

# Annual Report 2020

Drouin & District Community  
Financial Services Limited

Community Bank  
Drouin & District

ABN 37 096 687 240





**DROUIN & DISTRICT  
COMMUNITY FINANCIAL SERVICES LTD  
30 June 2020**

**ABN 37 096 687 240**

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## Chair Report

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On behalf of Drouin and District Community Financial Services Limited, I am pleased to present the 19th Annual Report.

The results again this year have been within expectations and continue our solid progress despite a somewhat difficult environment for the banking sector. Overall it has been another successful year for the company especially given the challenges of bushfires and the significant impact of the COVID 19 pandemic.

Our Branch Manager, Rob Hutchinson, has been with us for 4 years and his wide breadth of experience and enthusiasm are having a positive impact on our performance. Rob has built strong relationships with our many community partners and community leaders which stand us in good stead in these challenging times.

We maintain our strong commitment to Drouin, Longwarry and our surrounding community. We are continuing to build our presence in Warragul as well. We have distributed approximately \$324,000 in community investments and grants.

This year we have had less quarterly presentation nights due to social distancing restrictions but the ones we have had were all well attended and give recipients an understanding of the breadth of community organisations that we are able to support. These nights also provide an opportunity to reinforce how our Community Bank is different and how we are able to strengthen our community. There is no doubt that participants leave these functions knowing that they are part of something special.

Our shareholders are our key responsibility. The table below highlights the dividends for previous years which have been very good. Given the unprecedented circumstances of 2020 the Board this year have prudently resolved to draw back the dividend to a fully franked dividend of 15 cents per share for this financial year. This dividend will be paid to those people who hold shares at the close of business on 28th February 2021. This result, by any standard, remains a very positive outcome but we felt it was better to be conservative given the higher levels of uncertainty that we expect to exist into 2021.

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
2016/2017	25	153,937	153,937
2017/2018	25	153,937	153,937
2018/2019	25	153,937	153,937
2019/2020	15	92,362	-

Our company is building a new purpose-built boardroom and offices, a sizeable community meeting space and 2 shops on the land on the corner of Bank Place and Young Street which we purchased early in 2017. Construction will be completed in early 2021. The Board will then sell the current Boardroom and office space.

We have also worked to strengthen our relationship with Baw Baw Shire to our mutual benefit. Baw Baw Shire understand the unique and substantial contribution Community Banks continue to make within Baw Baw Shire. We have contributed \$250,000 towards the re-development of Drouin Civic Park which will be a great community asset to our families. We receive the naming rights for the large playground area for our contribution.


## **Chair Report**

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I would like to thank our Branch Manager Rob Hutchinson and our wonderful branch team for their significant contribution to the sustained success of our company. A special thanks also for their flexibility and resilience in dealing with the changes required by COVID 19. Well done to Kim Nelson who celebrated 15 years working for our bank this year. I would also like to thank our hard-working directors who have been a great team, our company staff Julieanne Palinkas and Helen Taylor and our franchise partner Bendigo Bank.

I would like to recognise three of our directors who are retiring by rotation this year. They are Rob Celada, Matt Middel and Martin Sayers. They have all made substantial positive contributions to our Board during their time on it. I am pleased that Rob Celada is renominating as a director. Martin Sayers is not renominating due to ill health. Matt Middel is not able to renominate due to family commitments and the demands of his new business in Sorrento. I thank Martin and Matt for their great contribution to our branch.

The Board believes that the outlook for the next 12 months is more challenging but we need to remain positive and we have developed a budget that is realistic and achievable. The Board, in partnership with our branch team, will work hard to achieve our goals. We thank our shareholders for their support and trust.



**Rodney Dunlop**  
Board Chair

## **Branch Manager's Report**

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It has been another challenging but successful year for our Community Bank company. Nearly half of the financial year came under the uncertainty and impacts of the COVID 19 pandemic. As the country, the banking sector and our Community enterprise implemented great change in a short period of time we have put our customers at the forefront, supporting them in these uncharted waters that brought a variety of outcomes on people's lives. The timing and the look of the post COVID recovery remains uncertain. In addition to the pandemic, other market challenges were brought about by continually decreasing interest rates and increased competition. Reduced margins and profitability is a challenge for the entire banking sector notwithstanding our local Community enterprise. In line with ongoing pressures on our operating income, review also continues around the future requirements of the business. Amongst the 2019/2020 landscape we still enjoyed some positives in the year.

- \* Since our last Annual Report, we have continued to grow our banking business to circa \$249 million with net growth of \$9,370,287 against a plan of \$10m.
- \* Annual income was within 1.5% of budget projections
- \* Net profit was 102% of budget projection

The past 12 months saw the Drouin & District Community Bank commit approximately \$324,000 in contributions to our local community groups. Included in the 19/20 efforts our commitments to the Baw Baw Shire's Civic Park redevelopment were met with construction expected to be completed in the 20/21 year. This means over \$6.4 million has been returned to our community since our inception in 2002.

Again, I would like to thank our dedicated staff members: Bruce Sorrell, Katy Slater, Kim Nelson, Michelle Owen, Jade Dance, Michele Sandford. Trudy DeCrescenzo returned from maternity leave in May. Bruce is now in his 13th year with our company, Jade in her 14th and Kim celebrated her 15 year milestone on 31st May and was awarded a special gift from the Board. Leanne Marriott, our Mobile Relationship Manager, continues to be a great asset to our business. We are continuing to invest in the development of our people as the way we transact with our customers increasingly by phone is the new norm. The past six months have accelerated changes in banking by many years.

I sincerely thank the volunteer Board of Directors and administrative staff for their ongoing leadership, effort, time and continued support. The relationship between our Board and Branch team is very important as we work toward a common goal of making our community a better place.

To our shareholders, community groups, local clubs and customers, I sincerely say thank you for choosing us as your Community Bank Branch. It is your support that enables us to continue to invest in the community. You are the voice and our story needs to be told at every opportunity to increase awareness throughout the community.

Thank you to our franchise partner, Bendigo & Adelaide Bank Limited, the fifth largest bank in Australia, who continue to support us as we grow in partnership with them and our community.

We are a real alternative to the major banks and we are capitalising on that goodwill and uncertainty within the overall banking sector.

The move to digital banking is exciting and Bendigo and Adelaide Bank has committed to making this a priority. We're already ahead when it comes to our online offerings. For those customers who don't want to step into a traditional bank, that's great news and we're looking forward to advances in this area by Bendigo and Adelaide Bank.

For those people who want to continue the tradition of coming to the branch - we're not going anywhere. We're still here and committed to helping you over the counter with all your banking needs.

Banking is an everyday function for every single person in the community.

The difference with the Community Bank model is that every time people bank with their local Community Bank Branch, the bottom-line increases allowing us to provide more funds for our community.

## **Branch Manager's Report**

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The strength of our Drouin & District Community Bank Branch is built on the back of our community in partnership with the people of Drouin, Warragul, Longwarry and the surrounding areas.

To ensure our continued success we encourage our shareholders, community sponsorship/grant recipients and their members to transfer their banking arrangements and also consider the range of competitive financial products available through our Drouin & District Community Bank Branch. We also encourage existing customers, shareholders and Directors to not only bank with us but to spread the word and advocate for your local Drouin & District Community Bank Branch.

On behalf of your local Drouin & District Community Bank Branch I thank you all for your ongoing support and look forward to another successful year ahead.



**Rob Hutchinson**  
Branch Manager



## **Directors' Report**

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Your Directors submit their report of the Company for the financial year ended 30 June 2020.

### **Directors**

The names and details of the company's directors who held office during or since the end of the financial year are:

Mr Rodney Bruce Dunlop  
Director  
Project Manager

Mr Kim David Rees  
Director  
Developer

Mr Matthew Ryan Middel  
Director  
Small Business Owner

Mr Roberto J Celada  
Director  
Lawyer

Mr Matthew Marc Williamson  
Director  
Head of Operational Risk Services

Ms Vanessa Marsh  
Director  
Manager

Mr Brett McKellar  
Director  
Business Manager

Mr Martin Sayers  
Director  
Company Director

Mr Sean Walsh  
Director  
Company Director

Directors were in office for the entire year unless otherwise stated.

Roberto J Celada is the only Director to have a material interest in contracts, or proposed contracts with the Company. The contract is with Pathfinder Law Pty Ltd and Roberto Celada is a director of that company. Pathfinder Law Pty Ltd provides legal work associated with the construction contract with Kubale Constructions Pty Ltd and for conveyancing of the current corporate office at 3/3537 Princes Way, Drouin.

### **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 \$206,654 (2019: \$155,135).

<b>Dividends</b>	<b>Year ended 30 June 2020</b>	
	<b>Cents per share</b>	<b>\$'000</b>
Final dividends recommended:-		
Ordinary	15	92,362
Dividends paid in the year:		
- As recommended in the prior year report	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.

### 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

Two businesses owned by Directors have received payments from the company.

a) Pathfinder Law Pty Ltd has been paid a total of \$1105-80 for legal work performed associated with the construction contract for 9 Bank Place, Drouin. Director Roberto J Celada is the business owner. This payment is contained in the Balance Sheet within 9 Bank Place Building costs.

b) Ever Blume has been paid a total of \$614-00 for the supply of artificial flowers to the Branch on a regular basis. Director Matthew Middel is the business owner.

No other Directors have received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

### 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 Drouin & District Community Bank 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

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### 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 meetings attended:	
Mr Rodney Dunlop	10
Mr Kim Rees	11
Mr Matthew Middel	9
Mr Roberto J Celada	10
Mr Matthew Williamson	10
Mrs Vanessa Marsh	10
Mr Brett McKellar	10
Mr Martin Sayers	9
Mr Sean Walsh	11

Number of special meetings held:	1
Number of meetings attended:	
Mr Rodney Dunlop	1
Mr Kim Rees	1
Mr Matthew Middel	0
Mr Roberto J Celada	1
Mr Matthew Williamson	1
Ms Vanessa Marsh	1
Mr Brett McKellar	1
Mr Martin Sayers	1
Mr Sean Walsh	1

Mr Martin Sayers was on recognised sick leave for the February 2020 meeting.

### Company Secretary

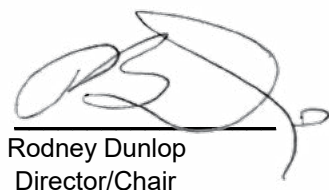
Roberto James Celada was appointed Company Secretary on 28th November 2017 and has continued in the role throughout the year.

### 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 Roberto J Celada, Matthew Williamson, Rodney Dunlop, Martin Sayers & Sean Walsh.
- (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:



Rodney Dunlop  
Director/Chair



Roberto J. Celada  
Director/Secretary



## Income Statement

	<u>Notes</u>	<b>2020</b> \$	<b>2019</b> \$
Revenue from ordinary activities	2	1,120,162	1,228,788
Employee benefits expense	3	(400,567)	(417,656)
Charitable donations and sponsorship		(324,016)	(315,986)
Depreciation and amortisation expense	3	(42,616)	(31,521)
Finance costs	3	(3)	(1)
Other expenses from ordinary activities		<u>(143,792)</u>	<u>(216,635)</u>
<b>Net operating profit before income tax</b>		209,168	246,989
<b>Non operating income</b>			
Federal Government Cash flow boost		<u>48,935</u>	<u>-</u>
<b>Net income before income tax</b>		258,103	246,989
Income tax expense	8	<u>51,449</u>	<u>91,854</u>
<b>Net profit after income tax</b>		<u><u>206,654</u></u>	<u><u>155,135</u></u>
<b>Earnings per share (cents per share)</b>			
- basic earnings per share	22	33.56	25.20
- diluted earnings per share	22	33.56	25.20
- dividends paid per share	21	15.00	25.00

The accompanying notes form part of these financial statements

## **Income Statement**

	<u>Notes</u>	<b>2020</b> \$	<b>2019</b> \$
<b>Income</b>			
Gross Commissions and fees		1,483,640	1,581,772
Less profit share expenses		<u>(409,514)</u>	<u>(421,806)</u>
Net Commission and fees		1,074,126	1,159,966
Dividends Public Companies		1,184	1,176
Hiring Charges		57	-
Insurance Recovery		-	10,423
Interest Received		27,577	42,143
Rents Received		17,218	15,080
<b>Total Income</b>		<u>1,120,162</u>	<u>1,228,788</u>
<b>Expenses</b>			
Accountancy		10,000	10,830
Advertising & Promotion		9,527	10,775
Amortisation - Intangibles		11,192	11,193
ASIC Compliance Costs		1,350	1,291
Auditors Remuneration	4	3,600	3,600
Bank Charges		1,781	1,564
Board Expenses		1,337	2,938
Body Corporate		2,100	2,100
Catering		-	2,133
Cleaning		9,338	9,370
Credit Checks/Title Searches		4,328	6,145
Depreciation		19,420	8,325
Capital Works Deduction		12,004	12,004
Directors Expenses		-	48
Gas/Electricity		11,001	9,671
Flowers		793	1,104
Fringe Benefits Tax		5,008	7,295
Hire External Staff		247	-
Insurance		12,378	11,264
Interest		3	1
IT Costs		3,606	2,892
Land Tax		3,247	3,247
Legal Costs		-	3,223
Marketing		15,967	10,309
Motor Vehicle Expenses		3,163	3,632
Plant purchased under \$30,000		-	681
PO Box Rental & Postage		293	467
Printing & Stationery		4,996	3,611
Promotions		-	2,400
Provision for Annual Leave		2,364	24,590
Provision for Long Service Leave		(1,454)	35,754
Rates		13,903	14,737
Rent		5,989	5,931
Repairs & Maintenance		7,759	12,911

The accompanying notes form part of these financial statements

## Income Statement

	<i>Notes</i>	<b>2020</b> \$	<b>2019</b> \$
Share Registry Compliance		3,931	4,078
Staff Expenses		4,818	7,354
Staff Training		227	976
Superannuation		35,906	34,812
Telephone		7,203	7,008
Wages		358,461	374,494
Workcover		1,192	1,055
<b>Total Expenses</b>		<u>586,978</u>	<u>665,813</u>
<b>Operating Profit</b>		533,184	562,975
<b>Less Community Contributions</b>			
Donations & Sponsorship		<u>324,016</u>	<u>315,986</u>
<b>Net Operating Profit before Income Tax</b>		209,168	246,989
<b>Non Operating Income</b>			
Federal Government Cash Flow Boost		<u>48,935</u>	<u>-</u>
<b>Net Profit Before Income Tax</b>		<u><u>258,103</u></u>	<u><u>246,989</u></u>

The accompanying notes form part of these financial statements

## Balance Sheet

	<i>Notes</i>	<b>2020</b> \$	<b>2019</b> \$
<b>Current Assets</b>			
Cash assets	5	1,759,402	1,808,745
Receivables	6	129,774	143,131
Tax Refunds	8	25,297	13,926
<b>Total Current Assets</b>		<u>1,914,473</u>	<u>1,965,802</u>
<b>Non-Current Assets</b>			
Financial assets	7	17,108	16,279
Property, plant and equipment	9	2,066,724	1,960,774
Intangible assets	10	20,519	31,712
Other assets	11	2,478	260
<b>Total Non-Current Assets</b>		<u>2,106,829</u>	<u>2,009,025</u>
<b>Total Assets</b>		4,021,302	3,974,827
<b>Current Liabilities</b>			
Trade and other payables	12	36,700	75,713
Tax liabilities	12	14,045	40,183
Provisions	13	153,617	214,282
<b>Total Current Liabilities</b>		<u>204,362</u>	<u>330,178</u>
<b>Non-Current Liabilities</b>			
		-	-
<b>Total Non-Current Liabilities</b>		<u>-</u>	<u>-</u>
<b>Total Liabilities</b>		<u>204,362</u>	<u>330,178</u>
<b>Net Assets</b>		<u>3,816,940</u>	<u>3,644,649</u>
<b>Equity</b>			
Issued capital	14	615,750	615,750
Retained earnings	15	3,201,190	3,028,899
<b>Total Equity</b>		<u>3,816,940</u>	<u>3,644,649</u>

The accompanying notes form part of these financial statements



## **Cash Flow Statement**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	1,104,758	1,154,395
Receipt from Federal Government Cash flow boost	48,935	-
Payments to suppliers and employees	(625,428)	(562,553)
Dividends received	1,184	1,176
Interest paid	(3)	(1)
Interest received	27,577	42,143
Donations & Sponsorships	(324,016)	(315,985)
Income taxes paid	(51,449)	(91,854)
<b>Net cash flows from/(used in) operating activities</b>	<b>181,558</b>	<b>227,321</b>
 <b>Cash Flows From Investing Activities</b>		
<b>Proceeds</b>		
Provision for capital works deduction	12,004	12,004
Provision for depreciation	19,420	8,325
Provision for Amortisation	11,192	11,193
<b>Payments</b>		
Land - 9 Bank Place, Drouin	(79,373)	(9,995)
Shares - Bendigo Bank Ltd At Cost	(829)	(823)
Income Tax Refundable	(11,371)	(13,251)
Security deposit BGIS	(2,218)	-
<b>Net cash flows from/(used in) investing activities</b>	<b>(51,175)</b>	<b>7,453</b>
 <b>Cash Flows From Financing Activities</b>		
<b>Receipts</b>		
GST Received	-	-
<b>Payments</b>		
Ordinary Dividend Paid	(153,938)	(153,938)
GST Payable	(25,788)	(2,928)
<b>Net cash provided by financing activities</b>	<b>(179,726)</b>	<b>(156,866)</b>
 <b>Net increase/(decrease) in cash held</b>	<b>(49,343)</b>	<b>77,908</b>
Cash at the beginning of the year	1,808,745	1,730,837
<b>Closing cash carried forward</b>	<b>16 1,759,402</b>	<b>1,808,745</b>

The accompanying notes form part of these financial statements

## Reconciliation of Retained Earnings/Equity Changes

	2020 \$	2019 \$
<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	3,028,899	3,027,702
Net profit after income tax	206,654	155,135
Asset Revaluation Reserve 30.06.20		
42 Princes Way, Drouin	88,000	-
3/35-37 Princes Way, Drouin	(30,001)	-
Less Ordinary Dividend proposed	<u>(92,362)</u>	<u>(153,938)</u>
<b>Balance at end of year</b>	<u>3,201,190</u>	<u>3,028,899</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 2020.

### **(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 2019 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	20-30%
Motor Vehicles	30%

#### *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.

#### **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).

## **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**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<u>Operating activities</u>		
Gross commissions and fees	1,483,640	1,581,772
Less profit share expenses	(409,514)	(421,806)
Net commission and fees	<u>1,074,126</u>	<u>1,159,966</u>
<u>Other operating activities</u>		
- dividends received	1,184	1,176
- hiring charges	57	-
- interest received	27,577	42,143
- insurance recovery	-	10,423
- rent received	17,218	15,080
Total revenue from other operating activities	<u>46,036</u>	<u>68,822</u>
Total revenue from operating activities	<u><u>1,120,162</u></u>	<u><u>1,228,788</u></u>

## **Notes**

<b>3. Expenses</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Employee benefits expense		
- wages and salaries	358,461	374,494
- superannuation costs	35,906	34,812
- post-employment benefits (other than superannuation)	5,008	7,295
- workers' compensation costs	1,192	1,055
	<u>400,567</u>	<u>417,656</u>
Depreciation of non-current assets		
- plant and equipment	19,420	8,325
- buildings (capital works deduction)	12,004	12,004
Amortisation of non-current assets		
- Franchise fee	11,192	11,192
	<u>42,616</u>	<u>31,521</u>
Finance Costs		
- Interest paid	3	1
	<u>3</u>	<u>1</u>
<b>4. Auditors' Remuneration</b>		
Amounts received or due and receivable by Julius Sommers, for:		
- Audit or review of the financial report of the Company	3,600	3,600
	<u>3,600</u>	<u>3,600</u>
<b>5. Cash Assets</b>		
Cash at bank and on hand	1,758,707	1,807,889
Petty Cash	340	503
Imputation credit	355	353
	<u>1,759,402</u>	<u>1,808,745</u>
<b>6. Receivables</b>		
Accounts Receivable	129,774	143,131
	<u>129,774</u>	<u>143,131</u>
<b>7. Financial Assets</b>		
Shares - Bendigo & Adelaide Bank Ltd	17,108	16,279
	<u>17,108</u>	<u>16,279</u>

	<b>Notes</b>	
<b>8. Tax Payable Cash Basis</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</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 27.5% (2019: 27.5%)	51,449	91,854
Income Tax expense	51,449	91,854
Less Income Tax Instalments paid	(76,746)	(105,780)
Rounding		-
<b>Income Tax (Refundable)</b>	<b>(25,297)</b>	<b>(13,926)</b>
<b>9. Property, Plant and Equipment</b>		
<i>Land &amp; Buildings</i>		
1. At Cost - 42 Princes Way, Drouin	258,535	
Asset Revaluation Reserve 07.02.07	316,465	
Asset Revaluation Revenue 30.06.11	165,000	
Asset Revaluation Reserve 30.06.18	72,000	
Asset Revaluation Reserve 30.06.20	88,000	
Less Provision for Capital Works	<u>900,000</u>	<u>812,000</u>
	(105,727)	(100,864)
2. At Cost - Building - 3/35-37 Princes Way, Drouin	243,751	
Asset Revaluation Reserve 30.06.18	106,250	
Asset Revaluation Reserve 30.06.20	<u>(30,001)</u>	<u>320,000</u>
		350,001
3. At Cost - Land & Building - 5 Kennedy Street, Longwarry	359,505	
Less Provision for Capital Works	<u>359,505</u>	<u>359,505</u>
	(41,317)	(34,176)
4. Land At Cost - 9 Bank Place, Drouin	316,339	
Building costs to 30.6.19	10,902	
Building costs to 30.6.20	<u>79,373</u>	<u>406,614</u>
		327,241
5. Land At Cost - 44-46 Young Street, Drouin	<u>227,649</u>	<u>227,649</u>
	<u>2,066,724</u>	<u>1,941,356</u>
<i>Plant &amp; Equipment</i>		
At Cost	232,874	232,874
Less Accumulated Depreciation	<u>(232,874)</u>	<u>(221,808)</u>
	-	11,066
<i>Motor Vehicles</i>		
At Cost	34,460	34,460
Less Accumulated Depreciation	<u>(34,460)</u>	<u>(26,108)</u>
	-	8,352
Total Written Down Amount	<u>2,066,724</u>	<u>1,960,774</u>



## **Notes**

### **10. Intangible Assets**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise Fee</i>		
At Cost	55,961	55,961
Less Accumulated Amortisation	<u>(35,442)</u>	<u>(24,249)</u>
	<u><u>20,519</u></u>	<u><u>31,712</u></u>

### **11. Other Assets**

Security Deposit - ANZ (BGIS - Vic Track)	2,478	260
	<u><u>2,478</u></u>	<u><u>260</u></u>

### **12. Trade & Other Payables**

Accounts Payable	28,237	67,181
Accrued Expenses	7,540	7,540
Bankcard	533	602
Dividends Held	390	390
	<u><u>36,700</u></u>	<u><u>75,713</u></u>
Wages Tax Liability	5,878	6,210
Fringe Benefits Tax Instalment	1,854	1,872
GST Payable	6,313	32,101
	<u><u>14,045</u></u>	<u><u>40,183</u></u>

### **13. Provisions**

Provision for dividend	92,362	153,938
Provision for Annual Leave	26,953	24,589
Provision for Long Service Leave	34,302	35,755
	<u><u>153,617</u></u>	<u><u>214,282</u></u>

### **14. Share Capital**

615,750 Ordinary Shares fully paid of \$1 each	<u><u>615,750</u></u>	<u><u>615,750</u></u>
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### **15. Retained Earnings / (Accumulated Losses)**

Balance at the beginning of the financial year	3,028,899	3,027,702
Profit/(loss) after income tax	206,654	155,135
Asset Revaluation Reserve 30.06.20		
42 Princes Way, Drouin	88,000	-
3/35-37 Princes Way, Drouin	(30,001)	-
Dividends	(92,362)	(153,938)
Balance at the end of the financial year	<u><u>3,201,190</u></u>	<u><u>3,028,899</u></u>

### **16. Cash Flow Statement**

#### *Reconciliation of cash*

Cash assets	<u><u>1,759,402</u></u>	<u><u>1,808,745</u></u>
	<u><u>1,759,402</u></u>	<u><u>1,808,745</u></u>

## **17. Director and Related Party Disclosures**

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

Mr Rodney Dunlop	Mr Martin Sayers
Mr Kim Rees	Mr Sean Walsh
Mr Matthew Middel	
Mr Roberto J Celada	
Mr Matthew Williamson	
Mrs Vanessa Marsh	
Mr Brett McKellar	

No director's fees have been paid as all positions are held on a voluntary basis.

The company does have a current contract with Pathfinder Law Pty Ltd of which Roberto Celada is a director. The contract is for legal work provided in relation to the construction contract with Kubale Constructions Pty Ltd and for conveyancing of the current Corporate office at 3/35-37 Princes Way, Drouin.

<b>Directors Shareholdings</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Mr Kim David Rees	5,000	5,000
Mr Rodney Bruce Dunlop	200	200
Mr Matthew Middel	1,000	-
Mr Roberto J Celada	250	250
Mr Matthew Williamson	-	-
Mr Martin Sayers	250	-
Ms Vanessa Marsh	-	-
Mr Brett McKellar	-	-
Mr Sean Walsh	-	-

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 is a contingent liability at the date of this financial report, which is currently under investigation. The matter will be fully disclosed upon finalisation.

## **20. Segment Reporting**

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

## **Notes**

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### **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

<b>22. Dividends paid or provided for on ordinary shares</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Dividends proposed and recognised as a liability</b>		
Franked dividends -15 cents per share (2019: 25 cents per share)	92,362	153,938
<b>(b) Dividends paid during the year</b>		
Franked dividends -25 cents per share (2018: 25 cents per share)	153,938	153,938
<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	1,074,947	1,070,515
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	51,449	91,854
- Franking debits that will arise from the payment of dividends as at the end of the financial year	35,034	58,390
- Franking credits that will arise from the payment of dividends recognised as receivables at the reporting date	355	353
- 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% (2019: 27.5%).  
Dividends proposed will be franked at a rate of 27.5% (2018: 27.5%).

	<b>Notes</b>	
<b>23. Earnings Per Share</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
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>206,654</u>	<u>155,135</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>615,750</u>	<u>615,750</u>

## **Notes**

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### **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 an overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

#### **(a) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	<b>Carrying Amount</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Cash available	1,784,699	1,822,671
Receivables	129,774	143,131
	<u>1,914,473</u>	<u>1,965,802</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 (2019: 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 \$
<b>30 June 2020</b>					
Payables	36,700	36,700	36,700		-
Interest bearing liabilities				-	-
	<u>36,700</u>	<u>36,700</u>	<u>36,700</u>	<u>-</u>	<u>-</u>
<b>30 June 2019</b>					
Payables	75,713	75,713	75,713	-	-
Interest bearing liabilities	-	-	-	-	-
	<u>75,713</u>	<u>75,713</u>	<u>75,713</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%.

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 2020 can be seen in the Income Statement.

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

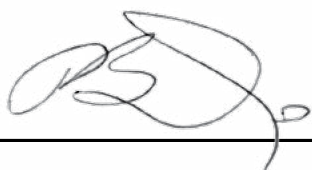
## **Director's Declaration**

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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 2020 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



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Rodney Dunlop  
Director/Chair



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Roberto J. Celada  
Director/Secretary

Signed at Drouin on the 29th day of September 2020.

**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 30<sup>th</sup> June 2020, 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**

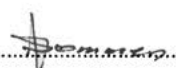
In my opinion, the financial report of the Drouin & District Community Financial Services Ltd are in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30<sup>th</sup> June 2020 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: 22nd Sep 2020  
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 30th June 2020 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 *22nd Sep 2020*

Auditor: Julius Sommers  
Registered Company Auditor 9092

Address: P O Box 37 Doncaster Vic 3108  
86 Longview Road  
North Balwyn Vic 3104

Signature: *[Signature]*







Community Bank Drouin & District  
42 Princes Way,  
Drouin VIC 3818  
Phone: 03 5625 4544 Fax: 03 5625 44546  
Email: [drouinmailbox@bendigoadelaide.com.au](mailto:drouinmailbox@bendigoadelaide.com.au)  
Web: [www.bendigobank.com.au/drouin](http://www.bendigobank.com.au/drouin)

Franchisee: Drouin & District Community Financial Services Limited  
ABN: 37 096 687 240  
Office 3, 35-37 Princes Way Drouin VIC 3818  
Phone: 03 5625 9165 Fax: 03 5625 9221  
Email: [admin@drouinddfs.com.au](mailto:admin@drouinddfs.com.au)

Share Registry:  
Lead Advisory Group  
PO Box 30, Bendigo VIC 3552  
Phone: 03 5445 4200  
Fax: 03 5444 4344  
Email: [info@leadadvisorygroup.com.au](mailto:info@leadadvisorygroup.com.au)

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