Drouin & District
Community Bank® Branch Bendigo Bank

Annual Report

2011-2012

Financial Statements as at 30th June 2012

DROUIN & DISTRICT
COMMUNITY FINANCIAL SERVICES LTD
30 June 2012

ABN: 37 096 687 240

Contents

Chairman's Report

On behalf of the Drouin & District Community Financial Services Ltd, I am pleased to present the 11th Annual Report.

The results this year have been excellent and above the expectations set in the original budget for the company. The trading environment did not improve globally for the year so in that context the result of our company in Drouin is particularly pleasing to the Board.

Gross core income improved by $92,834 for the year taking the total income from the business to $1,571 million and the profit declared, prior to the contribution to the Community EnterpriseTM Foundation of $741,387.

The expenses continued to be a challenge, as it is for all of us in our daily lives, but the company has been happy with the staff and sub committees diligence in keeping expenses down wherever possible without compromising the workings of the business.

The profit declared and the continued increase in the balances under management is a sound result for the company and one that the Board is proud to present.

Dividends for the previous years are highlighted in the table below and the board has considered the matter of this year's dividend and are pleased to announce a fully franked dividend of 0.18c per share. This is a slight increase on the previous year. The dividend will be payable to those who hold shares at the close of business on the 28 February 2013.

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
2009/2010	14	86205	86205
2010/2011	17	104677	104677

During this year the Board created a position of Associate Director with the intent of giving younger members of the community the opportunity to see how a Community Bank® Board works and to assist with ongoing succession planning. It our hope that a new candidate will be found each year and in that way a pool of prospective Directors may become available in the future. This year's candidate was Matt Middel and he commenced with us early in 2012. It is likely that Matt will continue in the position until 2013 as he has not been able to fulfil a full year with us.

The Board has authorised two expansion projects during the year to cater for the future growth of the business model. We purchased premises in Drouin's main street and have fitted out offices for our company staff as well as a Board/meeting room. This has proved most valuable as in the past we relied on the old shire offices and needed to arrange all meetings in advance to ensure we were able to operate from their site. This is no longer the case and the day to day operation of the company has been greatly enhanced.

The second project was the purchase of vacant land in Longwarry. This was to enable the company to have a future site for a branch/sub branch when and if the need arises. Purchase of the land in a prime position in the Main street was seen as good commercial practice. At this stage the Board are looking to obtain a planning permit for the site so that we can go forward on the site at short notice.

Our community commitment has remained strong this year and we have entered into a new project with the West Gippsland Health Care Group to provide state of the art surgical equipment for the local hospital. This is at a cost of $200,000 and will be paid for over the next 4 years. Other alliances have continued and we have given back over $2 million since we began operating in 2002.

We have now operated in Drouin & the District for the past ten years and the company has grown to one of substance with over $180 million under management. It continues to grow each year and the number of customers that have come to our Community Bank® branch exceeds 5,000.

As in the previous years I would like to thank my fellow Directors for their continued support, their hard work and dedication. Also, to our Manager Chris Harrison and his staff, thank you for another solid year of results.

Your Directors have again set a budget that will see the company continue to grow in what is expected to be a challenging year.

Yours Faithfully,

Bruno Persico
Chairman

Branch Manager's Report

This financial year, although difficult, was one of highlights for the branch. The budget set was on the high side and yet the results were outstanding. We continued to increase both our deposit and lending base and exceeded the budget expectations in both areas. Our growth was measured in excess of 165% of the budget on both the deposit and lending side of the branch ledger.

Our funds under management reached $180 million in the last month of the financial year and this was on the back of an increase of $14.9 million for 2011/2012.

This placed us in the top branches for growth percentage in Gippsland and was welcomed by both Bendigo and Adelaide Bank and the Board. This continued increase in growth has a direct effect on the amount of profit we generate and the level of commitment we can return to the Drouin Community.

The measurement on which we gauge our success grew for the 12 months and this is testament to the staff and their application to making the business as strong and viable as possible. Customer numbers continued to grow and we continue to do more business with each client. This is a critical area for the business as the pressure mounts for the custom of the Drouin Community members between banks particularly for on shore deposits.

Our staff levels have remained the same and the staff personnel has not changed. Each member has undertaken further training to ensure that they are all equipped to be able to meet the requirements of the clients and to ensure that we are able to meet all their needs despite who is present, and who is not, on any given day.

The staff have been involved in our community giving and the various charity supports we have undertaken. They are looking forward to some new challenges in the next year around this and the technical changes that Bendigo & Adelaide Bank are implementing to make the customer experience within their branches even more professional.

I would personally like to thank them for their effort and the support they always give to me as the Manager and the business as their employer. They go about their business with little fuss but are the core to our business and its continued success.

On behalf of the staff I would also like to thank Bruno and his fellow Directors for their support and assistance to enable the branch to run smoothly.

Going forward we recognise that the year ahead will not be without its challenges, particularly around on shore deposit gathering, but we have set ourselves a strong budget and strong personal goals that I am sure we will reach and, in reaching them, be able to come back next year with an equally impressive result.

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 2012.

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
Community Worker

Mr Kim David Rees
Director
Developer

Mr Christopher Arnup
Director
Builder

Mr Terrence Williamson
Director
Estate Agent/Farmer

Mr Rodney Bruce Dunlop
Director
Development Consultant

Mrs Deborah Mary Brown
Director
Transport owner/Community engagement worker

Mr Matthew Ryan Middel
Associate Director - Appointed 27th March 2012
Restaurant Owner - Non Voting Capacity

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 $412,892 (2011: $384,024).

	Year ended 30 June 2012	
Dividends	**Cents per share**	**$'000**
Final dividends recommended:	0.18	110,835
Dividends paid in the year:		
- Interim for the year	Nil	Nil
- As recommended in the prior year report	0.17	104,677

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 $16,666 paid to Drouin Joinery and Builders Supplies, owned by Chris & Lyn Arnup, for building renovations to the Corporate Office.
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	8
Mr Kim David Rees	11
Mr Christopher Arnup	11
Mr Terrence Williamson	10
Mr Rodney Bruce Dunlop	10
Ms Deborah Brown	9
Mr Matthew Middel	4

Company Secretary

Bruno Persico is the Company Secretary of Drouin & District Community Financial Services and has been since 18/02/2010.

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, Terry Williamson and Deborah Brown.
(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

Income Statement

	Notes	2012 $	2011 $
Revenue from ordinary activities	2	1,571,085	1,467,943
Employee benefits expense	3	(422,224)	(377,187)
Charitable donations and sponsorship		(391,527)	(386,107)
Depreciation and amortisation expense	3	(42,499)	(35,468)
Finance costs	3	(-)	(-)
Other expenses from ordinary activities		(127,993)	(123,177)
Profit/(loss) before income tax expense		586,842	546,004
Income tax expense	4	(173,950)	(161,980)
Profit/(loss) after income tax expense		412,892	384,024
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	67.05	62.36
- diluted for profit / (loss) for the year	22	67.05	62.36
- dividends paid per share	21	18.00	17.00

Income Statement

	2012 $	2011 $
Income		
Commissions	1,496,383	1,403,549
Dividends Public Companies	647	604
Interest Received	74,055	63,790
	1,571,085	1,467,943
Total Income		
Accountancy	5,000	5,000
Advertising & Promotion	16,921	19,911
Amortisation - Intangibles	10,001	10,000
ASIC Compliance Costs	1,069	1,029
Auditors Remuneration	2,400	2,400
Bank Charges	167	401
Business Plan	1,100	-
Catering	1,654	223
Cleaning	9,462	9,210
Conferences	2,710	955
Credit Check	2,006	2,024
Depreciation	26,035	19,005
Capital Works deduction	6,463	6,463
Gas	1,499	713
Flowers	166	-
Fringe Benefits Tax	8,755	6,106
Insurance	9,666	5,596
Land Tax	1,321	-
Legal Costs	2,763	360
Loss on Sale of Fixed Asset	-	4,346
Motor Vehicle Expenses	9,482	8,921
Plant purchased under $300	4,291	850
P.O. Box Rental	85	83
Printing & Stationery	3,672	1,385
Promotions	13,761	12,041
Rates	5,430	3,636
Referral Fee	350	350
Rent	9,936	3,670
Repairs & Maintenance	3,638	5,708
Shareholders Dinner	-	12,927
Share Registry Compliance	2,846	5,202
Sponsorship	236,982	199,743
Staff Expenses	5,420	6,908
Staff Training	1,467	-
Subscriptions	30	50
Superannuation	70,646	43,679
Telephone	5,837	5,518
Title Searches etc.	2,864	3,175
Valuation Fees	400	100
Wages	341,625	326,334
Water (Staff & Patrons)	580	485
Workcover	1,198	1,068
Total Expenses	829,698	735,575

The accompanying notes form part of these financial statements

Income Statement

	2012 $	2011 $
Operating Profit	741,387	732,368
Non-Operating Income & Expenses		
Non Operating Expenses		
Community Enterprise Foundation	154,545	186,364
Operating Profit Before Income Tax	586,842	546,004

The accompanying notes form part of these financial statements

Balance Sheet

	Notes	2012 $	2011 $
Current Assets			
Cash assets	6	1,354,624	1,380,364
Receivables	7	125,917	114,174
Total Current Assets		1,480,541	1,494,538
Non-Current Assets			
Financial assets	8	11,700	11,247
Property, plant and equipment	9	1,120,323	861,844
Intangible assets	10	48,333	8,334
Other assets	11	260	260
Total Non-Current Assets		1,180,616	881,685
Total Assets		2,661,157	2,376,223
Current Liabilities			
Trade and other payables	12	103,783	96,305
Provisions	12	110,835	104,677
Tax liabilities	4	5,683	36,442
Total Current Liabilities		220,301	237,424
Non-Current Liabilities			
		-	-
Total Non-Current Liabilities		-	-
Total Liabilities		220,301	237,424
Net Assets		2,440,856	2,138,799
Equity			
Issued capital	13	615,750	615,750
Retained earnings	14	1,825,106	1,523,049
Total Equity		2,440,856	2,138,799

The accompanying notes form part of these financial statements

Cash Flow Statement

	Notes	2012 $	2011 $
Cash Flows From Operating Activities			
Receipts from customers		1,484,640	1,395,535
Payments to suppliers and employees		(821,634)	(698,637)
Dividends received		647	605
Interest received		74,055	63,790
Community Enterprise Foundation		(154,545)	(186,364)
Income taxes paid		(204,710)	(140,756)
Net cash flows from/(used in) operating activities		378,453	434,173
Cash Flows From Investing Activities			
Proceeds			
Less provision for capital works deduction		6,463	6,463
Less provision for depreciation		26,035	23,351
Less Provision for Amortisation		10,001	10,000
Payments			
Land - Longwarry		(1,906)	(62,455)
Building - 7/35-37 Main Street, Drouin		(243,751)	-
Motor vehicles - at costs		-	(25,131)
Furniture & Fittings - At Cost		(45,320)	(672)
Shares - Bendigo Bank Ltd At Cost		(453)	(423)
Franchise Fee		(50,000)	-
Net cash flows from/(used in) investing activities		(298,931)	(48,867)
Cash Flows From Financing Activities			
Receipts			
GST on supplies		-	-
Payments			
GST on supplies		(585)	(429)
Ordinary Dividend Paid		(104,677)	(86,205)
Net cash flows from/(used in) financing activities		(105,262)	(86,634)
Net increase/(decrease) in cash held		(25,740)	298,672
Cash at the beginning of the year		1,380,364	1,081,692
Closing cash carried forward	15	1,354,624	1,380,364

The accompanying notes form part of these financial statements

Statement of Equity

	2012 $	2011 $
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	615,750	615,750
RETAINED EARNINGS / (ACCUMULATED LOSSES)		
Balance at start of year	1,523,049	1,078,702
Profit/(loss) after income tax expense	412,892	384,024
Asset Revaluation Reserve 30.06.11 42 Main Street, Drouin	-	165,000
Less Ordinary Dividend proposed	(110,835)	(104,677)
Balance at end of year	1,825,106	1,523,049

The accompanying notes form part of these financial statements

Notes

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 25th September 2012.

(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 2011 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

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

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

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.

The Board approved a commitment of $225,000 in partnership with the Baw Baw Shire for the upgrade of the Drouin Recreation Reserve in 2010. 3 instalments have been paid to date totalling $200,000. The balance of $25,000 will be paid in 2013.
During the 2011/12 financial year the Board also entered into a partnership with the West Gippsland Healthcare Group for $198,000. 2 instalments have been paid and the residual is payable in equal instalments of $39,600 over the next 3 financial years.

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	**2012** **$**	**2011** **$**
Operating activities		
- services commissions	1,496,383	1,403,549
Total revenue from operating activities	1,496,383	1,403,549
Non-operating activities:		
- interest received	74,055	63,789
- dividends received	647	605
Total revenue from non-operating activities	74,702	64,394
Total revenue from ordinary activities	1,571,085	1,467,943

Notes

3. Expenses

	2012	2011
	$	$
Employee benefits expense		
- wages and salaries	341,625	326,334
- superannuation costs	70,646	43,679
- post-employment benefits (other than superannuation)	8,755	6,106
- workers' compensation costs	1,198	1,068
	422,224	377,187
Depreciation of non-current assets:		
- plant and equipment	26,035	19,005
- buildings (capital works deduction)	6,463	6,463
Amortisation of non-current assets:		
- Franchise fee	10,001	10,000
	42,499	35,468
Finance Costs:		
- Interest paid	-	-
	-	-

4. Tax Liabilities

The prima facie tax on profit before income tax
is reconciled to the income tax expense as follows:

	2012	2011
Prima facie tax on profit before income tax at 30%	173,950	161,980
Add tax effect of:		
- Non-deductible expenses	-	-
Add/subtract adjustments	-	-
Income Tax expense	173,950	161,980
Less Income Tax Instalments paid	168,267	125,538
Tax Payable	5,683	36,442

Notes

5. Auditors' Remuneration

	2012 $	2011 $
Amounts received or due and receivable by Julius Sommers, for:		
- Audit or review of the financial report of the Company	2,400	2,400
	2,400	2,400

6. Cash Assets

Cash at bank and on hand	1,354,313	1,380,041
Petty Cash	117	142
Imputation credit	194	181
	1,354,624	1,380,364

7. Receivables

Accounts Receivable	125,917	114,174
	125,917	114,174

8. Financial Assets

Shares - Bendigo & Adelaide Bank Ltd	11,700	11,247
	11,700	11,247

9. Property, Plant and Equipment

Land &Buildings		
At cost - 42 Main Street, Drouin	258,535	258,535
Asset Revaluation Reserve 07.02.07	316,465	316,465
Asset Revaluation Reserve 30.06.11	165,000	165,000
Less accumulated depreciation	(63,623)	(57,160)
Building - 7/35-37 Main Street, Drouin	243,751	-
Land - Kennedy Street, Longwarry	70,861	68,955
	990,989	751,795
Plant and equipment		
At cost	206,493	161,173
Less accumulated depreciation	(118,139)	(101,561)
	88,354	59,612
Motor Vehicles		
At cost	85,080	85,080
Less accumulated depreciation	(44,100)	(34,643)
	40,980	50,437
Total written down amount	1,120,323	861,844

Notes

10. Intangible Assets	2012 $	2011 $
Franchise Fee		
At cost	50,000	50,000
Less accumulated amortisation	(1,667)	(41,666)
	48,333	8,334

11. Other Assets		
Security Deposit - Colliers Jardine	260	260
	260	260

12. Trade & Other Payables		
Accounts Payable	2,399	2,562
Wages Tax Liability	12,762	8,557
Company Tax Instalment	72,270	70,900
Fringe Benefits Tax	5,574	2,924
Dividends held	228	228
Accrued Expenses	4,900	4,900
GST Payable	5,650	6,234
	103,783	96,305

Provisions		
Provision for dividend	110,835	104,677

13. Share Capital

615,750 Ordinary Shares fully paid of $1 each	615,750	615,750

14. Retained Earnings / (Accumulated Losses)

Balance at the beginning of the financial year	1,523,049	1,078,702
Profit/(loss) after income tax	412,892	384,024
Asset Revaluation Reserve 30.06.11 42 Main Street, Drouin	-	165,000
Dividends	(110,835)	(104,677)
Balance at the end of the financial year	1,825,106	1,523,049

Notes

15. Cash Flow Statement

	2012 $	2011 $
Reconciliation of cash		
Cash assets	1,354,624	1,380,364
Bank overdraft	-	-
	1,354,624	1,380,364

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 Rodney Bruce Dunlop
Mr Terrence Williamson
Mrs Deborah Brown
Mr Matthew Middel (Associate Director) (Appointed 27th March 2012)

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

Directors shareholdings	2012	2011
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 Terrence Williamson	500	500
Mr Rodney Bruce Dunlop	200	200
Mrs Deborah Brown	-	-
Mr Terrence Williamson A/T/F Lowlands Superannuation Fund	5,000	-
Mr Matthew Middel	-	-

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 were 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
The company corporate office is:	7/35-37 Main Street Drouin Vic 3818

Notes

21. Dividends paid or provided for on ordinary shares	2012 $	2011 $
(a) Dividends proposed and recognised as a liability		
Franked dividends - .18 cents per share (2011: .17 cents)	110,835	104,677
(b) Dividends paid during the year		
Previous year final		
Franked dividends - .17 cents per share (2010: .14 cents per share)	104,677	86,205
(d) 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	574,631	414,769
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	173,950	161,980
- Franking debits that will arise from the payment of dividends as at the end of the financial year	47,500	44,862
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	194	181
- 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% (2011: 30%).
Dividends proposed will be franked at a rate of 30% (2011: 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:

	2012	2011
Profit/(loss) after income tax expense	412,892	384,024
Weighted average number of ordinary shares for basic and diluted earnings per share	615,750	615,750

Notes

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:

	Carrying Amount	
	2012	2011
	$	$
Cash assets	1,354,624	1,380,364
Receivables	125,917	114,174
	1,480,541	1,494,538

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 (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 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.

30 June 2012	Carrying amount $	Contractual cash flows $	1 year or less $	over 1 to 5 years $	more than 5 years $
Payables	103,783	103,783	103,783	-	-
Interest bearing liabilities	-	-	-	-	-
	103,783	103,783	103,783	-	-
30 June 2011					
Payables	96,305	96,305	96,305	-	-
Interest bearing liabilities	-	-	-	-	-
	96,305	96,305	96,305	-	-

(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

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 2012 can be seen in the Income Statement.

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

Directors' Declaration

In accordance with a resolution of the directors of Drouin & District Community Financial Services Limited, We 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 2012 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 2012.

Bruno Persico, Chairman

Terrence Williamson

Signed at Drouin on the 25th day of September 2012.

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 2012 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 and 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 2012 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........J Sommers........ Dated: 19th October 2012

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

Independent Audit Report

DROUIN & DISTRICT COMMUNITY FINANCIAL SERVICES LTD
ABN 37 096 687 240

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 2012 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 19th October 2012

Auditor: Julius Sommers
Registered Company Auditor 9092

Address: P O Box 37 Doncaster Vic 3108

Signature:

DROUIN & DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED ACN: 096 687 240
42 Princess Way, Drouin, VIC 3818. Phone (03) 5625 4544