



Annual Report 2016

Drouin & District Community
Financial Services Limited

ABN 37 096 687 240

Drouin & District **Community Bank®** Branch

**DROUIN & DISTRICT
COMMUNITY FINANCIAL SERVICES LTD
30 June 2016**

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 15th Annual Report.

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

Our commission income decreased slightly for the year due to some adjustments; however total funds under management increased and now stand at over \$220 million. In this tough financial market your Board and staff, along with our partners Bendigo and Adelaide Bank Ltd are working hard to ensure continued success. I am proud to announce that the community contributions and shareholder dividends have not been affected.

Dividends for the previous years are highlighted in the table below and this year the Board has decided that a fully franked dividend of 0.25c per share be paid. This is an increase on the previous year. The dividend will be paid to those who hold shares at the close of business on the 28 February 2017.

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
2014/2015	18	110,835	110,835

The Company continues to retain a stable Board with all Directors completing the full 12 months. During the course of the year however, long standing Chairman Bruno Persico chose to stand down from the role of Chairman. Bruno continues to be a Director as well as Chair of the Company's Marketing, Sponsorship & Business Development Committee. The Board would like to thank Bruno for his dedication to the role of Chairman and for the contribution he has made to the Company in this capacity.

Last year it was mentioned in the Annual Report that Karen McCormick had been appointed as the operator for the Longwarry Agency. I am pleased to advise that the Agency's business is growing and that the Board continue to look for ways in which to support growth in Longwarry.

As mentioned in the report, our community commitments have been maintained with major support again in favour of Lyrebird Village for the Aged Inc and West Gippsland Healthcare Group. We have completed grants and sponsorships totalling almost \$250,000 for the year, with the Company's contributions to the community exceeding \$4 million since its inception.

As in previous years I would like to thank our past Branch Manager Craig Black and all the branch team for their contribution to the success of our Company, as well as to my fellow Directors, company staff and our partners Bendigo and Adelaide Bank Ltd. At the time of writing this report, Craig Black had resigned as Branch Manager in order to accept a promotion to Regional Office and the Board wishes him well for the future.

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.



Terry Williamson
Chairman

BRANCH MANAGER'S REPORT

I am pleased to present the following results for Drouin & District Community Bank® Branch for the financial year ending 30 June 2016. The branch has now been operating for 14 years and continues to grow.

It has been a challenging year with the branch achieving some good results including:

The lending portfolio achieved growth of \$2.777 million

The deposit portfolio achieved growth of \$7.688 million

Total loan approvals of 236 (up from 198 the previous year)

Total loan settlements of 228 (up from 197 the previous year)

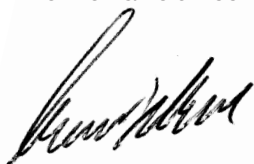
During the past year there have also been a number of staff changes and our part time Customer Service Officer Michelle Owen has returned from maternity leave.

Since the start of the new financial year, a new Customer Relationship Officer position has been created which was filled internally by our staff member Trudy Rivett. This left open our Senior Customer Service Officer position which has been filled by our new staff member Michele Sanford. Our Branch Manager position also became vacant and at the time of writing this report is in the process of being filled.

I thank our customers for their ongoing support. Without your support our Community Bank® branch would not be able to grow and continue to contribute back to our community.

I would also like to acknowledge our hard working front line staff for their contribution to the Company as it takes a team effort. Additionally I would also like to recognise the support from Business Banking, Financial Planning and our Regional Office.

Finally thank you to the Board of Directors of Drouin & District Community Financial Services Limited who continue to work on a volunteer basis to make sure that we continue to provide benefits to our local communities.



Bruce Sorrell
Acting Branch Manager
Drouin & District Community Bank® Branch

Directors' Report

Your Directors submit their report of the Company for the financial year ended 30 June 2016.

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
Director
Property Owner

Mr Kim David Rees
Director
Developer

Mr Christopher Arnup
Director
Builder

Mr Terrence Williamson
Director/Chairman
Estate Agent/Farmer

Mr Rodney Bruce Dunlop
Director
Development Consultant

Mrs Deborah Mary Brown
Director/Secretary
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 \$283,940 (2015: \$345,486).

Dividends	Year ended 30 June 2016	
	Cents per share	\$'000
Final dividends recommended:-		
Ordinary	0.25	153,938
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

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 \$876.70 made to Drouin Joinery & Builders Supplies for general repairs & maintenance. Director Christopher Arnup is the business owner.
- b.) Payments totalling \$1272.00 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 the **Community Bank**® model, including that the **Community Bank**® company established is 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:

Number of regular meetings Held:	11	Number of special meetings held:	3
Number of meetings attended:		Number of meetings attended:	
Mr Bruno Persico	11	Mr Bruce Persico	3
Mr Kim Rees	9	Mr Kim Rees	3
Mr Christopher Arnup	11	Mr Christopher Arnup	3
Mr Terrence Williamson	11	Mr Terrence Williamson	3
Mr Rodney Dunlop	11	Mr Rodney Dunlop	3
Ms Deborah Brown	9	Ms Deborah Brown	2
Mr Matthew Middel	8	Mr Matthew Middel	3

Company Secretary

Deborah Brown is the Company Secretary of Drouin & District Community Financial Services Ltd being appointed 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 & Christopher Arnup.
- (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: 
T. Williamson


D. Brown

Income Statement

	<i>Notes</i>	2016 \$	2015 \$
Revenue from ordinary activities	2	1,213,997	1,241,407
Employee benefits expense	3	(400,978)	(370,772)
Charitable donations and sponsorship		(249,945)	(164,631)
Depreciation and amortisation expense	3	(38,922)	(41,105)
Finance costs	3	-	-
Other expenses from ordinary activities		<u>(133,027)</u>	<u>(161,998)</u>
Profit/(loss) before income tax expense		391,125	502,901
Income tax expense	8	<u>107,185</u>	<u>157,415</u>
Profit/(loss) after income tax expense		<u><u>283,940</u></u>	<u><u>345,486</u></u>
Earnings per share (cents per share)			
- basic for profit/(loss) for the year	22	46.11	56.10
- diluted for profit/(loss) for the year	22	46.11	56.10
- dividends paid per share	21	25.00	18.00

The accompanying notes form part of these financial statements

Income Statement

	<u>Notes</u>	2016 \$	2015 \$
Income			
Gross Commissions and Fees		1,509,470	1,523,857
Less Profit Share Expenses		349,130	337,601
Net Commission and Fees		1,160,340	1,186,256
Dividends Public Companies		929	867
Interest Received		42,761	45,473
Expense Adjustment		-	1,284
Rents Received		9,967	7,527
Total Income		1,213,997	1,241,407
Accountancy		7,276	7,750
Advertising & Promotion		23,453	18,442
Advertising, Marketing & Promotion		-	6,716
Amortisation - Intangibles		10,000	10,000
ASIC Compliance Costs		1,161	1,146
Auditors Remuneration	4	3,000	2,400
Bank Charges		748	613
Body Corporate		2,100	2,100
Catering		3,383	4,353
Cleaning		9,830	9,480
Conferences		1,031	6,576
Credit Check		1,947	1,794
Depreciation		16,918	20,630
Capital Works deduction		12,004	10,475
Gas/Electricity		2,699	2,544
Flowers		1,402	926
Freight & Cartage		-	1,750
Fringe Benefits Tax		14,281	12,658
Insurance		9,484	10,244
Land Tax		763	794
Legal Costs		1,264	3,406
Loss on Sale of Fixed Asset		-	2,128
Motor Vehicle Expenses		6,904	6,940
Plant purchased under \$300		394	14,071
P.O. Box Rental		110	105
Printing & Stationery		3,796	6,239
Promotions		12,102	15,575
Rates		7,636	7,655
Rent		5,275	5,275
Repairs & Maintenance		6,461	4,253
Share Registry Compliance		3,128	3,087
Staff Expenses		3,441	3,182
Subscriptions		-	45
Superannuation		36,678	29,130
Telephone		12,482	10,401
Title Searches etc.		1,757	2,008
Wages		348,543	327,239
Workcover		1,476	1,745
Total Expenses		572,927	573,875
Operating Profit		641,070	667,532

The accompanying notes form part of these financial statements

Income Statement

	<u>Notes</u>	2016 \$	2015 \$
Non-Operating Income & Expenses			
Non Operating Expenses			
Community Enterprise Foundation		-	-
Donations & Sponsorship		249,945	164,631
Total Non Operating Expenses		<u>249,945</u>	<u>164,631</u>
Net Profit Before Income Tax		<u>391,125</u>	<u>502,901</u>

The accompanying notes form part of these financial statements

Balance Sheet

	<i>Notes</i>	2016 \$	2015 \$
Current Assets			
Cash assets	5	1,987,711	1,758,679
Receivables	6	110,670	103,461
Tax Refunds	8	-	-
Total Current Assets		<u>2,098,381</u>	<u>1,862,140</u>
Non-Current Assets			
Financial assets	7	13,987	13,336
Property, plant and equipment	9	1,301,202	1,330,124
Intangible assets	10	8,333	18,333
Other assets	11	260	260
Total Non-Current Assets		<u>1,323,782</u>	<u>1,362,053</u>
Total Assets		3,422,163	3,224,193
Current Liabilities			
Trade and other payables	12	11,958	20,602
Tax liabilities	12	91,505	57,996
Provisions	13	153,938	110,835
Total Current Liabilities		<u>257,401</u>	<u>189,433</u>
Non-Current Liabilities			
		<u>-</u>	<u>-</u>
Total Non-Current Liabilities		<u>-</u>	<u>-</u>
Total Liabilities		<u>257,401</u>	<u>189,433</u>
Net Assets		<u>3,164,762</u>	<u>3,034,760</u>
Equity			
Issued capital	14	615,750	615,750
Retained earnings	15	2,549,012	2,419,010
Total Equity		<u>3,164,762</u>	<u>3,034,760</u>

The accompanying notes form part of these financial statements

Cash Flow Statement

	<u>Notes</u>	2016 \$	2015 \$
Cash Flows From Operating Activities			
Receipts from customers		1,163,097	1,214,593
Payments to suppliers and employees		(551,922)	(566,350)
Dividends received		929	867
Interest received		42,762	45,473
Donations & Sponsorships		(249,945)	(164,631)
Income taxes paid		(107,365)	(107,739)
Net cash flows from/(used in) operating activities		<u>297,556</u>	<u>422,213</u>
Cash Flows From Investing Activities			
Proceeds			
Provision for capital works deduction		12,004	10,475
Provision for depreciation		16,918	20,630
Provision for Amortisation		10,000	10,000
Motor Vehicle - Sale		-	12,745
- Loss on Sale		-	2,128
Payments			
Land & Buildings - 5 Kennedy St, Longwarry		-	(37,948)
Motor vehicles - at cost		-	(34,460)
Shares - Bendigo Bank Ltd At Cost		(651)	(607)
Net cash flows from/(used in) investing activities		<u>38,271</u>	<u>(17,037)</u>
Cash Flows From Financing Activities			
Receipts			
GST on supplies		4,040	39,521
FBT Tax Refundable		-	3,880
Payments			
Ordinary Dividend Paid		(110,835)	(110,835)
Net cash provided by financing activities		<u>(106,795)</u>	<u>(67,434)</u>
Net increase/(decrease) in cash held		229,032	337,742
Cash at the beginning of the year		1,758,679	1,420,937
Closing cash carried forward	16	<u>1,987,711</u>	<u>1,758,679</u>

The accompanying notes form part of these financial statements

Reconciliation of Retained Earnings / Equity Changes

	2016 \$	2015 \$
SHARE CAPITAL		
<i>Ordinary shares</i>		
Balance at start of year	615,750	615,750
Issue of share capital		
Share issue costs	-	-
Balance at end of year	<u>615,750</u>	<u>615,750</u>
RETAINED EARNINGS / (ACCUMULATED LOSSES)		
Balance at start of year	2,419,010	2,184,359
Profit/(loss) after income tax expense	283,940	345,486
Less Ordinary Dividend proposed	<u>(153,938)</u>	<u>(110,835)</u>
Balance at end of year	<u>2,549,012</u>	<u>2,419,010</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 27th September 2016.

(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 2015 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:

<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.

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

	2016 \$	2015 \$
Operating activities		
Gross commissions and fees	1,509,470	1,523,857
Less profit share expenses	349,130	337,601
Net commission and fees	<u>1,160,340</u>	<u>1,186,256</u>
Non-operating activities:		
- interest received	42,761	45,473
- dividends received	929	867
- expense adjustment	-	1,284
- rent received	9,967	7,527
Total revenue from non-operating activities	<u>53,657</u>	<u>55,151</u>
Total revenue from ordinary activities	<u>1,213,997</u>	<u>1,241,407</u>

Notes

3. Expenses

	2016 \$	2015 \$
Employee benefits expense		
- wages and salaries	348,543	327,239
- superannuation costs	36,678	29,130
- post-employment benefits (other than superannuation)	14,281	12,658
- workers' compensation costs	1,476	1,745
	<u>400,978</u>	<u>370,772</u>
Depreciation of non-current assets:		
- plant and equipment	16,918	20,630
- buildings (capital works deduction)	12,004	10,475
Amortisation of non-current assets:		
- Franchise fee	10,000	10,000
	<u>38,922</u>	<u>41,105</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	3,000	2,400
	<u>3,000</u>	<u>2,400</u>

5. Cash Assets

Cash at bank and on hand	1,986,989	1,758,325
Petty Cash	444	94
Imputation credit	278	260
	<u>1,987,711</u>	<u>1,758,679</u>

6. Receivables

Accounts Receivable	110,670	103,461
	<u>110,670</u>	<u>103,461</u>

Notes

	2016	2015
	\$	\$
7. Financial Assets		
Shares - Bendigo & Adelaide Bank Ltd	13,987	13,336
	<u>13,987</u>	<u>13,336</u>
8. Tax Payable		
(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 28.5% (2015: 30%)	107,185	157,415
Add tax effect of:		
- Non-deductible expenses	-	-
Add/subtract adjustments	-	-
Income Tax expense	107,185	157,415
Less Income Tax Instalments paid	(106,508)	(156,558)
Credit on Account	(193)	(193)
Income Tax Payable	<u>484</u>	<u>664</u>
(b) GST Payable	36,118	32,077
(c) FBT Payable	3,027	4,497
Total Taxes Payable	<u>39,629</u>	<u>37,238</u>

Notes

	2016 \$	2015 \$
9. Property, Plant and Equipment		
<i>Land & 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	(86,275)	(81,412)
At Cost - Building - 7/35-37 Main Street, Drouin	243,751	243,751
At Cost - Land & Building - 5 Kennedy Street, Longwarry	359,505	359,505
Less Accumulated Depreciation	(12,753)	(5,612)
	<u>1,244,228</u>	<u>1,256,232</u>
<i>Plant & Equipment</i>		
At Cost	231,998	231,998
Less Accumulated Depreciation	(204,877)	(197,911)
	<u>27,121</u>	<u>34,087</u>
<i>Motor Vehicles</i>		
At Cost	55,425	55,425
Less Accumulated Depreciation	(25,572)	(15,620)
	<u>29,853</u>	<u>39,805</u>
Total Written Down Amount	<u>1,301,202</u>	<u>1,330,124</u>
10. Intangible Assets		
<i>Franchise Fee</i>		
At Cost	50,000	50,000
Less Accumulated Amortisation	(41,667)	(31,667)
	<u>8,333</u>	<u>18,333</u>
11. Other Assets		
Security Deposit - Colliers Jardine	260	260
	<u>260</u>	<u>260</u>
12. Trade & Other Payables		
Accounts Payable	7,430	8,658
Accrued Expenses	4,300	11,716
Dividends Held	228	228
	<u>11,958</u>	<u>20,602</u>
Wages Tax	7,876	5,758
Company Tax Instalment	44,000	15,000
Fringe Benefit Tax	3,027	4,497
GST Payable	36,118	32,077
Company Income Tax	8 484	664
	<u>91,505</u>	<u>57,996</u>

Notes

	2016 \$	2015 \$
13. Provisions		
Provision for dividend	<u>153,938</u>	<u>110,835</u>
14. Share Capital		
615,750 Ordinary Shares fully paid of \$1 each	<u>615,750</u>	<u>615,750</u>
15. Retained Earnings / (Accumulated Losses)		
Balance at the beginning of the financial year	2,419,010	2,184,359
Profit/(loss) after income tax	283,940	345,486
Dividends	<u>(153,938)</u>	<u>(110,835)</u>
Balance at the end of the financial year	<u>2,549,012</u>	<u>2,419,010</u>
16. Cash Flow Statement		
<i>Reconciliation of cash</i>		
Cash assets	1,987,711	1,758,679
Bank overdraft	<u>-</u>	<u>-</u>
	<u>1,987,711</u>	<u>1,758,679</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

	2016 \$	2015 \$
17. Director and Related Party Disclosures (continued)		
Directors Shareholdings		
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: 7/35-37 Princes Way
Drouin VIC 3818

Notes

	2016 \$	2015 \$
22. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and recognised as a liability		
Franked dividends -.25 cents per share (2015: .18 cents)	153,938	110,835
(b) Dividends paid during the year		
Franked dividends -.18 cents per share (2014: .18 cents per share)	110,835	110,835
(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	908,004	848,120
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	107,185	157,415
- 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	278	260
- 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% (2015: 30%).
Dividends proposed will be franked at a rate of 30% (2015: 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>283,940</u>	<u>345,486</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>	
	2016	2015
	\$	\$
Cash assets	1,987,711	1,758,325
Receivables	110,670	103,461
	<u>2,098,381</u>	<u>1,861,786</u>

The Company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the Company are past due (2015: 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 \$
30 June 2016					
Payables	11,958	11,958	11,958	-	-
Interest bearing liabilities	-	-	-	-	-
	<u>11,958</u>	<u>11,958</u>	<u>11,958</u>	<u>-</u>	<u>-</u>
30 June 2015					
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>

(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 2016 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 2016 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 2016.



Terrence Williamson, Director / Chairman



Deborah Brown, Director / Secretary

Signed at Drouin on the 27th day of September 2016.

Independent Audit Report

INDEPENDENT AUDIT REPORT

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

(A Company Limited by Shares)

SCOPE

I have audited the financial report of Drouin & District Community Financial Services Limited for the financial year ended 30th June 2016 as set out on previous pages, including the Director's Declaration. The company's directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

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

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

AUDIT OPINION

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

(a) the Corporations Act including:

(i) giving a true and fair view of the company's financial position as at 30th June 2016 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: *23rd Sep 2016*.....
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

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

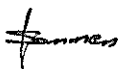
I declare that to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

- 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 23rd Sep 2016

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

Drouin & District

Community Bank® Branch



Bendigo Bank