

Annual Report 2024

Drouin & District Community
Financial Services Limited

Community Bank
Drouin & District
ABN 37 096 687 240



**DROUIN & DISTRICT
COMMUNITY FINANCIAL SERVICES LTD
30 June 2024**

ABN 37 096 687 240

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2024 CHAIR REPORT

On behalf of Drouin & District Community Financial Services Limited, I am pleased to present the 23rd Annual Report.

The results again this year have been very positive and exceeded expectations despite a challenging environment for some sectors of our economy. It has been yet another successful year for the company.

Our Branch Manager, Rob Hutchinson, has been with us for 8 years and his wide breadth of experience and enthusiasm continues to have a positive impact on our performance. Rob continues to build strong relationships with our many community partners and community leaders with his team, which stands us in good stead going forward.

We maintain our strong commitment to Drouin, Longwarry and our surrounding community. As we are the only bank in Drouin we remain absolutely committed to our community. We are continuing to build our presence in Warragul as well. We have distributed approximately \$350,782 in the past year which includes community investments, grants and dividends to shareholders. Over the past 23 years, we have distributed a total of over \$7.1 million to our community.

Our quarterly community investment presentations continued this year and these have been well attended. At our community investment & grant presentations we give recipients an understanding of the breadth of community organisations that we have supported and they can also share a little bit about their important contributions to our community. These functions also highlight how Community Banks are different to all other banking, and how we are able to strengthen our community. Participants leave these functions knowing that they are part of something special.

Our shareholders are always our key responsibility. The table below highlights the dividends for previous years which have been very good. This year with our solid performance over 2023 -2024, this dividend will be 25 cents per share to those people who hold shares at the close of business on 28th February 2025. The company's performance this year, by any standard, has been a very strong one for shareholders and our community.

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	92,362
2020/2021	15	92,362	92,362
2020/2021 (Special)	10	61,575	61,575
2021/2022	18	110,835	110,835
2022/23	25	153,937	153,937
2023/24	25	153,937	153,937

Our company's purpose-built boardroom and offices, a sizable community meeting space and 2 shops on the land on the corner of Bank Place and Young Street continue to be fully utilized. Both shops are leased to businesses new to Drouin, and our meeting space for community groups is regularly used by a wide variety of not for profit organisations. The Board has leased the old Boardroom and office space in the State Bank building. Our property at Longwarry is also leased.

Our Board is currently looking at options for developing our block at 44-46 Young Street Drouin.

I would like to thank our Branch Manager Rob Hutchinson and our wonderful branch team for their dedication over the past year. Their work have contributed to the company's success. 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 Sonia Lombardo, Joshua Chikuse and Rod Dunlop. They have all made substantial positive contributions to our Board during their time on it. Sonia will not be renominating as her family are moving from Drouin – I want to thank her for her positive and enthusiastic contribution to the Board. I am pleased that Joshua and I are renominating as directors. Also Shaun Mallia, Warren Warner and Andrew Waller will be nominating for the Board at our AGM.

The Board believes that the outlook for the next 12 months will still be positive but with similar uncertainty to last year. Accordingly 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 continued support and trust.



Rodney Dunlop

Board Chair

2024 BRANCH MANAGERS REPORT

This past year has seen a new environment of higher interest rates designed to reign in inflationary pressures. Property markets have slowed, and Australian's are faced with increasing cost of living which is running down any resources they may have accumulated through the Covid period. Home loan customers are reviewing their interest rates particularly as household expenditure and home loan repayments are rising faster than wages growth. This has provided us opportunity to onboard new customers and we have continued our proactive contact with existing home loan customers to ensure they stay in market.

The positives last year were.

Annual income remained consistent with 22/23 at \$2.5m

Net profit was \$1.28m against budget projection of \$912k

Customer numbers grew by 19% to 6,982

Again, I would like to thank our dedicated staff members. During the year we both farewelled a few of the Team onboarded some new faces. We are continuing to invest in the development of our people as the way we transact with our customers increasingly by phone is becoming the new norm. Our focus is on improving Customer Centred conversations to deepen our relationships for existing and new customers. In line with industry trends, we experienced no reduction in transaction numbers which based on research is below the norm. Our observations that transactions have remained constant however the nature of customer demands has changed and greater support around digital solutions, frauds & scams is required.

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 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 are 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 of 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.

The strength of our Community Bank Drouin & District 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 consider the range of competitive financial products available through our Community Bank Drouin & District 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 Community Bank Drouin & District Branch.

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

A handwritten signature in black ink, appearing to read 'Rob Hutchinson', written in a cursive style.

Rob Hutchinson

Branch Manager

Drouin & District Community Financial Services Limited

ABN 37 096 687 240

Financial Report - 30 June 2024

Directors' report 30 June 2024

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2024.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Name: Rodney Bruce Dunlop
Title: Non-executive director
Experience and expertise: Business Manager, Bachelor of Economics and a Master of Education, ex School Principal.
Special responsibilities: Chair, Buildings & Maintenance Committee, Governance & Risk Committee, and Marketing Committee.

Name: Roberto James Celada
Title: Non-executive director
Experience and expertise: Bachelor of Laws/Bachelor of Science (Genetics), business owner.
Special responsibilities: Secretary, Public Officer, Member of Governance & Risk Committee and Marketing Committee.

Name: Matthew Marc Williamson
Title: Non-executive director
Experience and expertise: Experience in APRA regulated financial services organisations in the areas of: risk management, governance, internal audit and financial management. Qualifications: Bachelor of Commerce (Accounting), Master of Applied Finance, GAICD.
Special responsibilities: Vice chair, Member of Governance & Risk Committee and Marketing Committee.

Name: Vanessa Louise Marsh
Title: Non-executive director
Experience and expertise: Senior Manager for over 15 years in the TAFE/VET sector. Qualifications include Bachelor of Education, Graduate Certificate in Leadership in Education and Training, Graduate Certificate of Education (Tertiary Education) and Graduate Company Directors Course (GAICD).
Special responsibilities: member of Marketing Committee.

Name: (Patrick) Sean Walsh
Title: Non-executive director
Experience and expertise: 20 years banking (NAB) 1964 - 1984. Construction and engineering 1984 - current. Dairying and farming - Cattle and horses 1978 - 1999. Yooralla Community Partnership Advisory Committee 2014 - current. Run director - Warragul Parkrun 2017 - current. Licenced private pilot 1981 - current. Australian Bank Employees Union 1967 - 1984. Administrative Officer, Bunyip Community Bank 2012 - 2019. Various times: President National Bank Sub branch, Victorian Division Treasurer, Conference delegate, Federal executive member.
Special responsibilities: Member of Buildings & Maintenance Committee, Governance Committee and Marketing Committee.

Name: Sonia Gaye Lombardo
Title: Non-executive director
Experience and expertise: Currently undertaking a Bachelor of Education (Primary Education) 3rd Year. Qualifications include 10461NAT Diploma of Community Health Dec - 2014, 21697VIC Diploma of Vocational Education and Training Practice Jan – 2013, BSB51107 Diploma of Management May – 2012, TAE40110 Certificate IV in Training and Assessment Nov – 2011 and BSB40407 Certificate IV in Small Business Management Nov – 2011.
Special responsibilities: Member of Buildings & Maintenance Committee, and Marketing Committee.

Drouin & District Community Financial Services Limited

Directors' report

30 June 2024

Name: (Liberty) Joshua Chikuse
Title: Non-executive director
Experience and expertise: Joshua has extensive experience in organisational strategy, project management, community engagement and governance. He is also an experienced board director and holds a Bachelor of Environmental Science and Applied Corporate Governance postgraduate from the Governance Institute of Australia. He is also a graduate of the AICD company directors course.
Special responsibilities: Chair of the Governance and Risk Committee.

Name: Shaun Harry Mallia
Title: Non-executive director (appointed 29 January 2024)
Experience and expertise: Executive Officer of Kindred Spirits Enterprises, Member of the Latrobe Health Assembly, Gippsland Community Leadership Program 2021 alumni, Former editor of the Latrobe Valley Express newspaper (2014-2017), Bachelor of Arts (Journalism), Monash University, Graduated 2007.
Special responsibilities: Member of Marketing Committee

Company secretary

The company secretary is Rob Celada. Rob was appointed to the position of company secretary on 28 November 2017.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of this activity during the financial year.

Review of operations

The profit for the company after providing for income tax amounted to \$960,331 (30 June 2023: \$1,045,756).

Operations have continued to perform in line with expectations.

Dividends

During the financial year, the following dividends were provided for and paid. The dividends have been provided for in the financial statements.

	2024	2023
	\$	\$
Fully franked dividend of 25 cents per share (2023: 18 cents)	<u>153,938</u>	<u>110,835</u>

Significant changes in the state of affairs

On 1 July 2023, Bendigo Bank updated the Funds Transfer Pricing (FTP) base rate on certain deposits which has reduced the income earned on these products.

There were no other significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

No matter, circumstance or likely development in operations has arisen during or since the end of the financial year that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Drouin & District Community Financial Services Limited

Directors' report

30 June 2024

Meetings of directors

The number of directors' meetings (including meetings of committees of directors') attended by each of the directors' of the company during the financial year were:

	Board		Marketing Committee		Governance Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Rodney Bruce Dunlop	13	13	11	11	1	1
Roberto James Celada	13	12	11	10	1	1
Matthew Marc Williamson	13	10	11	7	1	1
Vanessa Louise Marsh	13	13	11	11	-	-
(Patrick) Sean Walsh	13	12	11	10	1	-
Sonia Gaye Lombardo	13	9	11	8	-	-
(Liberty) Joshua Chikuse	13	12	11	10	1	1
Shaun Harry Mallia	6	6	5	5	-	-

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 as disclosed in note 24 to the financial statements. 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.

Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Rodney Bruce Dunlop	5,200	-	5,200
Roberto James Celada	250	-	250
Matthew Marc Williamson	-	-	-
Vanessa Louise Marsh	-	-	-
(Patrick) Sean Walsh	500	-	500
Sonia Gaye Lombardo	500	-	500
(Liberty) Joshua Chikuse	-	2,000	2,000
Shaun Harry Mallia	-	-	-

Shares under option

There were no unissued ordinary shares of the company under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the company issued on the exercise of options during the year ended 30 June 2024 and up to the date of this report.

Indemnity and insurance of directors and officers

The company has indemnified all directors and management in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or management 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.

Drouin & District Community Financial Services Limited

Directors' report

30 June 2024

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 25 to the accounts.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:


- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Rodney Bruce Dunlop
Chairman

24 September 2024



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
03 5443 0344

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Drouin & District Community Financial Services Limited

As lead auditor for the audit of Drouin & District Community Financial Services Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

- i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', is positioned above the printed name.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 24 September 2024

A handwritten signature in black ink, appearing to read 'Jessica Ritchie', is positioned above the printed name.

Jessica Ritchie
Lead Auditor

Drouin & District Community Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Revenue from contracts with customers	7	2,351,530	2,496,550
Other revenue	8	109,194	83,106
Finance revenue		109,247	7,878
Total revenue		<u>2,569,971</u>	<u>2,587,534</u>
Employee benefits expense	9	(727,334)	(679,517)
Advertising and marketing costs		(26,740)	(26,777)
Occupancy and associated costs		(64,326)	(58,553)
System costs		(46,669)	(42,084)
Depreciation and amortisation expense	9	(83,153)	(67,958)
General administration expenses		(109,959)	(115,263)
Fair value losses on financial assets		-	(707)
Total expenses before community contributions and income tax		<u>(1,058,181)</u>	<u>(990,859)</u>
Profit before community contributions and income tax expense		1,511,790	1,596,675
Charitable donations and sponsorships expense		<u>(231,161)</u>	<u>(202,684)</u>
Profit before income tax expense		1,280,629	1,393,991
Income tax expense	10	<u>(320,298)</u>	<u>(348,235)</u>
Profit after income tax expense for the year		960,331	1,045,756
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of land and buildings, net of tax		<u>-</u>	<u>708,180</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>708,180</u>
Total comprehensive income for the year		<u><u>960,331</u></u>	<u><u>1,753,936</u></u>
		Cents	Cents
Basic earnings per share	27	155.96	169.83
Diluted earnings per share	27	155.96	169.83

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Drouin & District Community Financial Services Limited
Statement of financial position
As at 30 June 2024

	Note	2024 \$	2023 \$
Assets			
Current assets			
Cash and cash equivalents	11	839,919	733,263
Trade and other receivables	12	261,742	257,666
Investments	13	2,378,534	1,725,704
Total current assets		<u>3,480,195</u>	<u>2,716,633</u>
Non-current assets			
Trade and other receivables	12	2,478	2,478
Financial assets	15	18,970	13,301
Property, plant and equipment	14	3,799,492	3,834,551
Intangible assets	16	35,689	49,208
Total non-current assets		<u>3,856,629</u>	<u>3,899,538</u>
Total assets		<u>7,336,824</u>	<u>6,616,171</u>
Liabilities			
Current liabilities			
Trade and other payables	17	122,819	130,829
Current tax liabilities	10	221,488	290,191
Employee benefits		66,910	48,513
Total current liabilities		<u>411,217</u>	<u>469,533</u>
Non-current liabilities			
Trade and other payables	17	14,598	29,196
Deferred tax liabilities	10	471,677	472,650
Employee benefits		3,137	14,990
Total non-current liabilities		<u>489,412</u>	<u>516,836</u>
Total liabilities		<u>900,629</u>	<u>986,369</u>
Net assets		<u>6,436,195</u>	<u>5,629,802</u>
Equity			
Issued capital	18	615,750	615,750
Reserves		1,321,173	1,321,173
Retained earnings		4,499,272	3,692,879
Total equity		<u>6,436,195</u>	<u>5,629,802</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Drouin & District Community Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2024

	Note	Issued capital \$	Revaluation reserve \$	Retained earnings \$	Total equity \$
Balance at 1 July 2022		615,750	612,993	2,757,958	3,986,701
Profit after income tax expense		-	-	1,045,756	1,045,756
Other comprehensive income, net of tax		-	708,180	-	708,180
Total comprehensive income		-	708,180	1,045,756	1,753,936
<i>Transactions with owners in their capacity as owners:</i>					
Dividends provided for or paid	20	-	-	(110,835)	(110,835)
Balance at 30 June 2023		<u>615,750</u>	<u>1,321,173</u>	<u>3,692,879</u>	<u>5,629,802</u>
Balance at 1 July 2023		615,750	1,321,173	3,692,879	5,629,802
Profit after income tax expense		-	-	960,331	960,331
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	960,331	960,331
<i>Transactions with owners in their capacity as owners:</i>					
Dividends provided for or paid	20	-	-	(153,938)	(153,938)
Balance at 30 June 2024		<u>615,750</u>	<u>1,321,173</u>	<u>4,499,272</u>	<u>6,436,195</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Drouin & District Community Financial Services Limited
Statement of cash flows
For the year ended 30 June 2024

	Note	2024 \$	2023 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,758,156	2,722,561
Payments to suppliers and employees (inclusive of GST)		(1,459,920)	(1,326,147)
Interest received		53,008	7,878
Income taxes paid		<u>(389,974)</u>	<u>(29,078)</u>
Net cash provided by operating activities	26	<u>961,270</u>	<u>1,375,214</u>
Cash flows from investing activities			
Redemption of/(investment in) term deposits		(652,830)	(1,007,727)
Payments for property, plant and equipment	14	(34,575)	(4,000)
Payments for intangible assets		<u>(13,271)</u>	<u>(26,543)</u>
Net cash used in investing activities		<u>(700,676)</u>	<u>(1,038,270)</u>
Cash flows from financing activities			
Dividends paid	20	<u>(153,938)</u>	<u>(110,835)</u>
Net cash used in financing activities		<u>(153,938)</u>	<u>(110,835)</u>
Net increase in cash and cash equivalents		106,656	226,109
Cash and cash equivalents at the beginning of the financial year		<u>733,263</u>	<u>507,154</u>
Cash and cash equivalents at the end of the financial year	11	<u><u>839,919</u></u>	<u><u>733,263</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Drouin & District Community Financial Services Limited

Notes to the financial statements

30 June 2024

Note 1. Reporting entity

The financial statements cover Drouin & District Community Financial Services Limited (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 42 Princes Way, Drouin, VIC, 3818.

A description of the nature of the company's operations and its principal activity is included in the directors' report, which is not part of the financial statements.

Note 2. Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis and are presented in Australian dollars, which is the company's functional and presentation currency.

The directors have a reasonable expectation that the company has adequate resources to pay its debts as and when they fall due for the foreseeable future. For these reasons, the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 September 2024. The directors have the power to amend and reissue the financial statements.

Note 3. Material accounting policy information

The accounting policies that are material to the company are set out either in the respective notes or below. The accounting policies adopted are consistent with those of the previous financial year, unless otherwise stated.

Adoption of new and revised accounting standards

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current financial year. A description of the impact of new or amended Accounting Standards and Interpretations that have had a material impact on the company during the current financial year is outlined below:

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates is mandatory for annual reporting periods beginning on or after 1 January 2023 and was adopted by the company in the preparation of the 30 June 2024 financial statements.

AASB 2021-2 includes amendments to AASB 101 *Presentation of Financial Statements*, requiring the company to disclose material accounting policy information in its financial statements rather than significant accounting policies which was required in previous financial years. Accounting policy information is material if it, when considered with other information, could reasonably be expected to influence decisions of primary users based on the financial statements.

Adoption of AASB 2021-2 has had no impact on the numerical information disclosed in the company's financial statements. Rather, adoption has required the company to remove significant accounting policy information from the notes to the financial statements that is not considered material.

Accounting standards issued but not yet effective

An assessment of accounting standards and interpretations issued by the AASB that are not yet mandatorily applicable to the company has been performed. No new or amended Accounting Standards or Interpretations that are not mandatory have been early adopted, nor are they expected to have a material impact on the company in future financial years.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Drouin & District Community Financial Services Limited

Notes to the financial statements

30 June 2024

Note 3. Material accounting policy information (continued)

Investments

Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the company has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 4. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. The directors continually evaluate their judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses.

The directors base their judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that it believes to be reasonable under the circumstances. Differences between the accounting judgements and estimates and actual results and outcomes are accounted for in future reporting periods. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Judgements

Timing of revenue recognition associated with trail commission

The company receives trailing commission from Bendigo Bank for products and services sold. Ongoing trailing commission payments are recognised on a monthly basis when earned as there is insufficient detail readily available to estimate the most likely amount of revenue without a high probability of significant reversal in a subsequent reporting period. The receipt of ongoing trailing commission revenue is outside the control of the company.

Allowance for expected credit losses on trade and other receivables

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

The company has not recognised an allowance for expected credit losses in relation to trade and other receivables for the following reasons:

- The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end.
- The credit risk (i.e. the risk that a customer will not make repayments) is for Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit. The directors are not aware of any such non-compliance at balance date.
- The company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company.
- The company has not experienced any instances of default in relation to receivables owed to the company from Bendigo Bank.

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 4. Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy

The company is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: inputs are based on the quoted market price at the close of business at the end of the reporting period
- Level 2: inputs are based on a valuation performed by a third party qualified valuer using quoted prices for similar assets in an active market
- Level 3: unobservable inputs for the asset or liability.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

Impairment of non-financial assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. The directors did not identify any impairment indications during the financial year.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Estimates and assumptions

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives or assets that have been abandoned or sold will be written off or written down.

Note 5. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in April 2027.

The company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 5. Economic dependency (continued)

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:

- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

Note 6. Change to comparative figures

Classification of term deposits

During the year the directors reviewed the requirements of AASB 107 *Statement of Cash Flows* and noted term deposits normally qualify as a cash and cash equivalent only when they have initial investment periods of three months or less. In previous financial years the company classified all term deposits as cash and cash equivalents in the preparation of the even if they had initial investment periods greater than three months.

In the preparation of the financial statements for the current financial year, the directors updated its accounting policy to align to the requirements of AASB 107, restating comparative figures to reclassify term deposits with initial investment periods greater than three months as current investments instead of cash and cash equivalents in the Statement of financial position.

The change in classification had the following impacts on comparative figures:

- Cash and cash equivalents decreased and investments increased by \$1,725,704 at 30 June 2023 as reported in the Statement of financial position.
- Opening and closing cash balances were reduced to exclude term deposits with initial investment periods greater than three months as reported in the Statement of cash flows.
- Investments in and redemptions of term deposits with initial investment periods greater than three months are now classified within investment activities as reported in the Statement of cash flows.

The change in classification had no impact on the company's net profit or net asset position.

Note 7. Revenue from contracts with customers

	2024	2023
	\$	\$
Margin income	2,122,234	2,273,903
Fee income	88,129	90,242
Commission income	<u>141,167</u>	<u>132,405</u>
	<u><u>2,351,530</u></u>	<u><u>2,496,550</u></u>

Accounting policy for revenue from contracts with customers

The company has entered into a franchise agreement with Bendigo Bank. The company delivers banking and financial services of Bendigo Bank to its community. The franchise agreement provides for a share of interest, fee, and commission revenue earned by the company. Interest margin share is based on a funds transfer pricing methodology which recognises that income is derived from deposits held, and that loans granted incur a funding cost. Fees are based on the company's current fee schedule and commissions are based on the agreements in place. All margin revenue is recorded as non-interest income when the company's right to receive the payment is established.

The company acts as an agent under the franchise agreement and revenue arises from the rendering of services through its franchise agreement.

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 7. Revenue from contracts with customers (continued)

Revenue is recognised on an accruals basis, at the fair value of consideration specified in the franchise agreement, as follows:

<u>Revenue stream</u>	<u>Includes</u>	<u>Performance obligation</u>	<u>Timing of recognition</u>
Franchise agreement profit share	Margin, commission, and fee income	When the company satisfies its obligation to arrange for the services to be provided to the customer by the supplier (Bendigo Bank as franchisor).	On completion of the provision of the relevant service. Revenue is accrued monthly and paid within 10 business days after the end of each month.

All revenue is stated net of the amount of GST. There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates, interest rates and funds transfer pricing and other factors, such as economic and local conditions.

Margin income

Margin income on core banking products is arrived at through the following calculation:

	Interest paid by customers on loans less interest paid to customers on deposits
plus:	any deposit returns i.e. interest return applied by Bendigo Bank for a deposit
minus:	any costs of funds i.e. interest applied by Bendigo Bank to fund a loan.

The company is entitled to a share of the margin earned by Bendigo Bank. If this reflects a loss, the company incurs a share of that loss.

Commission income

Commission income is generated from the sale of products and services. This commission is recognised at a point in time which reflects when the company has fulfilled its performance obligation. Refer to note 4 for further information regarding key judgements applied by the directors in relation to the timing of revenue recognition from trail commission.

Fee income

Fee income is a share of what is commonly referred to as 'bank fees and charges' charged to customers by Bendigo Bank including fees for loan applications and account transactions.

Core banking products

Bendigo Bank has identified some products and services as 'core banking products'. It may change the products and services which are identified as core banking products by giving the company at least 30 days notice. Core banking products currently include Bendigo Bank branded home loans, term deposits and at call deposits.

Ability to change financial return

Under the franchise agreement, Bendigo Bank may change the form and amount of financial return the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo Bank earns revenue.

The change may be to the method of calculation of margin, the amount of margin, commission and fee income or a change of a margin to a commission or vice versa. This may affect the amount of revenue the company receives on a particular product or service.

Bendigo Bank must not reduce the margin and commission the company receives on core banking products and services to less than 50% (on an aggregate basis) of Bendigo Bank's margin at that time. For other products and services, there is no restriction on the change Bendigo Bank may make.

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 8. Other revenue

	2024	2023
	\$	\$
Net fair value gain on financial assets	4,693	-
Dividend and distribution income	976	820
Rental income	80,218	81,686
Other income	23,307	600
	<u>109,194</u>	<u>83,106</u>

Note 9. Expenses

Employee benefits expense

	2024	2023
	\$	\$
Wages and salaries	588,122	580,724
Non-cash benefits	2,337	-
Superannuation contributions	67,002	60,433
Expenses related to long service leave	20,298	2,214
Other expenses	49,575	36,146
	<u>727,334</u>	<u>679,517</u>

Depreciation and amortisation expense

	2024	2023
	\$	\$
<i>Depreciation of non-current assets</i>		
Buildings	65,792	53,900
Plant and equipment	3,842	1,080
	<u>69,634</u>	<u>54,980</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	2,253	2,163
Franchise renewal fee	11,266	10,815
	<u>13,519</u>	<u>12,978</u>
	<u>83,153</u>	<u>67,958</u>

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 10. Income tax

	2024	2023
	\$	\$
<i>Income tax expense</i>		
Current tax	321,836	330,813
Movement in deferred tax	(973)	261,132
Under/over provision in respect to prior years	(147)	(7,299)
Deferred tax recognised through OCI	-	(236,060)
Net benefit of franking credits on dividends received	(418)	(351)
	<u>320,298</u>	<u>348,235</u>
<i>Prima facie income tax reconciliation</i>		
Profit before income tax expense	<u>1,280,629</u>	<u>1,393,991</u>
Tax at the statutory tax rate of 25%	320,157	348,498
Tax effect of:		
Tax offset for franked dividends	(418)	(351)
Non-deductible expenses	601	-
Other assessable income	105	88
	<u>320,445</u>	<u>348,235</u>
Under/over provision in respect to prior years	(147)	-
Income tax expense	<u>320,298</u>	<u>348,235</u>
	2024	2023
	\$	\$
<i>Deferred tax liabilities/(assets)</i>		
Property, plant and equipment	438,450	443,019
Accounts receivable	43,884	52,502
Financial assets at fair value through profit or loss	(281)	(1,455)
Prepayments	3,103	2,977
Income accruals	14,060	-
Employee benefits	(17,512)	(15,876)
Accrued expenses	(6,564)	(6,183)
Accounts payable	(3,463)	(2,334)
Deferred tax liability	<u>471,677</u>	<u>472,650</u>
	2024	2023
	\$	\$
Provision for income tax	<u>221,488</u>	<u>290,191</u>

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Accounting policy for current tax

Current tax assets and liabilities are measured at amounts expected to be recovered from or paid to the taxation authorities. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 10. Income tax (continued)

Accounting policy for deferred tax

The carrying amount of deferred tax assets is reviewed at each reporting 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 tax asset to be utilised.

Note 11. Cash and cash equivalents

	2024	2023
	\$	\$
Cash at bank and on hand	<u>839,919</u>	<u>733,263</u>

Note 12. Trade and other receivables

	2024	2023
	\$	\$
Trade receivables	<u>193,090</u>	<u>231,008</u>
Accrued income	56,239	-
Prepayments	<u>12,413</u>	<u>26,658</u>
	<u>68,652</u>	<u>26,658</u>
	<u>261,742</u>	<u>257,666</u>

Non-current assets

Other receivables and accruals	<u>2,478</u>	<u>2,478</u>
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Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end.

Note 13. Investments

	2024	2023
	\$	\$
<i>Current assets</i>		
Term deposits	<u>2,378,534</u>	<u>1,725,704</u>

Drouin & District Community Financial Services Limited
Notes to the financial statements
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Note 14. Property, plant and equipment

	2024 \$	2023 \$
Land - at fair value	1,555,000	1,555,000
Buildings - at fair value	2,546,012	2,546,012
Less: Accumulated depreciation	(340,236)	(274,444)
	<u>2,205,776</u>	<u>2,271,568</u>
Plant and equipment - at cost	280,875	252,375
Less: Accumulated depreciation	(248,234)	(244,392)
	<u>32,641</u>	<u>7,983</u>
Works in progress - at cost	6,075	-
	<u><u>3,799,492</u></u>	<u><u>3,834,551</u></u>

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Land \$	Buildings \$	Plant and equipment \$	Works in progress \$	Total \$
Balance at 1 July 2022	1,187,882	1,748,346	5,063	-	2,941,291
Additions	-	-	4,000	-	4,000
Revaluation increments	367,118	577,122	-	-	944,240
Depreciation	-	(53,900)	(1,080)	-	(54,980)
Balance at 30 June 2023	1,555,000	2,271,568	7,983	-	3,834,551
Additions	-	-	28,500	6,075	34,575
Depreciation	-	(65,792)	(3,842)	-	(69,634)
Balance at 30 June 2024	<u><u>1,555,000</u></u>	<u><u>2,205,776</u></u>	<u><u>32,641</u></u>	<u><u>6,075</u></u>	<u><u>3,799,492</u></u>

Fair value

The fair value of land and buildings was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued. Independent valuers provide the fair value of the company's investment property portfolio every 3 to 5 years.

The five company owned properties were independently valued effective 20 March 2023 by Lee Property valuers & advisors. The valuations resulted in an increment to the carrying amount of the properties resulting in a revaluation gain of \$944,240 in prior year of the Statement of Profit or Loss and other Comprehensive Income.

Accounting policy for property, plant and equipment

Property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Building	40 years
Plant and equipment	5 to 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 14. Property, plant and equipment

	2024	2023
	\$	\$
Land - at fair value	1,555,000	1,555,000
Buildings - at fair value	2,546,012	2,546,012
Less: Accumulated depreciation	(340,236)	(274,444)
	<u>2,205,776</u>	<u>2,271,568</u>
Plant and equipment - at cost	280,875	252,375
Less: Accumulated depreciation	(248,234)	(244,392)
	<u>32,641</u>	<u>7,983</u>
Works in progress - at cost	6,075	-
	<u><u>3,799,492</u></u>	<u><u>3,834,551</u></u>

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Land	Buildings	Plant and equipment	Works in progress	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2022	1,187,882	1,748,346	5,063	-	2,941,291
Additions	-	-	4,000	-	4,000
Revaluation increments	367,118	577,122	-	-	944,240
Depreciation	-	(53,900)	(1,080)	-	(54,980)
Balance at 30 June 2023	1,555,000	2,271,568	7,983	-	3,834,551
Additions	-	-	28,500	6,075	34,575
Depreciation	-	(65,792)	(3,842)	-	(69,634)
Balance at 30 June 2024	<u><u>1,555,000</u></u>	<u><u>2,205,776</u></u>	<u><u>32,641</u></u>	<u><u>6,075</u></u>	<u><u>3,799,492</u></u>

Fair value

The fair value of land and buildings was determined by external, independent property valuers, having recognised professional qualifications and recent experience in the location and category of the property being valued. Independent valuers provide the fair value of the company's investment property portfolio every 3 to 5 years.

The five company owned properties were independently valued effective 20 March 2023 by Lee Property valuers & advisors. The valuations resulted in an increment to the carrying amount of the properties resulting in a revaluation gain of \$944,240 in prior year of the Statement of Profit or Loss and other Comprehensive Income.

Accounting policy for property, plant and equipment

Property, plant and equipment are measured at cost or fair value as applicable, less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Building	40 years
Plant and equipment	5 to 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Drouin & District Community Financial Services Limited
Notes to the financial statements
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Note 14. Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 15. Financial assets

	2024	2023
	\$	\$
Equity securities - designated at fair value through profit or loss	<u>18,970</u>	<u>13,301</u>
<i>Reconciliation</i>		
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	13,301	13,188
Additions	976	896
Revaluation increments	4,693	-
Revaluation decrements	-	(783)
Closing carrying amount	<u>18,970</u>	<u>13,301</u>

Accounting policy for financial assets

Financial assets are recognised at their market value. Financial assets are derecognised when the rights to receive cash flows have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Note 16. Intangible assets

	2024	2023
	\$	\$
Franchise fee	22,007	22,007
Less: Accumulated amortisation	<u>(16,059)</u>	<u>(13,806)</u>
	5,948	8,201
Franchise renewal fee	98,844	98,844
Less: Accumulated amortisation	<u>(69,103)</u>	<u>(57,837)</u>
	29,741	41,007
	<u>35,689</u>	<u>49,208</u>

Reconciliations of the carrying values at the beginning and end of the current and previous financial year are set out below:

	Franchise fee	Franchise renewal fee	Total
	\$	\$	\$
Balance at 1 July 2022	10,364	51,822	62,186
Amortisation expense	<u>(2,163)</u>	<u>(10,815)</u>	<u>(12,978)</u>
Balance at 30 June 2023	8,201	41,007	49,208
Amortisation expense	<u>(2,253)</u>	<u>(11,266)</u>	<u>(13,519)</u>
Balance at 30 June 2024	<u>5,948</u>	<u>29,741</u>	<u>35,689</u>

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 16. Intangible assets (continued)

Accounting policy for intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

Intangible assets are measured on initial recognition at cost. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

The franchise fees paid by the company are amortised over their useful life and assessed for impairment whenever impairment indicators are present.

The estimated useful life and amortisation method for the current and comparative periods are as follows:

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>	<u>Expiry/renewal date</u>
Franchise Fee	Straight-line	Over the franchise term (5 years)	April 2027
Franchise Renewal Fee	Straight-line	Over the franchise term (5 years)	April 2027

Amortisation methods, useful life, and residual values are reviewed and adjusted, if appropriate, at each reporting date.

Note 17. Trade and other payables

	2024	2023
	\$	\$
<i>Current liabilities</i>		
Trade payables	15,236	10,273
Other payables and accruals	107,583	120,556
	<u>122,819</u>	<u>130,829</u>
<i>Non-current liabilities</i>		
Other payables and accruals	14,598	29,196
	<u>14,598</u>	<u>29,196</u>
	2024	2023
	\$	\$
<i>Financial liabilities at amortised cost classified as trade and other payables</i>		
Total trade and other payables	137,417	160,025
less other payables and accruals (net GST payable to the ATO)	(47,470)	(57,019)
	<u>89,947</u>	<u>103,006</u>

Note 18. Issued capital

	2024	2023	2024	2023
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>615,750</u>	<u>615,750</u>	<u>615,750</u>	<u>615,750</u>

Accounting policy for issued capital

Ordinary shares are recognised at the fair value of the consideration received by the company being \$1 per share. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Drouin & District Community Financial Services Limited

Notes to the financial statements

30 June 2024

Note 18. Issued capital (continued)

Rights attached to issued capital

Ordinary shares

Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank branch have the same ability to influence the operation of the company.

Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 299. As at the date of this report, the company had 314 shareholders (2023: 317 shareholders).

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and their associates) has a prohibited shareholding interest in are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 18. Issued capital (continued)

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 19. Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board monitor the return on capital and the level of distributions to shareholders. Capital is represented by total equity as recorded in the statement of financial position.

In accordance with the franchise agreement, in any 12 month period the funds distributed to shareholders shall not exceed the distribution limit.

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where 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 financial year can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 20. Dividends

Dividends provided for and paid during the period

The following dividends were provided for and paid to shareholders during the financial year as presented in the Statement of changes in equity and Statement of cash flows.

	2024	2023
	\$	\$
Fully franked dividend of 25 cents per share (2023: 18 cents)	<u>153,938</u>	<u>110,835</u>

Franking credits

	2024	2023
	\$	\$
Franking account balance at the beginning of the financial year	1,099,841	1,107,356
Franking credits (debits) arising from income taxes paid (refunded)	389,974	29,079
Franking debits from the payment of franked distributions	(51,313)	(36,945)
Franking credits from franked distributions received	418	351
	<u>1,438,920</u>	<u>1,099,841</u>

Franking transactions that will arise subsequent to the financial year end:

Balance at the end of the financial year	1,438,920	1,099,841
Franking credits (debits) that will arise from payment (refund) of income tax	<u>221,488</u>	<u>290,190</u>
Franking credits available for future reporting periods	<u>1,660,408</u>	<u>1,390,031</u>

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 21. Financial risk management

The company's financial instruments include trade receivables and payables, cash and cash equivalents, investments and lease liabilities. The company does not have any derivatives.

The directors are responsible for monitoring and managing the financial risk exposure of the company, to which end it monitors the financial risk management policies and exposures and approves financial transactions within the scope of its authority.

The directors have identified that the only significant financial risk exposures of the company are liquidity and market (price) risk. Other financial risks are not significant to the company due to the following factors:

- The company has no foreign exchange risk as all of its account balances and transactions are in Australian Dollars.
- The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.
- The company has no direct exposure to movements in commodity prices.
- The company's interest-bearing instruments are held at amortised cost which have fair values that approximate their carrying value since all cash and payables have maturity dates within 12 months.
- The company has no borrowings.

Further details regarding the categories of financial instruments held by the company that hold such exposure are detailed below.

	2024 \$	2023 \$
Financial assets		
Trade and other receivables (note 12)	249,329	231,008
Cash and cash equivalents (note 11)	839,919	733,263
Financial assets (note 15)	18,970	13,301
Investments (note 13)	<u>2,378,534</u>	<u>1,725,704</u>
	<u>3,486,752</u>	<u>2,703,276</u>
Financial liabilities		
Trade and other payables (note 17)	<u>89,947</u>	<u>103,006</u>

At balance date, the fair value of financial instruments approximated their carrying values.

Accounting policy for financial instruments

Financial assets

Classification

The company measures its financial assets into the following categories:

- Amortised cost
- Fair value through profit or loss (FVTPL)

Financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial asset.

The company's financial assets measured at amortised cost comprise trade and other receivables, cash and cash equivalents and investments in term deposits.

The company's financial assets measured at FVTPL comprise investments in listed entities over which the company does not have significant influence nor control.

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 21. Financial risk management (continued)

Derecognition

A financial asset is derecognised when the company's contractual right to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

Impairment of trade and other receivables

Impairment of trade receivables is determined using the simplified approach which uses an estimation of lifetime expected credit losses. The company has not recognised an allowance for expected credit losses in relation to trade and other receivables. Refer to note 4 for further information.

Financial liabilities

Classification

The company classifies its financial liabilities at amortised cost.

Derecognition

A financial liability is derecognised when it is extinguished, cancelled or expires.

Market risk

Market risk is the risk that changes in market prices - e.g. foreign exchange rates, interest rates, and equity prices - will affect the company's income or the value of its holdings in financial instruments.

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of \$839,919 and term deposits of \$2,378,534 at 30 June 2024 (2023: \$733,263 and \$1,725,704).

Price risk

The primary goal of the company's investment in equity securities is to hold the investments for the long term for strategic purposes.

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, and arises principally from the company's receivables from customers.

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Exposure to liquidity risk

The following are the company's remaining contractual maturities of financial liabilities. The contractual cash flow amounts are gross and undiscounted and therefore may differ from their carrying amount in the statement of financial position.

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2024				
Trade and other payables	75,349	14,598	-	89,947
Total non-derivatives	75,349	14,598	-	89,947

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 21. Financial risk management (continued)

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2023				
Trade and other payables	73,810	29,196	-	103,006
Total non-derivatives	73,810	29,196	-	103,006

Note 22. Fair value measurement

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
2024				
<i>Assets</i>				
Equity securities	18,970	-	-	18,970
Land and buildings	-	3,845,000	-	3,845,000
Total assets	18,970	3,845,000	-	3,863,970
2023				
<i>Assets</i>				
Equity securities	13,301	-	-	13,301
Land and buildings	-	3,845,000	-	3,845,000
Total assets	13,301	3,845,000	-	3,858,301

There were no transfers between levels during the financial year.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 23. Key management personnel disclosures

The following persons were directors of Drouin & District Community Financial Services Limited during the financial year and/or up to the date of signing of these Financial Statements.

Rodney Bruce Dunlop	(Patrick) Sean Walsh
Roberto James Celada	Sonia Gaye Lombardo
Matthew Marc Williamson	(Liberty) Joshua Chikuse
Vanessa Louise Marsh	Shaun Harry Mallia

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 24. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 23.

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 24. Related party transactions (continued)

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Terms and conditions of transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties

The following transactions occurred with related parties:

	2024	2023
	\$	\$
The company made sponsorships to community groups where company directors also are committee members.	3,333	255
The company made a sponsorship to a local business where a company director is close family with the business owner.	2,600	2,600
The company made sponsorships to Droiun Football Club where a director is a business partner.	11,570	-

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Andrew Frewin Stewart, the auditor of the company:

	2024	2023
	\$	\$
<i>Audit services</i>		
Audit or review of the financial statements	6,650	5,400
<i>Other services</i>		
Taxation advice and tax compliance services	1,514	1,883
General advisory services	6,903	5,250
	<u>8,417</u>	<u>7,133</u>
	<u>15,067</u>	<u>12,533</u>

Drouin & District Community Financial Services Limited
Notes to the financial statements
30 June 2024

Note 26. Reconciliation of profit after income tax to net cash provided by operating activities

	2024	2023
	\$	\$
Profit after income tax expense for the year	960,331	1,045,756
Adjustments for:		
Depreciation and amortisation	83,153	67,958
(Increase)/decrease in fair value of equity instruments designated at FVTPL	(4,693)	783
Dividends reinvested in financial assets	(976)	(896)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(4,076)	(119,282)
Decrease in income tax refund due	-	3,894
Increase/(decrease) in trade and other payables	(9,337)	52,388
Increase/(decrease) in provision for income tax	(68,703)	290,191
Increase/(decrease) in deferred tax liabilities	(973)	25,072
Increase in employee benefits	6,544	9,350
Net cash provided by operating activities	<u>961,270</u>	<u>1,375,214</u>

Note 27. Earnings per share

	2024	2023
	\$	\$
Profit after income tax	<u>960,331</u>	<u>1,045,756</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>615,750</u>	<u>615,750</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>615,750</u>	<u>615,750</u>
	Cents	Cents
Basic earnings per share	155.96	169.83
Diluted earnings per share	155.96	169.83

Note 28. Commitments

The company has no commitments contracted for which would be provided for in future reporting periods.

Note 29. Contingencies

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

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.


Drouin & District Community Financial Services Limited
Directors' declaration
30 June 2024

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- 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
- the company does not have any controlled entities and is not required by the Accounting Standards to prepare consolidated financial statements. Therefore, a consolidated entity disclosure statement has not been included as section 295(3A)(a) of the *Corporations Act 2001* does not apply to the entity.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Rodney Bruce Dunlop
Chairman

24 September 2024



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
03 5443 0344

Independent auditor's report to the Directors of Drouin & District Community Financial Services Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Drouin & District Community Financial Services Limited (the company), which comprises:

- Statement of financial position as at 30 June 2024
- Statement of profit or loss and other comprehensive income for the year then ended
- Statement of changes in equity for the year then ended
- Statement of cash flows for the year then ended
- Notes to the financial statements, including material accounting policies
- The directors' declaration.

In our opinion, the accompanying financial report of Drouin & District Community Financial Services Limited, is 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 2024 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

We are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
03 5443 0344

Other Information

The directors are responsible for the other information. The other information comprises the information included in the company's annual report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that it gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
03 5443 0344

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

A handwritten signature in black ink, appearing to read 'Andrew Frewin Stewart', with a horizontal line extending to the right.

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 24 September 2024

A handwritten signature in black ink, appearing to read 'Jessica Ritchie', with a horizontal line extending to the right.

Jessica Ritchie
Lead Auditor

Community Bank - Drouin & District
42 Princes Way,
Drouin VIC 3818
Phone: 5625 4544
Email: drouinmailbox@bendigoadelaide.com.au
Web: bendigobank.com.au/drouin

Franchisee: Drouin & District Community Financial Services Limited
ABN: 37 096 687 240
1/9 Bank Place
Drouin VIC 3818
Phone: 5625 9165
Email: admin@drouinddfs.com.au

Share Registry:
Lead Advisory Group
PO Box 30, Bendigo VIC 3552
Phone: 5445 4200
Fax: 5444 4344
Email: info@leadadvisorgroup.com.au

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 /instagram

 **Bendigo Bank**