

Annual Report 2017

Drouin & District
Community Financial
Services Ltd.

Drouin & District
Community Bank® Branch

ABN 37 096 687 240



**DROUIN & DISTRICT
COMMUNITY FINANCIAL SERVICES LTD
30 June 2017**

ABN: 37 096 687 240

Contents

Chairman's Report	2
Branch Manager's Report	3
Directors' Report	4
Income Statement	7
Balance Sheet	10
Cash Flow Statement	11
Reconciliation of Retained Earnings/Statement of Changes in Equity	12
Notes to the Financial Statements	13
Directors' Declaration	25
Independent Audit Report	27
Auditor's Independence Declaration	28

CHAIRMAN'S REPORT

On behalf of Drouin & District Community Financial Services Limited, I am pleased to present the 16th Annual Report.

The results this year have been within the expectations given the difficult environment in which financial institutions are still working.

It has been another highly successful year for the company.

In October the branch welcomed Rob Hutchinson as the new Branch Manager. Rob brings with him 30 years' experience in the banking and finance industry and has been a wonderful addition to our branch team. Rob has been working hard over the last few months meeting our community partners and customers in order to build strong relationships for now and the future.

In April, the branch marked its 15th birthday and a big celebration was held outside the branch on 12th April to mark the occasion. As shareholders, you can all feel very proud of what this company has been able to achieve in this time.

Our commitment to Drouin, Longwarry and the surrounding community remains strong. Over \$230,000 was returned to the community via community investments and grants during the year. Groups such as Lyrebird Village, West Gippsland Healthcare Group, Mawarra and various schools, sports clubs and community groups all received funds. Our presentation nights are also proving to be highly successful as attendees discover they're part of something very special and the media coverage we have received allows us to tell the message of the benefits of the Community Bank concept.

Our shareholders are very important to us. Dividends for the previous years are highlighted in the table below and the Board has decided that a fully franked dividend of 0.25c per share will be paid. This is in line with the previous year. The dividend will be paid to those who hold shares at the close of business on the 28th February 2018.

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
2015/2016	25	153,937	153,937

The Company also continued to look for new projects and challenges and purchased land on the corner of Bank Place and Young Street. The Board is looking to replace its current boardroom with a purpose built facility on the site



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 30th June 2017. The branch has now been operating for 15 years and we were able to hold a celebration in April of this year with our local community.

Despite a challenging and changing financial landscape the company sustained a very strong trading result which underpinned its ability to achieve great things for both shareholders and the community.

Footings were further increased to \$222 million during the financial year with increases noted around growth in the deposit portfolio of \$8.734 million.

The Drouin & District Community Bank® Branch thanks 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 like to acknowledge our hard working front line staff for their contribution to the company as it takes a team effort to service our community in delivering financial solutions.

Finally thank you to our Regional Office, staff and Board of Directors of Drouin & District Community Financial Services Limited for their outstanding support over the past year. It should be noted that our Directors work on a volunteer basis to ensure that we continue to provide benefits to our local communities.



Rob Hutchinson
Branch Manager
Drouin & District Community Bank® Branch

Directors' Report

Your Directors submit their report of the Company for the financial year ended 30 June 2017.

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
Chairman/Director
Estate Agent/Farmer

Mr Rodney Bruce Dunlop
Director
Project Manager

Mrs Deborah Mary Brown
Director
Transport owner/Community engagement worker

Mr Matthew Ryan Middel
Director
Property Developer

Mrs Noeleen Ann Goss
Director - Appointed 17th November 2016
Practice Manager

Mr Roberto James Celada
Director - Appointed 17th November 2016
Lawyer

Mr Matthew Marc Williamson
Director - Appointed 17th November 2016
Head of Operational Risk Services

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 \$348,304 (2016: \$283,940).

Dividends	Year ended 30 June 2017	
	Cents per share	\$'000
Final dividends recommended:-		
Ordinary	0.25	153,938
Dividends paid in the year:		
- As recommended in the prior year report	0.25	153,938

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 \$222.20 made to Drouin Joinery & Builders Supplies for general repairs & maintenance. Director Christopher Arnup is the business owner.
- b.) Payments totalling \$1416.00 made to Ever Blume which supplies artificial flowers to the Branch on a regular basis. Director Matthew Middel is the business owner.
- c.) Payments totalling \$660 made to K & J Rees for the supply of crushed rock to the Longwarry site. Director Kim Rees 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 is 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:

Number of regular meetings Held:	11	Number of special meetings held:	4
Number of meetings attended:		Number of meetings attended:	
Mr Bruno Persico	8	Mr Bruce Persico	4
Mr Kim Rees	10	Mr Kim Rees	4
Mr Christopher Arnup	11	Mr Christopher Arnup	4
Mr Terrence Williamson	11	Mr Terrence Williamson	4
Mr Rodney Dunlop	10	Mr Rodney Dunlop	4
Ms Deborah Brown	11	Ms Deborah Brown	4
Mr Matthew Middel	11	Mr Matthew Middel	3
Mr Roberto Celada	8	Mr Roberto Celada	2
Mrs Noeleen Goss	5	Mrs Noeleen Goss	2
Mr Matthew Williamson	8	Mr Matthew Williamson	1

Note: Mr Roberto Celada, Mrs Noeleen Goss and Mr Matthew Williamson were only entitled to attend 8 regular and 2 special meetings during the 2016/2017 financial year, as they were only appointed to the Board on 17th November 2016.


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 Terrence Williamson, Deborah Brown, Roberto Celada & Matthew Williamson.
- (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>	2017 \$	2016 \$
Revenue from ordinary activities	2	1,170,008	1,213,997
Employee benefits expense	3	(351,102)	(400,978)
Charitable donations and sponsorship		(182,529)	(249,945)
Depreciation and amortisation expense	3	(32,912)	(38,922)
Finance costs	3	-	-
Other expenses from ordinary activities		<u>(121,799)</u>	<u>(133,027)</u>
Profit/(loss) before income tax expense		481,666	391,125
Income tax expense	8	<u>133,362</u>	<u>107,185</u>
Profit/(loss) after income tax expense		<u><u>348,304</u></u>	<u><u>283,940</u></u>
Earnings per share (cents per share)			
- basic for profit/(loss) for the year	22	56.56	46.11
- diluted for profit/(loss) for the year	22	56.56	46.11
- dividends paid per share	21	25.00	25.00

The accompanying notes form part of these financial statements

Income Statement

	<u>Notes</u>	2017 \$	2016 \$
Income			
Gross Commissions and fees		1,553,607	1,509,470
Less profit share expenses		(442,220)	(349,130)
Net Commission and fees		1,111,387	1,160,340
Dividends Public Companies		1,010	929
Interest Received		41,913	42,761
Insurance Recovery		3,738	-
Rents Received		11,960	9,967
Total Income		<u>1,170,008</u>	<u>1,213,997</u>
Accountancy		7,452	7,276
Advertising & Promotion		18,227	23,453
Amortisation - Intangibles		8,334	10,000
ASIC Compliance Costs		1,176	1,161
Auditors Remuneration	4	3,900	3,000
Bank Charges		716	748
Body Corporate		2,100	2,100
Catering		5,013	3,383
Cleaning		9,380	9,830
Conferences		1,103	1,031
Credit Check		1,700	1,947
Depreciation		12,575	16,918
Capital Works deduction		12,004	12,004
Gas/Electricity		2,849	2,699
Flowers		1,158	1,402
Fringe Benefits Tax		5,017	14,281
Insurance		10,600	9,484
Land Tax		705	763
Legal Costs		935	1,264
Motor Vehicle Expenses		4,716	6,904
Plant purchased		-	394
P.O. Box Rental		113	110
Printing & Stationery		3,456	3,796
Promotions		10,130	12,102
Rates		7,672	7,636
Rent		6,106	5,275
Repairs & Maintenance		3,727	6,461
Share Registry Compliance		3,424	3,128
Staff Expenses		3,144	3,441
Superannuation		31,454	36,678
Telephone		10,156	12,482
Title Searches etc.		2,140	1,757
Wages		314,602	348,543
Workcover		29	1,476
Total Expenses		<u>505,813</u>	<u>572,927</u>
Operating Profit		664,195	641,070

The accompanying notes form part of these financial statements

Income Statement

	<u>Notes</u>	2017 \$	2016 \$
Non-Operating Income & Expenses			
Non Operating Expenses			
Donations & Sponsorship		<u>182,529</u>	<u>249,945</u>
Operating Profit Before Income Tax		<u><u>481,666</u></u>	<u><u>391,125</u></u>

The accompanying notes form part of these financial statements

Balance Sheet

	<i>Notes</i>	2017 \$	2016 \$
Current Assets			
Cash assets	5	1,642,288	1,987,711
Receivables	6	107,745	110,670
Tax Refunds	8	7,015	-
Total Current Assets		<u>1,757,048</u>	<u>2,098,381</u>
Non-Current Assets			
Financial assets	7	14,693	13,987
Property, plant and equipment	9	1,815,846	1,301,202
Intangible assets	10	-	8,333
Other assets	11	260	260
Total Non-Current Assets		<u>1,830,799</u>	<u>1,323,782</u>
Total Assets		3,587,847	3,422,163
Current Liabilities			
Trade and other payables	12	12,704	11,958
Tax liabilities	12	62,077	91,505
Provisions	13	153,938	153,938
Total Current Liabilities		<u>228,719</u>	<u>257,401</u>
Non-Current Liabilities			
		-	-
Total Non-Current Liabilities		<u>-</u>	<u>-</u>
Total Liabilities		<u>228,719</u>	<u>257,401</u>
Net Assets		<u>3,359,128</u>	<u>3,164,762</u>
Equity			
Issued capital	14	615,750	615,750
Retained earnings	15	2,743,378	2,549,012
Total Equity		<u>3,359,128</u>	<u>3,164,762</u>

The accompanying notes form part of these financial statements

Cash Flow Statement

	<u>Notes</u>	2017 \$	2016 \$
Cash Flows From Operating Activities			
Receipts from customers		1,130,010	1,163,097
Payments to suppliers and employees		(529,691)	(551,922)
Dividends received		1,010	929
Interest received		41,912	42,762
Donations & Sponsorships		(182,528)	(249,945)
Income taxes paid		(133,847)	(107,365)
Net cash flows from/(used in) operating activities		<u>326,866</u>	<u>297,556</u>
Cash Flows From Investing Activities			
Proceeds			
Provision for capital works deduction		12,004	12,004
Provision for depreciation		-	16,918
Provision for Amortisation		8,333	10,000
Motor Vehicle - Sale		20,966	-
Payments			
Provision for depreciation		(2,748)	-
Land - 9 Bank Place, Drouin		(316,339)	-
Land - 44-46 Young Street, Drouin		(227,648)	-
Shares - Bendigo Bank Ltd At Cost		(707)	(651)
FBT Refundable		(5,172)	-
Furniture & Fittings - at cost		(877)	-
Income Tax Refundable		(1,843)	-
Net cash flows from/(used in) investing activities		<u>(514,031)</u>	<u>38,271</u>
Cash Flows From Financing Activities			
Receipts			
GST on supplies		(4,320)	4,040
Payments			
Ordinary Dividend Paid		(153,938)	(110,835)
Net cash provided by financing activities		<u>(158,258)</u>	<u>(106,795)</u>
Net increase/(decrease) in cash held		(345,423)	229,032
Cash at the beginning of the year		1,987,711	1,758,679
Closing cash carried forward	16	<u><u>1,642,288</u></u>	<u><u>1,987,711</u></u>

The accompanying notes form part of these financial statements

Reconciliation of Retained Earnings / Equity Changes

	2017 \$	2016 \$
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	2,549,012	2,419,010
Profit/(loss) after income tax expense	348,304	283,940
Less Ordinary Dividend proposed	(153,938)	(153,938)
Balance at end of year	<u>2,743,378</u>	<u>2,549,012</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 26th September 2017.

(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 2016 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

	2017 \$	2016 \$
Operating activities		
Gross commissions and fees	1,553,607	1,509,470
Less profit share expenses	(442,220)	(349,130)
Net commission and fees	<u>1,111,387</u>	<u>1,160,340</u>
Non-operating activities:		
- interest received	41,913	42,761
- dividends received	1,010	929
- insurance recovery	3,738	-
- rent received	11,960	9,967
Total revenue from non-operating activities	<u>58,621</u>	<u>53,657</u>
Total revenue from ordinary activities	<u><u>1,170,008</u></u>	<u><u>1,213,997</u></u>

Notes

3. Expenses

	2017 \$	2016 \$
Employee benefits expense		
- wages and salaries	314,602	348,543
- superannuation costs	31,454	36,678
- post-employment benefits (other than superannuation)	5,017	14,281
- workers' compensation costs	29	1,476
	<u>351,102</u>	<u>400,978</u>

Depreciation of non-current assets:

- plant and equipment	12,575	16,918
- buildings (capital works deduction)	12,004	12,004

Amortisation of non-current assets:

- Franchise fee	8,333	10,000
	<u>32,912</u>	<u>38,922</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	3,900	3,000
	<u>3,900</u>	<u>3,000</u>

5. Cash Assets

Cash at bank and on hand	1,640,726	1,986,989
Petty Cash	1,259	444
Imputation credit	303	278
	<u>1,642,288</u>	<u>1,987,711</u>

6. Receivables

Accounts Receivable	107,745	110,670
	<u>107,745</u>	<u>110,670</u>

Notes

	2017 \$	2016 \$
7. Financial Assets		
Shares - Bendigo & Adelaide Bank Ltd	14,693	13,987
	<u>14,693</u>	<u>13,987</u>
8. Tax Payable Cash Basis		
(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 27.5% (2016: 28.5%)	133,362	107,185
Add tax effect of:		
- Non-deductible expenses	-	-
Add/subtract adjustments	-	-
Income Tax expense	133,362	107,185
Less Income Tax Instalments paid	135,205	(106,508)
Credit on Account	-	(193)
Income Tax (Refundable)/Payable	<u>(1,843)</u>	<u>484</u>
(b) FBT (Refundable)/Payable	(5,172)	3,027
Total Taxes (Refundable)/ Payable	<u>(7,015)</u>	<u>3,511</u>

Notes

	2017 \$	2016 \$
9. Property, Plant and Equipment		
<i>Land & Buildings</i>		
At Cost - 42 Princes Way, 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	(91,138)	(86,275)
At Cost - Building - 3/35-37 Princes Way, Drouin	243,751	243,751
At Cost - Land & Building - 5 Kennedy Street, Longwarry	359,505	359,505
Less Accumulated Depreciation	(19,895)	(12,753)
Land At Cost - 9 Bank Place, Drouin	316,339	-
Land At Cost - 44-46 Young Street, Drouin	227,649	-
	<u>1,776,211</u>	<u>1,244,228</u>
<i>Plant & Equipment</i>		
At Cost	232,874	231,998
Less Accumulated Depreciation	(210,286)	(204,877)
	<u>22,588</u>	<u>27,121</u>
<i>Motor Vehicles</i>		
At Cost	34,460	55,425
Less Accumulated Depreciation	(17,413)	(25,572)
	<u>17,047</u>	<u>29,853</u>
Total Written Down Amount	<u>1,815,846</u>	<u>1,301,202</u>
10. Intangible Assets		
<i>Franchise Fee</i>		
At Cost	50,000	50,000
Less Accumulated Amortisation	(50,000)	(41,667)
	<u>-</u>	<u>8,333</u>
11. Other Assets		
Security Deposit - Colliers Jardine	260	260
	<u>260</u>	<u>260</u>
12. Trade & Other Payables		
Accounts Payable	8,176	7,430
Accrued Expenses	4,300	4,300
Dividends Held	228	228
	<u>12,704</u>	<u>11,958</u>
Wages Tax Liability	5,280	7,876
Company Tax Instalment	25,000	44,000
Fringe Benefits Tax Liability	-	3,027
GST Payable	31,797	36,118
Company Income Tax	-	484
	<u>62,077</u>	<u>91,505</u>

Notes

	2017 \$	2016 \$
13. Provisions		
Provision for dividend	<u>153,938</u>	<u>153,938</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	2,549,012	2,419,010
Profit/(loss) after income tax	348,304	283,940
Dividends	<u>(153,938)</u>	<u>(153,938)</u>
Balance at the end of the financial year	<u>2,743,378</u>	<u>2,549,012</u>
16. Cash Flow Statement		
<i>Reconciliation of cash</i>		
Cash assets	<u>1,642,288</u>	<u>1,987,711</u>
	<u>1,642,288</u>	<u>1,987,711</u>

17. Director and Related Party Disclosures

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

Mr Bruno Persico	Mrs Noeleen Goss
Mr Kim Rees	Mr Roberto Celada
Mr Christopher Arnup	Mr Matthew Williamson
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

	2017 \$	2016 \$
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	-	-
Mrs Noeleen Goss	-	-
Mr Roberto Celada	250	-
Mr Matthew Williamson	-	-

Movement in directors shareholdings for the year is outlined above.
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

	2017 \$	2016 \$
22. Dividends paid or provided for on ordinary shares		
(a) Dividends proposed and recognised as a liability		
Franked dividends -.25 cents per share (2016: .25 cents per share)	153,938	153,938
(b) Dividends paid during the year		
Franked dividends -.25 cents per share (2015: .18 cents per share)	153,938	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	985,521	908,004
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	133,362	107,185
- Franking debits that will arise from the payment of dividends as at the end of the financial year	58,390	47,500
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	303	278
- Franking credits that the entity may be prevented from distributing in the subsequent year	-	-

The tax rate at which dividends have been franked is 27.50% (2016: 30%).
Dividends proposed will be franked at a rate of 27.5% (2016: 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>348,304</u>	<u>283,940</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>	
	<u>2017</u>	<u>2016</u>
	\$	\$
Cash assets	1,649,303	1,987,711
Receivables	107,745	110,670
	<u>1,757,048</u>	<u>2,098,381</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 (2016: 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.

(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 2017					
Payables	12,704	12,704	12,704	-	-
Interest bearing liabilities	-	-	-	-	-
	<u>12,704</u>	<u>12,704</u>	<u>12,704</u>	<u>-</u>	<u>-</u>
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>

(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.

(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%.

24. Financial risk management (continued)

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 2017 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 2017 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 2017.



Terrence Williamson, Director / Chairman



Deborah Brown, Director / Secretary

Signed at Drouin on the 26th day of September 2017.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF DROUIN & DISTRICT COMMUNITY FINANCIAL SERVICES LTD

Report on the financial report

I have audited the accompanying financial report of Drouin & District Community Financial Services Limited, which comprises the balance sheet as at 30th June 2017, statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the director's declaration.

Directors' Responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances, in note 1, the directors also state in accordance with Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

My audit did not involve an analysis of the prudence of business decisions made by directors or management.

I performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit I have complied with the independence requirements of the Corporations Act 2001. I have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report


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

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30th June 2017 and its financial performance and its cash flow for the year then ended and complying with Australian Accounting Standards and the Corporations Regulation 2001.

(ii) The financial report also complies with International Financial Reporting Standards; and

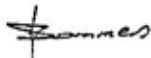
(b) other mandatory reporting requirements.

Signed:  Dated: 15TH SEP 2017
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
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 2017 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 15th Sep 2017

Auditor: Julius Sommers
Registered Company Auditor 9092

Address: P O Box 37 Doncaster Vic 3108

Signature:

Drouin & District Community Bank @Branch
42 Princes Way Drouin, VIC 3818
Phone: 03 5625 4544 Fax: 03 5625 4546

Longwarry Agency: Karen McCormick Real Estate
5 Kennedy Street Longwarry, VIC 3816
Phone: 03 5629 9010

Franchisee: Drouin & District Community Financial Services Ltd
Corporate Office: Office 3, 35-37 Princes Way, Drouin VIC 3818
Phone: 03 5625 9165 Email: admin@drouinddfs.com.au
ABN: 39 096 687 240
Registered Office: Robertson Wouters, 26 Main Street, Pakenham VIC 3810
Phone: 03 5941 3000

Share Registry:
RSD, PO Box 30 Bendigo VIC 3552
Phone: 03 5445 4222 Email: shareregistry@rsdadvisors.com.au

www.bendigobank.com.au/drouin
www.facebook.com/DrouinCommunityBank



bendigobank.com.au

