



# Annual Report

## 2014 –2015

**Drouin & District**  
Community Financial Services Ltd

ABN: 37 096 687 240



**DROUIN & DISTRICT  
COMMUNITY FINANCIAL SERVICES LTD  
30 June 2015**

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 14th Annual Report.

The results this year have been within the expectations given the difficult environment in which financial institutions are still working at the present time. The competition for on shore deposits has made it a difficult year in which to grow our business. The budget set by our Board was challenging with pleasing results.

This financial year ended on a pleasing note with net profits being similar to previous year, noting the one-off expenses in prior year that related to the branch refurbishment. Total funds under management is over \$200 million and this increase has been delivered to us by the hard working and professional management and staff team. In this tough financial market your Board and staff, along with our partners Bendigo and Adelaide Bank Ltd are working hard to continue the positive momentum. I am proud to announce that the Community contributions and shareholder dividends have been continued.

Dividends for the previous years are highlighted in the table below and the board this year have decided that a fully franked dividend of 0.18c per share will be paid. This represents the same return as last year. The dividend will be paid to those who hold shares at the close of business on the 28th February 2016.

Financial year	Cents per share	Dividend Declared	Dividend Paid
		\$	\$
2004/2005	3.5	21,552	21,552
2005/2006	6	36,945	36,945
2006/2007	11	67,733	67,733
2007/2008	12	73,890	73,890
2008/2009	12	73,890	73,890
2009/2010	14	86,205	86,205
2010/2011	17	104,677	104,677
2011/2012	18	110,835	110,835
2012/2013	18	110,835	110,835
2012/2013 (Special)	5	30,787	30,787
2013/2014	18	110,835	110,835

The Board has completed its proposed expansion into Longwarry for an agency of Bendigo and Adelaide Bank Ltd. Under the supervision of the Drouin & District Community Bank® Branch, the Board is pleased to announce that the current operator Karen McCormick Real Estate was appointed. Together with her fully trained staff, the Board is confident they will build the banking business for Longwarry and its surrounding community.

The upgrade of your Community Bank® branch in Drouin has been a great success. Customers now experience the latest technology and design in modern banking within Australia. The Board and staff would like to thank all our valued shareholders and customers for their continued support of the Drouin & District Community Bank® Branch.

As mentioned in the report, our community commitments have been maintained with major support in favour of Lyrebird Village for the Aged Inc and West Gippsland Hospital. The company contributions have now exceeded \$4 million to Drouin and its surrounding district. The Board is always open to suggestions and to explore ideas and projects that can benefit our local community.

I would like to take this opportunity to thank our Branch Manager, Craig Black for his efforts during his first full year along with implementing some major changes for the group. All the branch staff are to be acknowledged for their contribution to the success of our company, together with my fellow Directors and our partners Bendigo and Adelaide Bank Ltd.

The Board recognises that the next 12 months again appear to present challenging trading conditions. We believe the budget that has been set is realistic and achievable, meeting the expectation of all our shareholders.



Bruno Persico  
Chairman



## BRANCH MANAGER'S REPORT

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It is with pleasure that I present my report for the financial year ending 30 June 2015, on behalf of the Drouin & District Community Bank® Branch.

It was another successful year that despite the branch experiencing change, continued its growth in balance sheet by \$10.76 million.

The key driver for the branch growth was in customer deposits which is reflective of quality conversations with our customers. The branch also met all budgets relating to our extensive insurance product offerings, ensuring our customers wealth and assets are protected.

However borrowing clients took the opportunity of the historically low interest rate environment to reduce debt, over and above their contractual requirements. While that impacts the branch balance sheet, it is fantastic that customers are successfully achieving their personal financial goals.

Despite our balance sheet growing, (total funds under management now exceeding \$209 million) and the branch focus on fulfilling more of the financial needs of our customers, the resulting income generated has reduced. This was due to the slight shift in the product mix of our book and the differing income these segments generate. Expenses have returned to a more normalised level in the current year, as these were impacted in the 2014 year with "one-off" Drouin & District Community Bank Branch® refurbishment costs.

I thank the staff for their efforts and encourage their ongoing commitment to ensure our business continues to grow, remains profitable and customer service is at the highest levels. Some staff related items this year included Tania pursuing interstate living (enjoy the warmer weather!) with her family, Michelle joining us until beginning maternity leave with the safe arrival of Ella (congratulations to Michelle and Bruce).

The branch team has worked hard in assisting with the Longwarry Agency operation that commenced in August 2014. In conjunction with Karen McCormick Real Estate personnel and our branch team support, we all look forward to this becoming a rewarding venture and an important banking service for the Longwarry clientele.

On behalf of the staff, I would like to recognise and acknowledge our appreciation to the Chairman and Board of Directors who all work diligently in a volunteer capacity to ensure we have the resources and support for our daily operations.

The Company has again this year distributed significant funds to the local community through the Community Investment Applications and Annual Community Grant program. A cumulative total of over \$4 million has now been contributed to the local community thanks to the customers who chose to bank with the Drouin & District Community Bank® Branch.

As always we encourage all friends, family, local business, clubs and organisations along with their membership base to consider your current banking arrangements and whether you are able to support the bank that directly assists your local community. We look forward to another successful and rewarding year ahead.



Craig Black  
Branch Manager

# Directors' Report

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Your Directors submit their report of the Company for the financial year ended 30 June 2015.

## 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

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  
Director  
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 \$345,486 (2014: \$202,830).

Dividends	Year ended 30 June 2015	
	Cents per share	\$'000
Final dividends recommended:-		
Ordinary	0.18	110,835
Dividends paid in the year:		
- 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, except for,

- a.) Payments totalling \$37,245.01 made to Drouin Joinery & Builders Supplies for the fitout of the building at 5 Kennedy Street, Longwarry. Director Christopher Arnup is the business owner.
- b.) Payments totalling \$816.00 made to Ever Blume which supplies artificial flowers to the Branch on a regular basis. Director Matthew Middel is the business owner.

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.

### Remuneration Report

It is Board policy that the Directors of the company act in a voluntary capacity and receive no remuneration or other benefits for their services. The Board believes that the provision of services to the company by the Directors on a voluntary basis is consistent with the principles of **Community Bank**® model, including that the **Community Bank**® company established for the benefit of the broader community.

### 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' Report

## Directors meetings

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

<b>Number of regular meetings Held:</b>	11	<b>Number of special meetings held:</b>	4
<b>Number of meetings attended:</b>		<b>Number of meetings attended:</b>	
Mr Bruno Persico	10	Mr Bruce Persico	4
Mr Kim Rees	9	Mr Kim Rees	3
Mr Christopher Arnup	10	Mr Christopher Arnup	4
Mr Terrence Williamson	8	Mr Terrence Williamson	3
Mr Rodney Dunlop	10	Mr Rodney Dunlop	3
Ms Deborah Brown	11	Ms Deborah Brown	3
Mr Matthew Middel	10	Mr Matthew Middel	3

## Company Secretary

Bruno Persico resigned as Company Secretary of Drouin & District Community Financial Services Ltd on 25th November 2014.

Deborah Brown was appointed Company Secretary on 25th November 2014.

## 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

  
D. Brown



## Income Statement

	<u>Notes</u>	2015 \$	2014 \$
Revenue from ordinary activities	2	1,241,407	1,384,773
Employee benefits expense	3	(370,772)	(460,686)
Charitable donations and sponsorship		(164,631)	(231,837)
Depreciation and amortisation expense	3	(41,105)	(78,290)
Finance costs	3	-	-
Other expenses from ordinary activities		<u>(161,998)</u>	<u>(325,723)</u>
<b>Profit/(loss) before income tax expense</b>		502,901	288,237
Income tax expense	8	<u>157,415</u>	<u>85,407</u>
<b>Profit/(loss) after income tax expense</b>		<u><u>345,486</u></u>	<u><u>202,830</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit/(loss) for the year	22	56.10	32.94
- diluted for profit/(loss) for the year	22	56.10	32.94
- dividends paid per share	21	18.00	18.00

The accompanying notes form part of these financial statements

# Income Statement

	<u>Notes</u>	<b>2015</b> \$	<b>2014</b> \$
<b>Income</b>			
Gross Commissions & Fees		1,523,857	1,547,208
Less Profit Share Expenses		337,601	220,814
Net Commissions & Fees		1,186,256	1,326,394
Dividends Public Companies		867	771
Interest Received		45,473	57,608
Expense Reimbursement		1,284	-
Rents Received		7,527	-
<b>Total Income</b>	<b>2</b>	<b>1,241,407</b>	<b>1,384,773</b>
<b>Expenses</b>			
Accountancy		7,750	5,000
Advertising & Promotion		18,442	18,532
Advertising, Marketing & Promotion		6,716	-
Amortisation - Intangibles		10,000	10,000
ASIC Compliance Costs		1,146	1,113
Auditors Remuneration	<b>4</b>	2,400	2,400
Bank Charges		613	538
Body Corporate		2,100	2,092
Catering		4,353	2,264
Cleaning		9,480	9,500
Conferences		6,576	6,101
Credit Check		1,794	2,037
Depreciation		20,630	61,827
Capital Works deduction		10,475	6,463
Gas/Electricity		2,544	2,284
Flowers		926	-
Freight & Cartage		1,750	-
Fringe Benefits Tax		12,658	9,121
Insurance		10,244	8,326
Land Tax		794	801
Legal Costs		3,406	202
Loss on Sale of Fixed Asset		2,128	-
Motor Vehicle Expenses		6,940	9,610
Plant purchased (immediate write off)		14,071	-
P.O. Box Rental		105	97
Printing & Stationery		6,239	2,824
Promotions		15,575	14,754
Rates		7,655	7,746
Rent		5,275	5,154
Repairs & Maintenance		4,253	204,135
Share Registry Compliance		3,087	5,301
Staff Expenses		3,182	5,416
Subscriptions		45	45
Superannuation		29,130	48,991
Telephone		10,401	7,037
Title Searches etc.		2,008	2,174
Wages		327,239	401,235
Water (Staff & Patrons)		-	240
Workcover		1,745	1,339
<b>Total Expenses</b>		<b>573,875</b>	<b>864,699</b>
<b>Operating Profit</b>		<b>667,532</b>	<b>520,074</b>

The accompanying notes form part of these financial statements

## Income Statement

	<u>Notes</u>	2015 \$	2014 \$
<b>Non-Operating Income &amp; Expenses</b>			
<b>Non Operating Expenses</b>			
Community Enterprise Foundation		-	147,368
Donations & Sponsorship		164,631	84,469
<b>Total Non Operating Expenses</b>		<u>164,631</u>	<u>231,837</u>
<b>Operating Profit Before Income Tax</b>		<u>502,901</u>	<u>288,237</u>

The accompanying notes form part of these financial statements

## Balance Sheet

	<i>Notes</i>	<b>2015</b> \$	<b>2014</b> \$
<b>Current Assets</b>			
Cash assets	5	1,758,679	1,420,937
Receivables	6	103,461	122,986
Tax Refunds	8	-	60,337
<b>Total Current Assets</b>		<u>1,862,140</u>	<u>1,604,260</u>
<b>Non-Current Assets</b>			
Financial assets	7	13,336	12,729
Property, plant and equipment	9	1,330,124	1,303,694
Intangible assets	10	18,333	28,333
Other assets	11	260	260
<b>Total Non-Current Assets</b>		<u>1,362,053</u>	<u>1,345,016</u>
<b>Total Assets</b>		3,224,193	2,949,276
<b>Current Liabilities</b>			
Trade and other payables	12	20,602	30,234
Tax liabilities	12	57,996	8,098
Provisions	13	110,835	110,835
<b>Total Current Liabilities</b>		<u>189,433</u>	<u>149,167</u>
<b>Non-Current Liabilities</b>			
		-	-
<b>Total Non-Current Liabilities</b>		<u>-</u>	<u>-</u>
<b>Total Liabilities</b>		<u>189,433</u>	<u>149,167</u>
<b>Net Assets</b>		<u>3,034,760</u>	<u>2,800,109</u>
<b>Equity</b>			
Issued capital	14	615,750	615,750
Retained earnings	15	2,419,010	2,184,359
<b>Total Equity</b>		<u>3,034,760</u>	<u>2,800,109</u>

The accompanying notes form part of these financial statements

## Cash Flow Statement

	<u>Notes</u>	2015 \$	2014 \$
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		1,214,593	1,320,040
Payments to suppliers and employees		(566,350)	(920,895)
Dividends received		867	771
Interest received		45,473	57,608
Interest paid		-	-
Community Enterprise Foundation		-	(147,368)
Donations & Sponsorships		(164,631)	(84,469)
Income taxes paid		(107,739)	(131,936)
<b>Net cash flows from/(used in) operating activities</b>		<u>422,213</u>	<u>93,751</u>
<b>Cash Flows From Investing Activities</b>			
<b>Proceeds</b>			
Provision for capital works deduction		10,475	6,463
Provision for depreciation		20,630	61,827
Provision for Amortisation		10,000	10,000
Motor Vehicle - Sale		12,745	
- Loss on Sale		2,128	
<b>Payments</b>			
Land & Buildings - 5 Kennedy St, Longwarry		(37,948)	(247,664)
Motor vehicles - at cost		(34,460)	-
Furniture & Fittings - At Cost		-	(8,482)
Shares - Bendigo Bank Ltd At Cost		(607)	(540)
<b>Net cash flows from/(used in) investing activities</b>		<u>(17,037)</u>	<u>(178,396)</u>
<b>Cash Flows From Financing Activities</b>			
<b>Receipts</b>			
GST on supplies		39,521	-
FBT Tax Refundable		3,880	-
<b>Payments</b>			
GST on supplies		-	(33,573)
Ordinary Dividend Paid		(110,835)	(141,622)
FBT Tax Refundable		-	(3,880)
<b>Net cash provided by financing activities</b>		<u>(67,434)</u>	<u>(179,075)</u>
<b>Net increase/(decrease) in cash held</b>		337,742	(263,720)
Cash at the beginning of the year		1,420,937	1,684,657
<b>Closing cash carried forward</b>	16	<u><u>1,758,679</u></u>	<u><u>1,420,937</u></u>

The accompanying notes form part of these financial statements



## Reconciliation of Retained Earnings

	2015 \$	2014 \$
<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	2,184,359	2,092,364
Profit/(loss) after income tax expense	345,486	202,830
Less Ordinary Dividend proposed	<u>(110,835)</u>	<u>(110,835)</u>
<b>Balance at end of year</b>	<u>2,419,010</u>	<u>2,184,359</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 29th September 2015.

### **(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 2014 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 Vehicles	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 included.

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.

During the 2011/12 financial year the Board entered into a partnership with the West Gippsland Healthcare Group for \$198,000. The final payment of \$39,600 was paid in June 2015.

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.

<b>2. Revenue from ordinary activities</b>	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Operating activities		
Gross Commissions & Fees	1,523,857	1,547,208
Less Profit Share Expenses	(337,601)	(220,814)
Total revenue from operating activities	<u>1,186,256</u>	<u>1,326,394</u>
Non-operating activities:		
- interest received	45,473	57,608
- dividends received	867	771
- expense adjustment	1,284	-
- rent received	7,527	-
Total revenue from non-operating activities	<u>55,151</u>	<u>58,379</u>
Total revenue from ordinary activities	<u><u>1,241,407</u></u>	<u><u>1,384,773</u></u>



## Notes

### 3. Expenses

	2015 \$	2014 \$
Employee benefits expense		
- wages and salaries	327,239	401,235
- superannuation costs	29,130	48,991
- post-employment benefits (other than superannuation)	12,658	9,121
- workers' compensation costs	1,745	1,339
	<u>370,772</u>	<u>460,686</u>
Depreciation of non-current assets:		
- plant and equipment	20,630	61,827
- buildings (capital works deduction)	10,475	6,463
Amortisation of non-current assets:		
- Franchise fee	10,000	10,000
	<u>41,105</u>	<u>78,290</u>
Finance Costs:		
- Interest paid	-	-
	<u>-</u>	<u>-</u>

### 4. Auditors' Remuneration

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

- Audit or review of the financial report of the Company	2,400	2,400
	<u>2,400</u>	<u>2,400</u>

### 5. Cash Assets

Cash at bank and on hand	1,758,325	1,420,541
Petty Cash	94	165
Imputation credit	260	231
	<u>1,758,679</u>	<u>1,420,937</u>

### 6. Receivables

Accounts Receivable	103,461	122,986
	<u>103,461</u>	<u>122,986</u>

## Notes

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>7. Financial Assets</b>		
Shares - Bendigo & Adelaide Bank Ltd	13,336	12,729
	<u>13,336</u>	<u>12,729</u>
<b>8. Tax Payable</b>		
(a) 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%	157,415	85,407
Add tax effect of:		
- Non-deductible expenses	-	-
Add/subtract adjustments	-	-
Income Tax expense	157,415	85,407
Less Income Tax Instalments paid	(156,558)	(134,420)
Credit on Account	(193)	
<b>Income Tax Payable/Refundable</b>	<u>664</u>	<u>(49,013)</u>
(b) GST Payable/Refundable	32,077	(7,444)
(c) FBT Payable/Refundable	4,497	(3,880)
<b>Total Taxes Payable/Refundable</b>	<u>37,238</u>	<u>(60,337)</u>

## Notes

	2015 \$	2014 \$
<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
Asset Revaluation Reserve 30.06.11	165,000	165,000
Less Accumulated Depreciation	(81,412)	(76,549)
At Cost - Building - 7/35-37 Main Street, Drouin	243,751	243,751
At Cost - Land & Building - 5 Kennedy Street, Longwarry	359,505	321,557
Less Accumulated Depreciation	(5,612)	-
	<u>1,256,232</u>	<u>1,228,759</u>
<i>Plant &amp; Equipment</i>		
At Cost	231,998	231,998
Less Accumulated Depreciation	(197,911)	(186,826)
	<u>34,087</u>	<u>45,172</u>
<i>Motor Vehicles</i>		
At Cost	55,425	94,855
Less Accumulated Depreciation	(15,620)	(65,092)
	<u>39,805</u>	<u>29,763</u>
Total Written Down Amount	<u>1,330,124</u>	<u>1,303,694</u>
<b>10. Intangible Assets</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
	<u>260</u>	<u>260</u>
<b>12. Trade &amp; Other Payables</b>		
Accounts Payable	8,657	4,510
Accrued Expenses	11,717	25,496
Dividends Held	228	228
	<u>20,602</u>	<u>30,234</u>
Wages Tax	5,758	5,897
Company Tax Instalment	15,000	-
Fringe Benefits Tax	4,497	2,201
GST Payable	32,077	-
Company Income Tax	664	-
	<u>57,996</u>	<u>8,098</u>

## Notes

	2015 \$	2014 \$
<b>13. Provisions</b>		
Provision for dividend	<u>110,835</u>	<u>110,835</u>
<b>14. Share Capital</b>		
615,750 Ordinary Shares fully paid of \$1 each	<u>615,750</u>	<u>615,750</u>
<b>15. Retained Earnings / (Accumulated Losses)</b>		
Balance at the beginning of the financial year	2,184,359	2,092,364
Profit/(loss) after income tax	345,486	202,830
Dividends	<u>(110,835)</u>	<u>(110,835)</u>
Balance at the end of the financial year	<u>2,419,010</u>	<u>2,184,359</u>
<b>16. Cash Flow Statement</b>		
<i>Reconciliation of cash</i>		
Cash assets	<u>1,758,679</u>	<u>1,420,937</u>
	<u>1,758,679</u>	<u>1,420,937</u>

## 17. Director and Related Party Disclosures

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

Mr Bruno Persico  
Mr Kim Rees  
Mr Christopher Arnup  
Mr Rodney Dunlop  
Mr Terrence Williamson  
Mrs Deborah Brown  
Mr Matthew Middel

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

	2015 \$	2014 \$
<b>17. Director and Related Party Disclosures (continued)</b>		
<b>Directors Shareholdings</b>		
Mr Bruno Persico	3,500	3,500
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	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.

### 18. Subsequent Events

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

### 19. Contingent Liabilities

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

### 20. Segment Reporting

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

### 21. 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 but are traded on a Low Volume Market. 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: 3/35-37 Princes Way  
Drouin VIC 3818



## Notes

	2015 \$	2014 \$
<b>22. Dividends paid or provided for on ordinary shares</b>		
<b>(a) Dividends proposed and recognised as a liability</b>		
Franked dividends -.18 cents per share (2014: .18 cents)	110,835	110,835
<b>(b) Dividends paid during the year</b>		
Franked dividends -.18 cents per share (2013: .18 cents per share)	110,835	110,835
<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	848,120	787,390
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	67,463	36,603
- Franking debits that will arise from the payment of dividends as at the end of the financial year	47,500	47,500
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	260	231
- 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% (2014: 30%).  
Dividends proposed will be franked at a rate of 30%

### 23. 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>345,486</u>	<u>202,830</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>615,750</u>	<u>615,750</u>

## 24. 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>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Cash assets	1,758,679	1,420,937
Receivables	103,461	122,986
	<u>1,862,140</u>	<u>1,543,923</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 (2014: 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

### 24. 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 2015</b>					
Payables	20,602	20,602	20,602	-	-
Interest bearing liabilities	-	-	-	-	-
	<u>20,602</u>	<u>20,602</u>	<u>20,602</u>	<u>-</u>	<u>-</u>
<b>30 June 2014</b>					
Payables	30,234	30,234	30,234	-	-
Interest bearing liabilities	-	-	-	-	-
	<u>30,234</u>	<u>30,234</u>	<u>30,234</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.

### **24. 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 2015 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 2015 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 2015.



Bruno Persico, Director / Chairman



Deborah Brown, Director / Secretary

Signed at Drouin on the 29th day of September 2015.



# 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 2015 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 2015 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.....*Julius Sommers*.....Dated: *21st Sep 2015*.....  
Julius Sommers  
Registered Company Auditor 9092  
Firm: Julius Sommers Pty Ltd  
86 Longview Road  
North Balwyn Vic 3104  
Telephone: 03 9859 6955

# 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

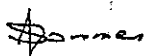
I declare that to the best of my knowledge and belief,  
during the year ended 30 June 2015 there have been:

- 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 21st Sep 2015

Auditor: Julius Sommers  
Registered Company Auditor 9092

Address: P O Box 37 Doncaster Vic 3108

Signature: 



42 Princes Way  
Drouin VIC 3818  
**Ph:** (03) 5625 4544  
**Fax:** (03) 5625 4546

**Operating Hours**

Mon-Fri 9:00am-5:00pm  
Sat 9:00am-12:00pm

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Drouin & District

**Community Bank®** Branch



**Bendigo Bank**