

Drouin & District

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



# Annual Report

## 2012-2013

Financial Statements as at 30 June 2013



**DROUIN & DISTRICT  
COMMUNITY FINANCIAL SERVICES LTD  
30 June 2013**

ABN: 37 096 687 240

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## CHAIRMAN'S REPORT

On behalf of Drouin & District Community Financial Services Limited, I am pleased to present the 12th Annual Report.

The results this year have been within the expectations given the difficult environment in which financial institutions are working at the present time. Uncertainty, along with competition for on shore deposits, has made it a difficult year in which to grow the business. The budget set by our Board was challenging and the results achieved were pleasing even though we did not quite meet the full budgeted growth.

Our income position decreased for the year by 2% or \$32534. There has been an adjustment to the method of income assessing initiated by Bendigo and Adelaide Bank Limited and this has resulted in a reduction in some income streams. This is likely to continue to impact in the next financial year and we are working with Bendigo and Adelaide Bank Limited and their staff on ways to counter this reduction. At this stage we do not envisage that our community contributions or the dividend paid to shareholders will be greatly affected.

The end profit result, the continued increase in the community contributions and the growth in balances under management, still point to a sound business model and your Board is confident in the business going forward.

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 represents the same return as last year and is considered a conservative approach to changed times and business challenges. The dividend will be paid to those who hold shares at the close of business on the 28 February 2014.

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
2011/2012	18	110835	110835

It was mentioned in the last Annual Report that vacant land had been purchased in Longwarry in anticipation of expanding our footprint in that area. This has now proceeded, to the point where tenders will be sought in the next financial year for the construction of a building on that land. We have had some preliminary discussions with Bendigo and Adelaide Bank Limited around appointing an agent for our business and having them placed in this building. This will enable us to give Longwarry and District access to branch banking without the need to come to Drouin. We are also hopeful that the agent appointed will bring a new and different business to the Longwarry area and assist that community to grow.

This year our community commitments have been maintained without entering into any new large projects or partnerships. We have continued to support Lyrebird Village for the Aged and have agreed to a special payment of \$25,000 to enable the Village to complete a meeting courtyard for the residents and visitors in their new wing. This money will be paid in conjunction with the Community Enterprise Foundation™.

Our contributions have now exceeded \$2.75 million and have proved to be a major source of improving the Drouin community.

As in previous years, I would like to thank our Branch Manager, Chris Harrison, and the branch team for their continued contribution to the success of our company. Also, to my fellow Directors and the company staff, who have all contributed to our successful year and have given me support during the year.

The Board recognises that the next 12 months will again be against a background of difficult trading times, but we have set a budget that we believe is realistic and achievable. The budget will also see the company continue to grow and meet the expectations of all stakeholders.



Bruno Persico  
Chairman

## BRANCH MANAGER'S REPORT

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Our results this year reflect the difficult financial climate in which we are currently operating. We operated under a strong budget and, although the branch failed to make the final result, we were happy with the result of 99.4% of the budget.

Several factors contributed to this, including the reduction in interest rates, the competition from the major banks in Australia for on shore deposits and, from a local perspective, the reduction in demand for housing loans. This was across the board in Victoria, but, as a major growth centre, we feel it more than most.

Our funds under management did grow during the year and we now have \$189 million of funds under management, with growth this year of \$8 million. Income levels also were down a little, but we are working with Bendigo and Adelaide Bank Limited on ways that this income can be increased when lending reductions like this year occur.

On the upside, the branch expenses were less than expected against the budgets set and these expense items are continually looked at to assist with the profit declarations at the end of the year.

Based on the measures used to gauge the activity of the branch, we met the guidelines set by Bendigo and Adelaide Bank Limited in most areas and this sets us in good stead to maximise our growth once the tables turn and housing gains momentum.

From a staffing perspective, we have again had a stable year and the members of staff have continued to carry out their duties in a professional and diligent manner. They have involved themselves personally and as a group, in many activities that benefit our community. I commend them for the work that they have undertaken voluntarily. I would like to thank them for the support they have given me, as well as the Board, during the year and for covering positions at short notice when the need arose.

On behalf of the staff and myself, I would like to thank the Board and, in particular Bruno, for all their support and confidence in us to run the banking business operations without interference.

Going forward, the Board have set us a challenge to maintain the level of growth for the next 12 months and to increase the income streams to maximise the return for the company. For our part we have accepted the challenge and look forward to a strong result and a profitable year for 2013/14.



Chris Harrison  
Branch Manager  
Drouin & District Community Bank®  
Bendigo & Adelaide Bank

# Directors' Report

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Your Directors submit their report of the Company for the financial year ended 30 June 2013.

## 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	Mrs Lynette Arnup
Chairman	Treasurer
Property Owner	Bookkeeper
	Resigned 15th November 2012
Mr Kenneth Roberts	Mr Kim David Rees
Director	Director
Community Worker	Developer
Resigned 15th November 2012	
Mr Christopher Arnup	Mr Terrence Williamson
Director	Director
Builder	Estate Agent/Farmer
Mr Rodney Bruce Dunlop	Mrs Deborah Mary Brown
Director	Director
Development Consultant	Transport owner/Community engagement worker
Mr Matthew Ryan Middel	
Director - Appointed 30th April 2013	
Restaurant Owner	

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 \$408,880 (2012: \$412,892).

	Year ended 30 June 2013	
Dividends	Cents per share	\$'000
Final dividends recommended:-		
Ordinary	0.18	110,835
Special	0.05	30,787
Dividends paid in the year:		
- Interim for the year	Nil	Nil
- As recommended in the prior year report	0.18	110,835

## 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

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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.

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
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#### Number of meetings attended:

Mr Bruno Persico	11
Mrs Lynette Arnup	4
Mr Kenneth Roberts	2
Mr Kim David Rees	11
Mr Christopher Arnup	10
Mr Terrence Williamson	10
Mr Rodney Bruce Dunlop	10
Ms Deborah Brown	10
Mr Matthew Middel	8

### Company Secretary

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



## Directors' Report

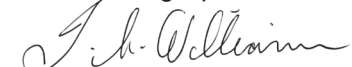
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### Corporate governance

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, Terrence Williamson & 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.

Signed:   
B. Persico

  
T. Williamson

## Auditor's Independence Declaration

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**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 2013 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 18<sup>th</sup> October 2013

Auditor: Julius Sommers  
Registered Company Auditor 9092

Address: P O Box 37 Doncaster Vic 3108

Signature: 



## Income Statement

	<u>Notes</u>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
Revenue from ordinary activities	2	1,538,551	1,571,085
Employee benefits expense	3	(447,226)	(422,224)
Charitable donations and sponsorship		(345,311)	(391,527)
Depreciation and amortisation expense	3	(44,315)	(42,499)
Finance costs	3	(-)	(-)
Other expenses from ordinary activities		<u>(111,123)</u>	<u>(127,993)</u>
<b>Profit/(loss) before income tax expense</b>		590,576	586,842
Income tax expense	4	<u>(181,696)</u>	<u>(173,950)</u>
<b>Profit/(loss) after income tax expense</b>		<u><u>408,880</u></u>	<u><u>412,892</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit / (loss) for the year	22	66.40	67.05
- diluted for profit / (loss) for the year	22	66.40	67.05
- dividends paid per share	21	23.00	18.00

## Income Statement

	2013	2012
	\$	\$
<b>Income</b>		
Commissions	1,470,215	1,496,383
Dividends Public Companies	699	647
Interest Received	<u>67,637</u>	<u>74,055</u>
<b>Total Income</b>	1,538,551	1,571,085
Accountancy	5,000	5,000
Advertising & Promotion	16,185	16,921
Amortisation - Intangibles	10,000	10,001
ASIC Compliance Costs	1,086	1,069
Auditors Remuneration	2,400	2,400
Bank Charges	659	167
Body Corporate	1,557	-
Business Plan	-	1,100
Catering	1,768	1,654
Cleaning	9,445	9,462
Conferences	1,021	2,710
Credit Check	1,911	2,006
Depreciation	27,852	26,035
Capital Works deduction	6,463	6,463
Directors Parting Gifts	595	-
Gas / Electricity	1,431	1,499
Flowers	60	166
Fringe Benefits Tax	7,550	8,755
Hire of Venue	75	-
Insurance	9,156	9,666
Interest	2	-
Land Tax	750	1,321
Legal Costs	764	2,763
Loss on Sale of Fixed Asset	6,257	-
Motor Vehicle Expenses	8,470	9,482
Plant purchased under \$300	899	4,291
P.O. Box Rental	95	85
Printing & Stationery	3,994	3,672
Promotions	13,441	13,761
Rates	5,654	5,430
Referral Fee	-	350
Rent	-	9,936
Repairs & Maintenance	2,878	3,638
Share Registry Compliance	2,992	2,846
Sponsorship	135,311	236,982
Staff Expenses	2,810	5,420
Staff Training	-	1,467
Subscriptions	15	30
Superannuation	38,921	70,646
Telephone	5,714	5,837
Title Searches etc.	3,246	2,864
Valuation Fees	466	400
Wages	399,621	341,625
Water (Staff & Patrons)	327	580
Workcover	<u>1,134</u>	<u>1,198</u>
<b>Total Expenses</b>	<u>737,975</u>	<u>829,698</u>

The accompanying notes form part of these financial statements

## Income Statement

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	2013 \$	2012 \$
<b>Operating Profit</b>	800,576	741,387
<b>Non-Operating Income &amp; Expenses</b>		
<b>Non Operating Expenses</b>		
Community Enterprise Foundation	210,000	154,545
<b>Operating Profit Before Income Tax</b>	590,576	586,842

The accompanying notes form part of these financial statements

## Balance Sheet

	<u>Notes</u>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
<b>Current Assets</b>			
Cash assets	6	1,684,657	1,354,624
Receivables	7	116,633	125,917
<b>Total Current Assets</b>		<u>1,801,290</u>	<u>1,480,541</u>
<b>Non-Current Assets</b>			
Financial assets	8	12,190	11,700
Property, plant and equipment	9	1,115,837	1,120,323
Intangible assets	10	38,333	48,333
Other assets	11	260	260
<b>Total Non-Current Assets</b>		<u>1,166,620</u>	<u>1,180,616</u>
<b>Total Assets</b>		2,967,910	2,661,157
<b>Current Liabilities</b>			
Trade and other payables	12	120,657	103,783
Provisions	12	141,622	110,835
Tax liabilities	4	(2,483)	5,683
<b>Total Current Liabilities</b>		<u>259,796</u>	<u>220,301</u>
<b>Non-Current Liabilities</b>			
		-	-
<b>Total Non-Current Liabilities</b>		<u>-</u>	<u>-</u>
<b>Total Liabilities</b>		<u>259,796</u>	<u>220,301</u>
<b>Net Assets</b>		<u>2,708,114</u>	<u>2,440,856</u>
<b>Equity</b>			
Issued capital	13	615,750	615,750
Retained earnings	14	2,092,364	1,825,106
<b>Total Equity</b>		<u>2,708,114</u>	<u>2,440,856</u>

The accompanying notes form part of these financial statements

## Cash Flow Statement

	<u>Notes</u>	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		1,479,498	1,484,640
Payments to suppliers and employees		(741,577)	(821,634)
Dividends received		700	647
Interest received		67,637	74,055
Interest paid		(3)	-
Community Enterprise Foundation		(210,000)	(154,545)
Income taxes paid		(189,862)	(204,710)
<b>Net cash flows from/(used in) operating activities</b>		<b>406,393</b>	<b>378,453</b>
<b>Cash Flows From Investing Activities</b>			
<b>Proceeds</b>			
Less provision for capital works deduction		6,463	6,463
Less provision for depreciation		27,852	26,035
Less Provision for Amortisation		10,000	10,001
<b>Payments</b>			
Land - Longwarry		(3,032)	(1,906)
Building - 7/35-37 Princes Way, Drouin		-	(243,751)
Motor vehicles - at costs		(9,775)	-
Furniture & Fittings - At Cost		(17,022)	(45,320)
Shares - Bendigo & Adelaide Bank Limited At Cost		(489)	(453)
Franchise Fee		-	(50,000)
<b>Net cash flows from/(used in) investing activities</b>		<b>13,997</b>	<b>(298,931)</b>
<b>Cash Flows From Financing Activities</b>			
<b>Receipts</b>			
GST on supplies		20,478	-
<b>Payments</b>			
GST on supplies		-	(585)
Ordinary Dividend Paid		(110,835)	(104,677)
<b>Net cash provided by financing activities</b>		<b>(90,357)</b>	<b>(105,262)</b>
<b>Net increase/(decrease) in cash held</b>		<b>330,033</b>	<b>(25,740)</b>
Cash at the beginning of the year	15	1,354,624	1,380,364
<b>Closing cash carried forward</b>		<b>1,684,657</b>	<b>1,354,624</b>

The accompanying notes form part of these financial statements

## Changes in Equity

	2013 \$	2012 \$
<b>SHARE CAPITAL</b>		
<i>Ordinary shares</i>		
Balance at start of year	615,750	615,750
Issue of share capital		
Share issue costs	-	-
<b>Balance at end of year</b>	<u>615,750</u>	<u>615,750</u>
<b>RETAINED EARNINGS / (ACCUMULATED LOSSES)</b>		
Balance at start of year	1,825,106	1,523,049
Profit/(loss) after income tax expense	408,881	412,892
Asset Revaluation Reserve 30.06.11	-	-
42 Princes Way, Drouin		
Less Ordinary Dividend proposed	(141,623)	(110,835)
<b>Balance at end of year</b>	<u>2,092,364</u>	<u>1,825,106</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 24th September 2013.

### (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 2012 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

## 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. The final instalment of \$25,000 has been paid this year. During the 2011/12 financial year the Board also entered into a partnership with the West Gippsland Healthcare Group for \$198,000. 3 instalments have been paid and the residual is payable in equal instalments of \$39,600 over the next 2 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

	2013 \$	2012 \$
Operating activities		
- services commissions	1,470,215	1,496,383
Total revenue from operating activities	<u>1,470,215</u>	<u>1,496,383</u>
Non-operating activities:		
- interest received	67,637	74,055
- dividends received	699	647
Total revenue from non-operating activities	<u>68,336</u>	<u>74,702</u>
Total revenue from ordinary activities	<u>1,538,551</u>	<u>1,571,085</u>

## Notes

<b>3. Expenses</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Employee benefits expense		
- wages and salaries	399,621	341,625
- superannuation costs	38,921	70,646
- post-employment benefits (other than superannuation)	7,550	8,755
- workers' compensation costs	1,134	1,198
	<u>447,226</u>	<u>422,224</u>
Depreciation of non-current assets:		
- plant and equipment	27,852	26,035
- buildings (capital works deduction)	6,463	6,463
Amortisation of non-current assets:		
- Franchise fee	10,000	10,001
	<u>44,315</u>	<u>42,499</u>
Finance Costs:		
- Interest paid	-	-
	<u>-</u>	<u>-</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%	181,696	173,950
Add tax effect of:		
- Non-deductible expenses	-	-
Add/subtract adjustments	-	-
Income Tax expense	<u>181,696</u>	<u>173,950</u>
Less Income Tax Instalments paid	<u>184,179</u>	<u>168,267</u>
<b>Tax Refundable/Payable</b>	<u>(2,483)</u>	<u>5,683</u>

# Notes

## 5. Auditors' Remuneration

Amounts received or due and receivable by Julius Sommers,  
for:

- Audit or review of the financial report of the Company

2013 \$	2012 \$
2,400	2,400
<u>2,400</u>	<u>2,400</u>

## 6. Cash Assets

Cash at bank and on hand

Petty Cash

Imputation credit

1,684,273	1,354,313
174	117
210	194
<u>1,684,657</u>	<u>1,354,624</u>

## 7. Receivables

Accounts Receivable

116,633	125,917
<u>116,633</u>	<u>125,917</u>

## 8. Financial Assets

Shares - Bendigo & Adelaide Bank Ltd

12,190	11,700
<u>12,190</u>	<u>11,700</u>

## 9. Property, Plant and Equipment

### *Land & Buildings*

At cost - 42 Princes Way, Drouin

Asset Revaluation Reserve 07.02.07

Asset Revaluation Reserve 30.06.11

Less accumulated depreciation

Building - 7/35-37 Princes Way, Drouin

Land - Kennedy Street, Longwarry

258,535	258,535
316,465	316,465
165,000	165,000
(70,086)	(63,623)
243,751	243,751
73,893	70,861
<u>987,558</u>	<u>990,989</u>

### *Plant and equipment*

At cost

Less accumulated depreciation

223,515	206,493
(134,920)	(118,139)
<u>88,595</u>	<u>88,354</u>

### *Motor Vehicles*

At cost

Less accumulated depreciation

94,855	85,080
(55,171)	(44,100)
<u>39,684</u>	<u>40,980</u>

Total written down amount

<u>1,115,837</u>	<u>1,120,323</u>
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## Notes

<b>10. Intangible Assets</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise Fee</i>		
At cost	50,000	50,000
Less accumulated amortisation	11,667	1,667
	<u>38,333</u>	<u>48,333</u>
<b>11. Other Assets</b>		
Security Deposit - Colliers Jardine	260	260
	<u>260</u>	<u>260</u>
<b>12. Trade &amp; Other Payables</b>		
Accounts Payable	10,259	2,399
Wages Tax Liability	10,240	12,762
Company Tax Instalment	55,551	72,270
Fringe Benefits Tax	4,371	5,574
Dividends held	228	228
Accrued Expenses	13,880	4,900
GST Payable	26,128	5,650
	<u>120,657</u>	<u>103,783</u>
<b>Provisions</b>		
Provision for dividend	<u>141,622</u>	<u>110,835</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	1,825,106	1,523,049
Profit/(loss) after income tax	408,880	412,892
Asset Revaluation Reserve 30.06.11	-	-
42 Princes Way, Drouin		
Dividends	<u>(141,622)</u>	<u>(110,835)</u>
Balance at the end of the financial year	<u>2,092,364</u>	<u>1,825,106</u>

## Notes

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### 15. Cash Flow Statement

	2013	2012
	\$	\$
<i>Reconciliation of cash</i>		
Cash assets	1,684,657	1,354,624
Bank overdraft	-	-
	<u>1,684,657</u>	<u>1,354,624</u>

### 16. Director and Related Party Disclosures

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

Mr Bruno Persico  
Mrs Lyn Arnup (Resigned 15th November 2012)  
Mr Kenneth Roberts (Resigned 15th November 2012)  
Mr Kim David Rees  
Mr Christopher Arnup  
Mr Rodney Bruce Dunlop  
Mr Terrence Williamson  
Mrs Deborah Brown  
Mr Matthew Middel (Appointed 30th April 2013)

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	2013	2012
Mr Bruno Persico	3,500	3,500
Mrs Lyn 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 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 Australian 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 Princes Way Drouin Vic 3818
The company corporate office is:	7/35-37 Princes Way Drouin Vic 3818

## Notes

<b>21. Dividends paid or provided for on ordinary shares</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Dividends proposed and recognised as a liability</b>		
Franked dividends - 0.18 cents per share (2012: .18 cents)	141,622	110,835
Special dividend - 0.05 cents per share		
<b>(b) Dividends paid during the year</b>		
Previous year final		
Franked dividends -.18 cents per share (2011: .17 cents per share)	110,835	104,677
<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	716,783	574,631
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	184,179	173,950
- Franking debits that will arise from the payment of dividends as at the end of the financial year	60,695	47,500
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	210	194
- 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% (2012: 30%).  
Dividends proposed will be franked at a rate of 30% (2012: 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>408,880</u>	<u>412,892</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:

	<b>Carrying Amount</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Cash assets	1,684,657	1,354,624
Receivables	116,633	125,917
	<u>1,801,290</u>	<u>1,480,541</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 (2012: 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 2013</b>					
Payables	120,657	120,657	120,657	-	-
Interest bearing liabilities	-	-	-	-	-
	<u>120,657</u>	<u>120,657</u>	<u>120,657</u>	<u>-</u>	<u>-</u>
<b>30 June 2012</b>					
Payables	103,783	103,783	103,783	-	-
Interest bearing liabilities	-	-	-	-	-
	<u>103,783</u>	<u>103,783</u>	<u>103,783</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.

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## 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 2013 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,  
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 2013 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 2013.



Bruno Persico, Chairman



Terrence Williamson

Signed at Drouin on the 24th day of September 2013.

# 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 2013 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

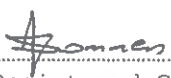
In my opinion, the financial report of the Drouin & District Community Financial Services Ltd are in accordance with:

(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 2013 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: 18<sup>th</sup> OCTOBER 2013  
Julius Sommers Registered Company Auditor 9092  
Firm: Julius Sommers Pty Ltd  
86 Longview Road  
North Balwyn Vic 3104  
Telephone: 03 9859 6955



