

Drouin & District

**Community Bank**<sup>®</sup> Branch **Bendigo Bank**



# Annual Report

## 2009-2010

Financial Statements as at 30th June 2010



**DROUIN & DISTRICT  
COMMUNITY FINANCIAL SERVICES LTD  
30 June 2010**

ABN: 37 096 687 240

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## Chairman's Report

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On behalf of Drouin & District Community Financial Services Ltd, I am pleased to present the ninth annual report. The results for the financial year were very pleasing despite the year being one of uncertainty concerning financial matters globally. Highlights included an increase in gross income of \$155,073 to \$1,261,030 for the year. All income streams had modest increases.

An increase in the operating profit of 12.1% with \$512,023 declared for the year, prior to the Community Enterprise Foundation contribution. Expenses were held in check for the most part and the overall expenses were below the budgeted amount.

Dividends paid for the previous years are highlighted in the table below. The board have considered the matter of dividends for this financial year and are pleased to announce a fully franked dividend of 14 cents per share. This will be payable to shareholders holding shares at close of business on 28th February 2011.

Financial Year	Cents per Share	Dividend Declared	Dividend Paid
2004/2005	3.5	21552	21552
2005/2006	6	36945	36945
2006/2007	11	67733	67733
2007/2008	12	73890	73890
2008/2009	12	73890	73890

This year we had Mr George Nicholson resign from the board and he was replaced with associate director Mrs Deborah Brown. On behalf of the shareholders we welcome Deborah and hope that her time with us is fulfilling.

To George Nicholson, we thank him for the time and effort he put into the board particularly the marketing of the business and wish him well in his future endeavours. Our company secretary Mr Terry McRory also resigned during the year due to ill health. Terry has been involved with us since we commenced and it was sad to see that he needed to finish his involvement.

We thank him for his efforts over the journey.

The company continues to seek out additional business opportunities and this year we have agreed to have an ATM placed at Longwarry to serve our clients in that town. At the time of writing, the permits were being sought and we are hopeful the machine will be in operation prior to Christmas 2010. Further to this we have purchased vacant land in Longwarry to provide for expansion in that area should this prove to be a viable proposition for the company.

We have continued to assist in the community development with our sponsorship and grants. This year we reach the \$1,000,000 in grants and sponsorships, a remarkable achievement for our company. We continue to support Lyrebird Village for the Aged and have committed a further \$250,000 to them. The Drouin Recreation Reserve development has been a major beneficiary this year and the board have committed \$225,000 over the next 4 years. This is in partnership with the Baw Baw Shire and the Reserve Committee. We have paid the 1st instalment of \$75,000 this year. The existing partnership with the Baw Baw Shire for the Drouin Swimming Pool was finalised this year with the last payment of \$50,000.

Moving forward the company has set the branch a realistic, if challenging, budget for the year ahead with this being sufficient to ensure that all commitments will be met, that our giving program can continue and that should produce a profit in line with this years result.

It would be remiss of me not to thank my fellow Directors for their support and their diligence during the past year. Also the branch staff lead by our manager, Chris Harrison, continues to support us with their professional approach to their duties and their dedication to the Community Bank® concept of banking.



**Bruno Persico**  
Chairman

## Branch Manager's Report

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This year has proven to be challenging but successful for the branch. Our balances under management have grown to \$147,458,800 this year and the milestone of \$150 million is not far off. We have seen a rise in both sides of the business book with deposits this year growing by \$2,613,000 and lending by \$4,183,000.

Account numbers increased to 7313 and customer numbers grew by 116 to 4437. This is a great result considering that we are now over 8 years old yet we are still attracting additional customers to the business.

Staffing has been stable for the year but the board saw fit to introduce a new position to the branch to assist with our growth in customers. Nicole Friar has been with us now for the best part of the year and has proven herself to be both capable and a strong team member. She brings a new set of skills to our staff and we look forward to utilising these now that her work station has been placed in the customer section of the branch.

The staff have been involved in many activities during and after work promoting the business of the bank. I would like to thank them not only for those efforts but for always putting the business first when the need arises. They have shown a high level of customer service and professionalism and this was recognised by Bendigo Bank in April/May.

I would also like to thank the board for their assistance and support during the year. The task is made much easier as they trust the branch to perform it's duties without the need for constant involvement by them. Thank you also to the shareholders and customers who have supported us, and continue to support us with their banking business. Without your support and friendship the branch would not be able to achieve the success it has.

The next 12 months will prove as difficult as the last but we approach it with enthusiasm. Our aim for the next 12 months is to consolidate our balances to over \$150 million and to grow both our account and customer numbers by 10 per month.

We will also endeavour to exceed the income targets set by the board and maintain our controllable expenses below target numbers.



**Chris Harrison**  
**Manager**  
**Drouin & District Community Bank®**  
**Bendigo Bank**

# Director's Report

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

## Directors

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

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 (Resigned 23/02/2010) 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  
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 \$297,913.62 (2009: \$175,889.08).

Year ended 30 June 2010

Dividends	Cents per share	\$'000
Final dividends recommended:	0.14	86,205
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.

## Director's Report

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### Significant events after the balance date

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

### Likely developments

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

### Directors' benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest except for a payment of \$1610 paid to George Nicholson for marketing services. 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:

<b>Number of meetings Held:</b>	11
<b>Number of meetings attended:</b>	
Mr Bruno Persico	
Mrs Lynette Arnup	11
Mr Kenneth Roberts	9
Mr Kim David Rees	11
Mr Christopher Arnup	11
Mr George William Nicholson	5
Mr Terrence Williamson	11
Mr Rodney Bruce Dunlop	10
Mrs Deborah Brown	8

### Company Secretary

Terrence Patrick McRory has been the Company Secretary of Drouin & District Community Financial Services Ltd since 23/02/05. However he resigned on 18/02/2010 and Bruno Persico was elected Company Secretary.

## Director's Report

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### 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

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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 2010 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 28.09.10



Auditor: Julius Sommers  
Registered Company Auditor 9092

Address: P O Box 37 Doncaster Vic 3108

Signature:



## Income Statement

	<u>Notes</u>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
Revenue from ordinary activities	2	1,261,030	1,105,957
Employee benefits expense	3	(338,381)	(317,563)
Charitable donations and sponsorship		(374,019)	(396,242)
Depreciation and amortisation expense	3	(34,379)	(35,254)
Finance costs	3	-	(2)
Other expenses from ordinary activities		<u>(93,138)</u>	<u>(109,412)</u>
<b>Profit/(loss) before income tax expense</b>		421,113	247,484
Income tax expense	4	<u>(123,199)</u>	<u>(71,594)</u>
<b>Profit/(loss) after income tax expense</b>		<u>297,914</u>	<u>175,890</u>
<b>Earnings per share (cents per share)</b>			
- basic for profit / (loss) for the year	22	48.38	28.57
- diluted for profit / (loss) for the year	22	48.38	28.57
- dividends paid per share	21	14.00	12.00

The accompanying notes form part of these financial statements

# Income Statement

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	2010	2009
	\$	\$
<b>Income</b>		
Commissions	1,216,686	1,067,421
Dividends Public Companies	411	576
Interest Received	43,933	37,960
	1,261,030	1,105,957
 <b>Total Income</b>		
Accountancy	5,000	5,000
Advertising & Promotion	13,277	17,208
Amortisation - Intangibles	9,999	10,000
ASIC Compliance Costs	1,000	1,000
Auditors Remuneration	2,400	2,160
Bank Charges	31	58
Catering	928	566
Cleaning	9,220	10,080
Conferences	2,067	2,111
Consultants Fees	1,610	4,165
Credit Check	2,115	1,843
Depreciation	17,916	18,791
Capital Works deduction	6,463	6,463
Gas	601	580
Fringe Benefits Tax	4,736	3,734
Insurance	8,345	6,197
Interest	-	2
Loss on Sale of Fixed Asset	-	6,685
Motor Vehicle Expenses	8,042	7,655
Postage	77	-
Printing & Stationery	2,804	3,115
Promotions	7,811	10,489
Rates	2,716	2,402
Referral Fee	350	700
Rent	5,370	1,800
Repairs & Maintenance	1,051	1,502
Secretarial Remuneration	3,300	5,300
Share Registry Compliance	750	3,393
Sponsorship	283,109	187,151
Staff Expenses	5,549	6,672
Superannuation	27,371	25,724
Telephone	5,221	5,524
Title Searches etc.	2,470	2,911
Uniforms	-	20
Valuation Fees	539	-
Wages	305,258	287,167
Water (Staff & Patrons)	495	276
Workcover	1,016	938
	749,007	649,382
<b>Total Expenses</b>		
<b>Operating Profit</b>	512,023	456,575

The accompanying notes form part of these financial statements

## Income Statement

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	2010	2009
	\$	\$
<b>Non-Operating Income &amp; Expenses</b>		
<b>Non Operating Expenses</b>		
Community Enterprise Foundation	<u>90,910</u>	<u>209,091</u>
<b>Operating Profit Before Income Tax</b>	<u>421,113</u>	<u>247,484</u>

The accompanying notes form part of these financial statements

## Balance Sheet

	Notes	2010 \$	2009 \$
<b>Current Assets</b>			
Cash assets	6	1,081,692	788,474
Receivables	7	106,160	99,000
<b>Total Current Assets</b>		<u>1,187,852</u>	<u>887,474</u>
<b>Non-Current Assets</b>			
Financial assets	8	10,824	10,536
Property, plant and equipment	9	638,400	654,968
Intangible assets	10	18,333	28,333
Other assets	11	260	260
<b>Total Non-Current Assets</b>		<u>667,817</u>	<u>694,097</u>
<b>Total Assets</b>		<u>1,855,669</u>	<u>1,581,571</u>
<b>Current Liabilities</b>			
Trade and other payables	12	59,793	31,710
Provisions	12	86,205	73,890
Tax liabilities (Refunds)	4	15,219	(6,772)
<b>Total Current Liabilities</b>		<u>161,217</u>	<u>98,828</u>
<b>Non-Current Liabilities</b>			
-		-	-
<b>Total Non-Current Liabilities</b>		<u>-</u>	<u>-</u>
<b>Total Liabilities</b>		<u>161,217</u>	<u>98,828</u>
<b>Net Assets</b>		<u>1,694,452</u>	<u>1,482,743</u>
<b>Equity</b>			
Issued capital	13	615,750	615,750
Retained earnings	14	1,078,702	866,993
<b>Total Equity</b>		<u>1,694,452</u>	<u>1,482,743</u>

The accompanying notes form part of these financial statements

## Cash Flow Statement

	<u>Notes</u>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		1,209,526	1,054,544
Payments to suppliers and employees		(722,279)	(668,792)
Dividends received		412	576
Interest received		43,933	37,959
Interest paid		-	(2)
Community Enterprise Foundation		(90,909)	(209,091)
Income taxes paid		(101,209)	(104,128)
<b>Net cash flows from/(used in) operating activities</b>		<u>339,474</u>	<u>111,066</u>
<b>Cash Flows From Investing Activities</b>			
<b>Proceeds</b>			
Less provision for capital works deduction		6,463	6,463
Less provision for depreciation		17,916	8,818
Less provision for Amortisation		10,000	10,000
<b>Payments</b>			
Land Deposit - Longwarry		(6,500)	-
Motor vehicles - at costs		-	(24,421)
Less provision for depreciation		-	(2,050)
Furniture & Fittings - At Cost		(1,311)	(2,600)
Shares - Bendigo Bank Ltd At Cost		(288)	(404)
<b>Net cash flows from/(used in) investing activities</b>		<u>26,280</u>	<u>(4,194)</u>
<b>Cash Flows From Financing Activities</b>			
<b>Receipts</b>			
Provision for Dividend		12,315	73,890
GST on supplies		1,354	-
<b>Payments</b>			
Provision for Dividend			(73,890)
GST on supplies			(6,395)
Ordinary Dividend			-
Ordinary Dividend Proposed		(86,205)	(73,890)
<b>Net cash flows from/(used in) financing activities</b>		<u>(72,536)</u>	<u>(80,285)</u>
<b>Net increase/(decrease) in cash held</b>		293,218	26,587
Cash at the beginning of the year		788,474	761,887
<b>Closing cash carried forward</b>	15	<u>1,081,692</u>	<u>788,474</u>

The accompanying notes form part of these financial statements

## Statement of Equity

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	2010	2009
	\$	\$
<b>SHARE CAPITAL</b>		
<i>Ordinary shares</i>		
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>
<b>RETAINED EARNINGS / (ACCUMULATED LOSSES)</b>		
Balance at start of year	866,993	764,994
Profit/(loss) after income tax expense	297,914	175,890
Add Rounding	-	-
Dividends paid	-	-
Less Ord Dividend proposed	(86,205)	(73,890)
Rounding	-	(1)
Balance at end of year	<u>1,078,702</u>	<u>866,993</u>

The accompanying notes form part of these 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 28th September 2010.

### (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 2010 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

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

### Property, plant and equipment

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

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

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

<i>Class of Asset</i>	<i>Depreciation Rate</i>
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.



## 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

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## 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 2010 the Board of Directors have made a commitment of \$225,000 to the Drouin Recreation Reserve in partnership with the Baw Baw Shire for redevelopment to be paid over 4 years. The first instalment of \$75,000 was paid in May 2010 with the next 3 instalments being \$50,000 per year.

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

	2010	2009
	\$	\$
Operating activities		
- services commissions	1,216,686	1,067,421
- other revenue	-	-
Total revenue from operating activities	<u>1,216,686</u>	<u>1,067,421</u>
Non-operating activities:		
- interest received	43,933	37,960
- dividends received	411	576
Total revenue from non-operating activities	<u>44,344</u>	<u>38,536</u>
Total revenue from ordinary activities	<u>1,261,030</u>	<u>1,105,957</u>

## Notes

<b>3. Expenses</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Employee benefits expense		
- wages and salaries	305,258	287,167
- superannuation costs	27,371	25,724
- post-employment benefits (other than superannuation)	4,736	3,734
- workers' compensation costs	1,016	938
- other costs	-	-
	<u>338,381</u>	<u>317,563</u>
Depreciation of non-current assets:		
- plant and equipment	17,916	18,791
- buildings (capital works deduction)	6,463	6,463
Amortisation of non-current assets:		
- Franchise fee	10,000	10,000
	<u>34,379</u>	<u>35,254</u>
Finance Costs:		
- Interest paid	-	2
	<u>-</u>	<u>2</u>
<b>4. Tax Liabilities</b>		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	123,199	71,594
Add tax effect of:		
- Non-deductible expenses	-	-
Add/subtract adjustments	-	-
Income Tax expense	<u>123,199</u>	<u>71,594</u>
Less Income Tax Instalments paid	<u>107,980</u>	<u>(78,366)</u>
<b>Tax Payable (Refundable)</b>	<u>15,219</u>	<u>(6,772)</u>

## Notes

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<b>5. Auditors' Remuneration</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by Julius Sommers, for:		
- Audit or review of the financial report of the Company	2,400	2,160
	<u>2,400</u>	<u>2,160</u>
	<u><u>2,400</u></u>	<u><u>2,160</u></u>
<b>6. Cash Assets</b>		
Cash at bank and on hand	1,081,453	788,156
Petty Cash	116	145
Imputation credit	123	173
	<u>1,081,692</u>	<u>788,474</u>
	<u><u>1,081,692</u></u>	<u><u>788,474</u></u>
<b>7. Receivables</b>		
Accounts Receivable	106,160	99,000
	<u>106,160</u>	<u>99,000</u>
	<u><u>106,160</u></u>	<u><u>99,000</u></u>
<b>8. Financial Assets</b>		
Shares - Bendigo & Adelaide Bank Ltd	10,824	10,536
	<u>10,824</u>	<u>10,536</u>
	<u><u>10,824</u></u>	<u><u>10,536</u></u>
<b>9. Property, Plant and Equipment</b>		
<i>Land &amp; Buildings</i>		
At cost - 42 Main Street, Drouin	258,535	258,535
Asset Revaluation Reserve 07.02.07	316,465	316,465
Less accumulated depreciation	(50,697)	(44,234)
Land - Deposit Longwarry	6,500	
	<u>530,803</u>	<u>530,766</u>
	<u><u>530,803</u></u>	<u><u>530,766</u></u>
<i>Plant and equipment</i>		
At cost	160,501	159,190
Less accumulated depreciation	(94,023)	(85,595)
	<u>66,478</u>	<u>73,595</u>
	<u><u>66,478</u></u>	<u><u>73,595</u></u>
<i>Motor Vehicles</i>		
At cost	59,949	59,949
Less accumulated depreciation	(18,830)	(9,342)
	<u>41,119</u>	<u>50,607</u>
	<u><u>41,119</u></u>	<u><u>50,607</u></u>
Total written down amount	<u>638,400</u>	<u>654,968</u>
	<u><u>638,400</u></u>	<u><u>654,968</u></u>

<b>10. Intangible Assets</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise Fee</i>		
At cost	50,000	50,000
Less accumulated amortisation	31,667	(21,667)
	<u>18,333</u>	<u>28,333</u>
<b>11. Other Assets</b>		
Security Deposit - Colliers Jardine	260	260
	260	<u>260</u>
<b>12. Trade &amp; Other Payables</b>		
Accounts Payable	2,636	8,086
Wages Tax Liability	7,788	6,029
Company Tax Instalment	26,995	-
Fringe Benefits Tax	1,554	276
Dividends held	228	243
Accrued Expenses	13,929	11,767
GST Payable	6,663	5,309
	<u>59,793</u>	<u>31,710</u>
<b>Provisions</b>		
Provision for dividend	<u>86,205</u>	<u>73,890</u>
<b>13. Share Capital</b>		
615,750 Ordinary Shares fully paid of \$1 each	<u>615,750</u>	<u>615,750</u>
<b>14. Retained Earnings / (Accumulated Losses)</b>		
Balance at the beginning of the financial year	866,993	764,994
Profit/(loss) after income tax	297,914	175,890
Dividends	(86,205)	(73,890)
Rounding	-	(1)
Balance at the end of the financial year	<u>1,078,702</u>	<u>866,993</u>

## Notes

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### 15. Cash Flow Statement

	2010	2009
	<u>\$</u>	<u>\$</u>
<i>Reconciliation of cash</i>		
Cash assets	1,081,692	788,474
	<u>1,081,692</u>	<u>788,474</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.

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

Directors shareholdings	2010	2009
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

A Contract of Sale has been entered into for the purchase of land at 3 Kennedy Street, Longwarry, on which a deposit of \$6,500 has been paid. The balance outstanding of \$58,500 is due on 13th July 2010.

There were no other 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 on the Bendigo Stock Exchange. All Share Trading requires Board approval.

The registered office is: 26 Main Street  
Pakenham Vic 3810

The principal place of business is: 42 Main Street  
Drouin Vic 3818

## Notes

<b>21. Dividends paid or provided for on ordinary shares</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Dividends proposed and recognised as a liability</b>		
Franked dividends - .14 cents per share (2009: .12 cents)	86,205	73,890
<b>(b) Dividends paid during the year</b>		
Previous year final		
Franked dividends - .12 cents per share (2008: .12 cents per share)	73,890	73,890
<b>(d) Franking credit balance</b>		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	310,899	241,256
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	123,199	(6,772)
- Franking debits that will arise from the payment of dividends as at the end of the financial year	36,945	31,667
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	176	247
- Franking credits that the entity may be prevented from distributing in the subsequent year	<u>-</u>	<u>-</u>

The tax rate at which dividends have been franked is 30% (2009: 30%).  
Dividends proposed will be franked at a rate of 30% (2009: 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	<u>297,914</u>	<u>175,890</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>615,750</u>	<u>615,750</u>



## 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>2010</u>	<u>2009</u>
	<u>€</u>	<u>€</u>
Cash assets	1,081,692	788,474
Receivables	106,160	99,000
	<u>1,187,852</u>	<u>887,474</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 (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

### (b) Liquidity risk

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

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

## Notes

### 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
	\$	\$	\$	\$	\$
<b>30 June 2010</b>					
Payables	59,793	(59,793)	(59,793)	-	-
Interest bearing liabilities				-	-
	<u>59,793</u>	<u>(59,793)</u>	<u>(59,793)</u>	<u>-</u>	<u>-</u>
<b>30 June 2009</b>					
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>

#### (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.

## 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 2010 can be seen in the Income Statement.

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

# Directors Declaration

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In accordance with a resolution of the directors of 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 2010 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 2010.



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Bruno Persico, Chairman

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Terrence Williamson

Signed at Drouin on the 28th of September 2010

# 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 30<sup>th</sup> June 2010 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 30<sup>th</sup> June 2010 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..... *JS* ..... Dated: *28.09.10* .....

Julius Sommers  
Registered Company Auditor 9092  
Firm: Julius Sommers Pty Ltd  
86 Longview Road  
North Balwyn Vic 3104  
Telephone: 03 9859 6955





