent Audit Report

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF DROUIN & DISTRICT COMMUNITY FINANCIAL
SERVICES LTD
37 096 687 240

(A Company Limited by Shares)

SCOPE

I have audited the financial report of Drouin & District Community Financial Services Limited for the financial year ended 30th June 2009 as set out on previous pages, including the Director's Declaration. The company's directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

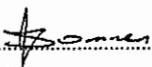
My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with my understanding of the company's financial position and performance as presented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In my opinion, the financial report of the Drouin & District Community Financial Services Ltd are in accordance with:

- (a) the Corporations Act including:
 - (i) giving a true and fair view of the company's financial position as at 30th June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory reporting requirements.

Signed..........Dated: 16.09.09.....

Julius Sommers

Registered Company Auditor 9092

Firm: Julius Sommers Pty Ltd
86 Longview Road
North Balwyn Vic 3104
Telephone: 03 9859 6955

For more information please call into
42 Princes Way, Drouin
Telephone: 5625 4544

Bank Hours

Monday - Friday

9 am - 5 pm

Saturday

9 am - 12 noon



Bendigo Bank

ACN 068 049 178

www.benbank.com.au