

DIMBOOLA & DISTRICT FINANCIAL SERVICES LIMITED

Dimboola & District **Community Bank**[®] Branch

ABN 77 108 797 324

ANNUAL REPORT 2016



Bendigo Bank a community
coming together



Camp Awakenings Beaufort
Charlotte and Bradley DMSC

CARING FOR OUR COMMUNITY



Director Ken Ough with
Warracknabeal couple Peter
and Alisha Roche with children
in need of specialist treatment.



Dimboola Primary School reading
session at the Dimboola
Community Bank[®] Branch.

Chairman's Report

For year ending 30 June 2016.

It is my pleasure to present this the 12th Annual Report of Dimboola & District Financial Services Limited.

Our business has maintained strength for this financial year with our overall book finishing at \$46.6 million. Our term loan balance now sits at \$207,000 down \$36,000 for this financial year. The business trading account has remained in the black throughout the year with a short lapse into the red on one occasion.

This year has again been challenging in that as fast as new business has come in, existing loans and investments have disappeared. This has been frustrating for the staff and the board. However, maintaining a stable position under such trying circumstances has been an excellent achievement.

Directors

During this year Tony Schneider resigned from the Board. I would like to thank Tony for his contribution to our **Community Bank**[®] branch.

We welcomed a new Director Stuart Kuhnell. Stuart joined the Board in January and has quickly settled in to the role of a Director.

Under the constitution three Directors are required to retire in rotation, this year they are Wayne Elliott, Kenneth Ough and John Moar. Wayne, Ken and John have offered themselves for re-election and have the full endorsement of the Board.

Business Development

Business development is an area that has been difficult this year. Whilst our book has not increased greatly the number of loans written and the corresponding dollar amount has been in the order of \$4.2 million. The climate has been a continuation of last financial year where customers have continued to pay down debt. We have experienced a year of remaining stable with the new business only just outstripping the reduction to investments. Naturally the staff and Board have been focused on any means possible to grow the business.

Regional Office and Branch Staff

Our Regional Manager, Leanne Martin has once again provided the Board and our staff with wonderful support and I take this opportunity to thank her for her help and guidance throughout the year.

Once again I must congratulate Wayne and the staff on another excellent year of service to our customers and our community as a whole. They maintain a high standard of service and it is always a pleasure when entering the branch.

Compliance, Bookkeeping and Accounting

AFS and Associates, Bendigo are the body responsible for auditing our accounts. Nicki White remains our book keeper and has presented all reports and met all deadlines in a timely manner. John Moar is still the Chairman of the Finance Committee and Janine Sallmann has been responsible for ensuring that all our accounts are delivered to Nicki in a timely fashion.

I am therefore able to report that all matters of compliance have been reported according to proper business practices in a timely and professional manner.

Community Involvement

The Board remains committed to being involved in the community and we have provided financial support to a number of local organisations, that figure is now in excess of \$123,000.

We continue our Breakfast Program at Dimboola Memorial Secondary College, Rainbow P12 school, and Jeparit Primary school. That program has now been extended to include the Dimboola Primary School and Lutheran School.

A number of other community events and initiatives have also benefitted from our support during the year.

Current Business Position and Summary

Our current business position is very healthy with prospects for future growth being very good. Early signs are that there are still opportunities for expansion both in Dimboola and some of our neighbouring towns. The Board will be seeking to make the most of any opportunities that present themselves.

The area we have no control over is the overall economic climate and hopefully that will improve this year and will not impact to the same extent as it has over the last two years. The Board approach for the coming year is one of confidence both in our staff and our business.

Both the Board and staff thank you for your continued support and invite you to attend our Annual General Meeting at 7.30pm, Thursday 3 November at the Dimboola Bowling Club.

Wayne Elliott
Chairman

Branch Manager's Report. Year Ending 30 June 2016.

It gives me great pleasure to report on the progress and achievements of Dimboola and District's very own **Community Bank**[®] branch. During a difficult period of business sustainability, we have managed to retain our balance of loan and deposit portfolios at year end. Despite loan settlements totalling in excess of \$4 million, many customers opted to pay down debt, thereby reflecting new business as replacement, and subsequently depleting deposit funds. On a positive note, due to the diligence of both Board of Management and staff, the branch delivered a small but significant profit for the 12-month period.

Given the success of the Early Risers Breakfast Program at Dimboola Memorial Secondary College, we are proud to announce that our branch is also supporting the Dimboola Primary School, St. Peters Lutheran School, Jeparit Primary School and Rainbow P12. Our involvement is testament to the Bendigo Bank Culture of investing in the youth of our communities, providing a nutritious start to the school day. As always, we are also supportive of numerous sporting and youth groups, together with community-based projects, highlighting the many attractions to our district.

Our branch has received numerous compliments for outstanding customer service and satisfaction, and I take this opportunity to congratulate the team of Janine, Amanda, Debra and Sandra for their professional application to enhance the client experience. Word of mouth and customer advocacy is paramount in the growth of our business and evidenced by repeat and new account introductions. This, together with telling the **Community Bank**[®] story, is the cornerstone of our continued success.

We invite everyone and anyone touched by our grants and sponsorships, to visit the branch and become part of the Dimboola & District **Community Bank**[®] Branch.

Powered by people and **Bigger than a bank.**

Wayne Anderson

Branch Manager



Partners in success

Chartered Accountants

Dimboola & District Financial Services Limited

Financial Statements

30 June 2016

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2016.

Directors

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

Wayne Maxwell Elliott

Chairman

Locomotive driver

Holds a Certificate IV Training and Assessment. Company Director at Shat-r- Shield Australia Pty Ltd. Dimboola Golf Club Committee member 17 years and Life Member.

Special responsibilities: Marketing Committee, Finance Committee

Interest in shares: 3,000

Peter Joseph Hughes

Secretary

Occupation: Retired

Qualifications, experience and expertise: Retired Police Officer (32 years), Aged 65, past President and Secretary of the Dimboola Football Club and a Life Member, Secretary of the Dimboola Football Club Life Members, Member of AWB Cropping for Community Committee, and Current Treasurer Dimboola Rowing Club.

Special responsibilities: Nil

Interest in shares: 500

John Keith Nichols

Director

Secondary Teacher

Holds a Bachelor of Science (Honours), Master of Pharmacy, Diploma of Education, Cert IV Career Development, and Grad Cert Career Development. Regatta Secretary & Vice President Dimboola Rowing Club, Boat Race Official & ex-officio. Umpires Commission Trainer, Waterwatch Coordinator, Saltwatch, Dimboola Weir Pool. Management Committee, planning and implementation - Nine Creeks Reserve/ Walking Tracks, past Secretary Dimboola Golf Club, past Treasurer Dimboola Apex Club. Previous employment: Tutor/ Demonstrator at Victorian College of Pharmacy Ltd, secondary teacher at Dimboola MSC, Horsham C, Stawell SC.

Special responsibilities: Secretary

Interest in shares: 5,000

Joylene Coral Wundersitz

Director

Business Owner and Office Administrator

Diploma of Teaching, Primary School Teacher, Business Owner/Director with experience in office administration and sales. Chairperson of Kindergarten Committee Dimboola. Church involvement - Sunday school teacher, Pastoral Assistant, and Committee Member. Ecumenical Committee Secretary. Student mentor.

Special responsibilities: Marketing Committee

Interest in shares: 2,000

John William Moar

Director

Retired

Previous employment: Secondary school teacher, Assistant principal. Retired 2006. Tertiary qualifications: B.A., Trained Secondary Teaching Certificate, Graduate Diploma of Educational Administration. Community involvement: Dimboola Bowling Club - Match Committee; Dimboola Croquet Club - Treasurer; Combined Probus Club of Dimboola; Dimboola Masonic Lodge.

Special responsibilities: Finance Committee, Policy and Procedures Committee

Interest in shares: 1,000

Raylene Ann Britten

Director

Retailer and Pharmacy Assistant

Business Owner/Partner. Past Secretary of Dimboola Business Association (4 years).

Special responsibilities: Nil

Interest in shares: 500

Millicent Kate Rae

Director

Teacher

Holds a Bachelor of Education (Early Childhood). Primary school teacher and Dimboola Basketball member.

Special responsibilities: Nil

Interest in shares: Nil

Dimboola & District Financial Services Limited
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Directors' Report

Directors (continued)

David Kenneth Ough

Director

Manager Grain Receival

Qualifications, experience and expertise: 19.5 years with Vline, 7 years self-employed in mixed business, 16 years in current employment, current Member of Dimboola Cropping for Communities and Cargill Cares committees, Member of Apex Australia for 15 years.

Special responsibilities: Nil

Interest in shares: Nil

Stuart Ivan Kuhnell (*Appointed 29 March 2016*)

Director

Retired

Holds a Bachelor of Science (Honours) and a Diploma of Education. Worked as a secondary school teacher and an Assistant Principal with many years of experience on school council.

Special responsibilities: Nil

Interest in shares: Nil

Anthony Andrew Schneider

Director (*Resigned 17 July 2015*)

Local Government Manager

27 years of experience in local government. Graduate Diploma of Local Government Management. Hindmarsh Shire Councillor (Elected October 2012). Trustee, Wimmera Health Care Group Foundation (Appointed 2012). Chairman, Dimboola Uniting Church. Community Volunteer.

Special responsibilities: Nil

Interest in shares: 2,001

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

No directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Peter Joseph Hughes, Peter has been the secretary since 27 January 2015. Peter took over from John Nicols who had previously been secretary since 18 December 2006. Peter Joseph Hughes is currently retired.

Peter was a member of the Victoria Police for thirty years and retired to join Toll Holdings in 2000 as Wimmera Logistics Manager until his retirement in 2010. Peter has had in excess of 10 years as Secretary to the Dimboola Football Club. Peter is currently retired.

Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

There have 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/(loss) of the company for the financial year after provision for income tax was:

Year ended 30 June 2016	Year ended 30 June 2015
\$	\$
7,203	(11,216)

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

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 or the financial statements.

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Directors' Report

Events since the end of the financial year

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 facilitating banking services to the community.

Environmental regulation

The company is not subject to any significant environmental regulation.

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.

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 manager 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' meetings

The number of directors' meetings attended by each of the directors of the company during the year were:

	Board Meetings Attended	
	<i>Eligible</i>	<i>Attended</i>
Wayne Maxwell Elliott	12	7
Peter Joseph Hughes	12	11
John Keith Nichols	12	10
Joylene Coral Wundersitz	12	8
John William Moar	12	12
Raylene Ann Britten	12	10
Millicent Kate Rae	12	2
David Kenneth Ough	12	6
Stuart Ivan Kuhnell (<i>Appointed 29 March 2016</i>)	4	3
Anthony Andrew Schneider (<i>Resigned 17 July 2015</i>)	-	-

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*.

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Directors' Report

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 the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

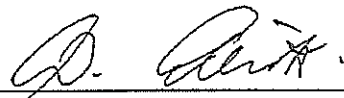
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk 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 on page 5.

Signed in accordance with a resolution of the board of directors at Dimboola, Victoria on 19 September 2016.



Wayne Maxwell Elliott, Chairman

Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Dimboola & District Financial Services Limited

As lead auditor for the audit of Dimboola & District Financial Services Limited for the year ended 30 June 2016, 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.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 19 September 2016



David Hutchings
Lead Auditor

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Revenue from ordinary activities	4	404,211	395,149
Employee benefits expense		(243,736)	(247,605)
Charitable donations, sponsorship, advertising and promotion		(18,148)	(22,958)
Occupancy and associated costs		(23,562)	(22,853)
Systems costs		(17,771)	(17,749)
Depreciation and amortisation expense	5	(17,135)	(16,788)
Finance costs	5	(9,622)	(11,785)
General administration expenses		(54,563)	(56,088)
Profit/(loss) before income tax		19,674	(677)
Income tax expense	6	(12,471)	(10,539)
Profit/(loss) after income tax		7,203	(11,216)
Total comprehensive income for the year		7,203	(11,216)
Earnings per share for profit/(loss) attributable to the ordinary shareholders of the company:		¢	¢
Basic earnings per share	22	1.32	(2.05)

The accompanying notes form part of these financial statements

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Balance Sheet
as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	7,790	19,258
Trade and other receivables	8	39,641	35,901
Total Current Assets		<u>47,431</u>	<u>55,159</u>
Non-Current Assets			
Property, plant and equipment	9	25,937	28,384
Intangible assets	10	47,640	61,252
Deferred tax asset	11	188,766	201,237
Total Non-Current Assets		<u>262,343</u>	<u>290,873</u>
Total Assets		<u>309,774</u>	<u>346,032</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	34,921	27,268
Borrowings	13	36,000	36,000
Provisions	14	54,145	53,501
Total Current Liabilities		<u>125,066</u>	<u>116,769</u>
Non-Current Liabilities			
Trade and other payables	12	31,397	47,095
Borrowings	13	171,000	207,000
Provisions	14	2,685	2,745
Total Non-Current Liabilities		<u>205,082</u>	<u>256,840</u>
Total Liabilities		<u>330,148</u>	<u>373,609</u>
Net Liabilities		<u>(20,374)</u>	<u>(27,577)</u>
Equity			
Issued capital	15	522,073	522,073
Accumulated losses	16	(542,447)	(549,650)
Total Equity		<u>(20,374)</u>	<u>(27,577)</u>

The accompanying notes form part of these financial statements

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Statement of Changes in Equity
for the year ended 30 June 2016

	Issued capital \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014	<u>522,073</u>	<u>(538,434)</u>	<u>(16,361)</u>
Total comprehensive income for the year	<u>-</u>	<u>(11,216)</u>	<u>(11,216)</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Equity raising costs	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2015	<u><u>522,073</u></u>	<u><u>(549,650)</u></u>	<u><u>(27,577)</u></u>
Balance at 1 July 2015	<u>522,073</u>	<u>(549,650)</u>	<u>(27,577)</u>
Total comprehensive income for the year	<u>-</u>	<u>7,203</u>	<u>7,203</u>
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Equity raising costs	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2016	<u><u>522,073</u></u>	<u><u>(542,447)</u></u>	<u><u>(20,374)</u></u>

The accompanying notes form part of these financial statements

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		402,840	433,814
Payments to suppliers and employees		(353,342)	(400,058)
Interest received		-	16
Interest paid		(9,622)	(11,785)
Net cash provided by operating activities	17	<u>39,876</u>	<u>21,987</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,073)	(2,350)
Payments for intangible assets		(14,271)	(13,611)
Net cash used in investing activities		<u>(15,344)</u>	<u>(15,961)</u>
Cash flows from financing activities			
Repayment of borrowings		(36,000)	(17,000)
Net cash used in financing activities		<u>(36,000)</u>	<u>(17,000)</u>
Net decrease in cash held		(11,468)	(10,974)
Cash and cash equivalents at the beginning of the financial year		19,258	30,232
Cash and cash equivalents at the end of the financial year	7(a)	<u><u>7,790</u></u>	<u><u>19,258</u></u>

The accompanying notes form part of these financial statements

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Notes to the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

Compliance with IFRS

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Historical cost convention

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Comparative figures

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Application of new and amended accounting standards

The following amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) became mandatorily effective for accounting periods beginning on or after 1 July 2015, and are therefore relevant for the current financial year.

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality.
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent.

None of the amendments to accounting standards issued by the Australian Accounting Standards Board (AASB) that became mandatorily effective for accounting periods beginning on or after 1 July 2015, materially affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

The following accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) become effective in future accounting periods.

- | | Effective for annual
reporting periods beginning
on or after |
|---|--|
| • AASB 9 Financial Instruments, and the relevant amending standards. | 1 January 2018 |
| • AASB 15 Revenue from Contracts with Customers and AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15. | 1 January 2018 |
| • AASB 16 Leases | 1 January 2019 |
| • AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations. | 1 January 2016 |
| • AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation. | 1 January 2016 |
| • AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants. | 1 January 2016 |

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Notes to the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Application of new and amended accounting standards (continued)

	Effective for annual reporting periods beginning on or after
• AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements.	1 January 2016
• AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	1 January 2018
• AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle.	1 January 2016
• AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101.	1 January 2016
• AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception.	1 January 2016
• AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses.	1 January 2017
• AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.	1 January 2017

The company has not elected to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2015. Therefore the abovementioned accounting standards or interpretations have no impact on amounts recognised in the current period or any prior period.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Dimboola, Victoria.

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

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, 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 and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

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 the relevant Bendigo and Adelaide Bank Limited entity 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.

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Notes to the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited (continued)

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch 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 in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch
- 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.

Note: In very simplified terms, currently, deposit return means the interest Bendigo and Adelaide Bank Limited gets when it invests the money the customer deposits with it. The cost of funds means the interest Bendigo and Adelaide Bank Limited pays when it borrows the money to give a customer a loan. From 1 July 2016, both will mean the cost for Bendigo and Adelaide Bank Limited to borrow the money in the market.

Products and services on which margin is paid include variable rate deposits and variable rate home loans. From 1 July 2016, examples include Bendigo Bank branded at call deposits, term deposits and home loans.

For those products and services on which margin is paid, the company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

Commission

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products. This currently also includes Bendigo Bank branded fixed rate home loans and term deposits of more than 90 days, but these will become margin products from 1 July 2016.

Fee income

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

Ability to change financial return

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

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

Bendigo and Adelaide Bank Limited must give the company 30 days' notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Notes to the Financial Statements
for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

b) Revenue

Monitoring and changing financial return

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank@** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank@** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

As discussed above in relation to Project Horizon, among other things, there will be changes in the financial return for **Community Bank@** companies from 1 July 2016. This includes 50% share of margin on core banking products, all core banking products become margin products and a funds transfer pricing model will be used for the method of calculation of the cost of funds, deposit return and margin.

The Board is yet to appreciate the full impact of the above changes on our revenue moving forward. We would anticipate that by the time of this year's AGM we will be able to inform our shareholders of the likely outcomes of the new model.

The Board is continuing to work with Bendigo and Adelaide Bank Ltd to understand any potential changes to revenue and will provide further details as appropriate in due course.

c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities other than as a result of a business combination (which affects neither taxable income nor accounting profit). Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

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Note 1. Summary of significant accounting policies (continued)

d) Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

f) Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. 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.

g) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 40	years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

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Note 1. Summary of significant accounting policies (continued)

k) Financial instruments (continued)

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

- (i) Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.
- (ii) Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.
- (iii) Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (i.e. gains or losses) recognised in the Statement of Profit or Loss and Other Comprehensive Income. Available-for-sale financial assets are included in non-current assets except where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.
- (iv) Financial liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) 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 dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Contributed equity

Ordinary shares are 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.

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Note 1. Summary of significant accounting policies (continued)

o) Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

p) 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 Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Note 2. Financial risk management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(vi) 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:

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 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%.

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Note 2. Financial risk management (continued)

(vi) Capital management (continued)

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2016 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 3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that 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 the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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Note 3. Critical accounting estimates and judgements (continued)

Impairment of assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

	2016	2015
	\$	\$
Note 4. Revenue from ordinary activities		
Operating activities:		
- services commissions	404,211	395,133
Total revenue from operating activities	<u>404,211</u>	<u>395,133</u>
Non-operating activities:		
- interest received	-	16
Total revenue from non-operating activities	<u>-</u>	<u>16</u>
Total revenues from ordinary activities	<u>404,211</u>	<u>395,149</u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	2,701	2,434
- leasehold improvements	822	822
Amortisation of non-current assets:		
- franchise agreement	2,269	2,242
- franchise renewal fee	11,343	11,290
	<u>17,135</u>	<u>16,788</u>
Finance costs:		
- interest paid	<u>9,622</u>	<u>11,785</u>
Bad debts	<u>247</u>	<u>35</u>

Note 6. Income tax expense

The components of tax expense comprise:		
- Movement in deferred tax	2,600	(2,170)
- Adjustment to deferred tax to reflect change to tax rate in future periods	6,864	10,591
- Recoupment of prior year tax losses	4,583	2,118
- Under/(over) provision in respect to prior years	(1,576)	-
	<u>12,471</u>	<u>10,539</u>

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit/(loss)	19,674	(677)
Prima facie tax on profit/(loss) ordinary activities at 28.5% (2015: 30%)	5,607	(203)
Add tax effect of:		
- non-deductible expenses	-	150
- timing difference expenses	(1,024)	2,171
	<u>4,583</u>	<u>2,118</u>
Under/(over) provision	(1,576)	-
Movement in deferred tax	2,600	(2,170)
Adjustment to deferred tax to reflect change of tax rate in future periods	6,864	10,591
	<u>12,471</u>	<u>10,539</u>

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	2016	2015
	\$	\$
Note 7. Cash and cash equivalents		
Cash at bank and on hand	7,790	19,258
Note 7.(a) Reconciliation to cash flow statement		
The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:		
Cash at bank and on hand	7,790	19,258
Note 8. Trade and other receivables		
Trade receivables	29,294	30,664
Prepayments	9,441	4,331
Other receivables and accruals	906	906
	<u>39,641</u>	<u>35,901</u>
Note 9. Property, plant and equipment		
Leasehold improvements		
At cost	45,255	45,254
Less accumulated depreciation	(38,526)	(37,704)
	<u>6,729</u>	<u>7,550</u>
Plant and equipment		
At cost	49,242	48,167
Less accumulated depreciation	(30,034)	(27,333)
	<u>19,208</u>	<u>20,834</u>
Total written down amount	<u>25,937</u>	<u>28,384</u>
Movements in carrying amounts:		
Leasehold improvements		
Carrying amount at beginning	7,551	8,373
Additions	-	-
Disposals	-	-
Less: depreciation expense	(822)	(822)
Carrying amount at end	<u>6,729</u>	<u>7,551</u>
Plant and equipment		
Carrying amount at beginning	20,836	20,918
Additions	1,073	2,350
Disposals	-	-
Less: depreciation expense	(2,701)	(2,434)
Carrying amount at end	<u>19,208</u>	<u>20,834</u>
Total written down amount	<u>25,937</u>	<u>28,384</u>
Note 9. Intangible assets		
Franchise fee		
At cost	82,554	82,554
Less: accumulated amortisation	(74,613)	(72,344)
	<u>7,941</u>	<u>10,210</u>
Renewal processing fee		
At cost	112,770	112,770
Less: accumulated amortisation	(73,071)	(61,728)
	<u>39,699</u>	<u>51,042</u>
Total written down amount	<u>47,640</u>	<u>61,252</u>

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Notes to the Financial Statements
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	2016	2015
	\$	\$
Note 10. Tax		
Non-Current:		
Deferred tax assets		
- accruals	826	790
- employee provisions	15,628	16,030
- tax losses carried forward	175,045	184,417
Deferred tax liability		
- property, plant and equipment	(2,733)	-
	<u>188,766</u>	<u>201,237</u>
Net deferred tax asset	<u>188,766</u>	<u>201,237</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>12,471</u>	<u>(4,034)</u>
Note 11. Trade and other payables		
Current:		
Trade creditors	4,310	5,532
Other creditors and accruals	30,611	21,736
	<u>34,921</u>	<u>27,268</u>
Non-Current:		
Trade creditors	<u>31,397</u>	<u>47,095</u>
Note 12. Borrowings		
Current:		
Bank loans	<u>36,000</u>	<u>36,000</u>
Non-Current:		
Bank loans	<u>171,000</u>	<u>207,000</u>
The bank loan is a fixed term loan which was renewed on 29 September 2014. The facility is next due for review 29 September 2019. The interest rate is currently 7.8% and the loan is secured by a fixed and floating charge over the company's assets.		
The company has an approved overdraft facility of \$100,000 which remains undrawn at 30 June 2016. The bank overdraft has a rolling renewal date and an interest free period. It is secured by a floating charge over the Company's assets.		
Note 13. Provisions		
Current:		
Provision for annual leave	23,118	24,823
Provision for long service leave	31,027	28,678
	<u>54,145</u>	<u>53,501</u>
Non-Current:		
Provision for long service leave	<u>2,685</u>	<u>2,745</u>
Note 14. Contributed equity		
546,300 ordinary shares fully paid (2015: 546,300)	546,300	546,300
Less: equity raising expenses	(24,227)	(24,227)
	<u>522,073</u>	<u>522,073</u>

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Note 15. Contributed equity (continued)

Rights attached to shares

(a) *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.

(b) *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 and Adelaide Bank Limited 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).

(c) *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 they control or own 10% or more of the shares in the company (the "10% limit").

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 his or her associates) have a prohibited shareholding interest, 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.

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.

	2016	2015
Note 16. Accumulated losses	\$	\$
Balance at the beginning of the financial year	(549,650)	(538,434)
Net profit/(loss) from ordinary activities after income tax	7,203	(11,216)
Balance at the end of the financial year	<u>(542,447)</u>	<u>(549,650)</u>

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	2016	2015
	\$	\$
Note 17. Statement of cash flows		
Reconciliation of profit/(loss) from ordinary activities after tax to net cash provided by operating activities		
Profit/(loss) from ordinary activities after income tax	7,203	(11,216)
Non cash items:		
- depreciation	3,523	3,256
- amortisation	13,612	13,532
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(3,742)	(468)
- (increase)/decrease in other assets	12,471	10,539
- increase/(decrease) in payables	6,226	(841)
- increase/(decrease) in provisions	583	7,185
Net cash flows provided by operating activities	39,876	21,987

Note 18. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	14,604	14,400
- between 12 months and 5 years	32,859	46,800
- greater than 5 years	-	-
	47,463	61,200

The Property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The current lease was renewed on 1 September 2014 for a further five years.

Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,100	3,950
- accounting services	2,330	2,200
	6,430	6,150

Note 20. Director and related party disclosures

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

Wayne Maxwell Elliott
Peter Joseph Hughes
John Keith Nichols
Joylene Coral Wundersitz
John William Moar
Raelene Ann Britten
Kate Millicent Rae
David Kenneth Ough
Stuart Ivan Kuhnell (*Appointed 29 March 2016*)
Anthony Andrew Schneider (*Resigned 17 July 2015*)

No director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

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Note 20. Director and related party disclosures (continued)

Directors Shareholdings	<u>2016</u>	<u>2015</u>
Wayne Maxwell Elliott	3,000	3,000
Peter Joseph Hughes	500	500
John Keith Nichols	5,000	5,000
Joylene Coral Wundersitz	2,000	2,000
John William Moar	1,000	1,000
Raylene Ann Britten	500	500
Millicent Kate Rae	-	-
David Kenneth Ough	-	-
Stuart Ivan Kuhnell (<i>Appointed 29 March 2016</i>)	-	-
Anthony Andrew Schneider (<i>Resigned 17 July 2015</i>)	2,001	2,001

There was no movement in directors shareholdings during the year.

Note 21. Key Management Personnel Disclosures

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 22. Earnings per share	<u>2016</u>	<u>2015</u>
	\$	\$
(a) Profit/(loss) attributable to the ordinary equity holders of the company used in calculating earnings per share	7,203	(11,216)
	Number	Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	546,300	546,300

Note 23. Events occurring after the reporting date

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

Note 24. Contingent liabilities and contingent assets

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

Note 25. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Dimboola and surrounding districts in Victoria pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered office/Principal place of business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
92 Lloyd Street	92 Lloyd Street
Dimboola VIC 3414	Dimboola VIC 3414

Dimboola & District Financial Services Limited
ABN 77 108 797 324
Notes to the Financial Statements
for the year ended 30 June 2016

Note 27. Financial instruments

Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	7,390	18,858	-	-	-	-	-	-	400	400	0.00	0.06
Receivables	-	-	-	-	-	-	-	-	29,294	30,664	N/A	N/A
Financial liabilities												
Interest bearing liabilities	-	-	-	-	171,000	207,000	-	-	-	-	1.1	4.6
Payables	-	-	-	-	-	-	-	-	4,310	5,532	N/A	N/A

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 the year end.

Credit Risk

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.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2016, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2016	2015
	\$	\$
Change in profit/(loss)		
Increase in interest rate by 1%	(1,636)	(1,881)
Decrease in interest rate by 1%	(1,636)	(1,881)
Change in equity		
Increase in interest rate by 1%	(1,636)	(1,881)
Decrease in interest rate by 1%	(1,636)	(1,881)


Dimboola & District Financial Services Limited
ABN 77 108 797 324
Directors' Declaration

In accordance with a resolution of the directors of Dimboola & District Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (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.

This declaration is made in accordance with a resolution of the board of directors.



Wayne Maxwell Elliott, Chairman

Signed on the 19th September 2016.

Independent auditor's report to the members of Dimboola & District Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Dimboola & District Financial Services Limited, which comprises the balance sheet as at 30 June 2016, statement of profit or 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 directors' 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

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These standards require that we 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 our 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.

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

We 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.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We 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 our opinion:

1. The financial report of Dimboola & District Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
2. The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.



Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550
Dated: 19 September 2016



David Hutchings
Lead Auditor



Partners in success

Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation. ABN: 51 061 795 337.

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Dimboola & District Financial Services Limited

Dimboola & District **Community Bank**[®] Branch

HOME LOANS FOR OUR COMMUNITY



Dimboola & District **Community Bank**[®] Branch

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Franchisee: Dimboola & District Financial Services Limited

92 Lloyd Street, Dimboola VIC 3284

ABN 77 108 797 324

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