



# annual report **2012**

Neerim District Financial  
Services Limited

ABN 46 091 832 923

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# Chairman's report

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For year ending 30 June 2012



Dear shareholders,

It has been another very successful year for your company both financially and in the community.

Some of our achievements are listed in point form below;

- We have increased our Banking Book (Total Loans + Total Deposits) from \$90 million to \$99 million. I would never have believed this size of banking book was possible when we first completed the initial feasibility study over ten years ago. At that time we were aiming for \$25 million as our long term target.
- Our Gross Income has increased from \$892,000 for the 2010/2011 financial year to \$972,000 for the 2011/2012 financial year. This represents an increase of 9% and bucks the trend in the current economical circumstances.
- We have distributed another \$93,000 to the community through sponsorships, advertising, grants and special projects. Among the ones we are most proud of are:
  - Purchase of and training in the use of several defibrillators that have been placed in all communities in our catchment area. These have the potential to save lives and if they should save only one, it will be one of the greatest achievements the company as made. We must thank St Johns Ambulance for facilitating the program and Mr. Clive Patrickson from Laerdal for helping to supply the units at a reduced cost.
  - Funding for the Buln Buln Primary School building project.
  - Hosting the annual Senior Citizens Lunch.
  - Sponsorship of almost all local sporting and community organisations.
  - Funding the building of the Buln Buln Netball Club's clubroom extensions.
  - Sponsoring the Forest Edge Music Festival for Youths.
  - Sponsoring the Neerim District Show.
  - Sponsoring of the Mary Beck Kindergarten Family Fun Day.
  - Many other events and groups within our catchment area.

To date we have returned over \$1.43 million dollars to the local community! Something that even the most optimistic of us would never have thought possible when we first investigated the idea of returning banking to our region. It is here that Bendigo Bank must be lauded for their forethought and support of regional Australia. Without them, none of this would have been possible. If they had followed the example of the other Banks in Australia, we would never be in the position we are now.

We can never make too much of a big deal over what they have done for both the Neerim district and Australia's small communities as a whole. If for no other reason than this, they deserve our undivided support in every way possible. Please reward them for their efforts by supporting Bendigo Bank products where ever and whenever possible.

And for our shareholders, once this year's dividend has been paid, we will have returned as much in dividends as was originally contributed to start our company.

## Chairman's report (continued)

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There are a couple of other major projects under way that you have no doubt all heard of.

- We have acquired a parcel of land in the main street of Neerim South for the purpose of building our new branch building. It has long been a topic of concern for the Board that we have outgrown our original premises and that the staff and our customers deserve a more spacious, secure and up-to-date banking venue. We are in the process of finalizing designs for the building and will be soon able to share them with you.

At the moment, Neerim District Financial Services Pty Ltd has contributed the funds required to purchase the new freehold. This is one reason that we have limited the distributions to the community in the last 12-18 months. We have needed to retain profits to build up the funds necessary to allow us to build our new home. We are investigating several ways of raising the capital needed to complete the project and hope to be able to give you further details by the time we meet at the AGM.

- We continue to assist the Youth Foundation that we funded in June 2010 to raise significant Government grants. Mrs. Sue Allen is to be commended for her involvement in this program, who along with Mrs. Beth Delzoppo has contributed enormous amounts of their time to this most worthy of projects. It gives the Youth of our District a serious ability to fund projects that they deem beneficial to all of our younger residents. Never before has there been a youth group with the teeth that this one has.

All in all it has been another fantastic year that caps off many milestones in the company's existence. As with Bendigo Bank, none of this would have been possible without our fantastic staff. It is they who are at the coal front and their service that has directly led to the building of that amazing banking book. No one could doubt their commitment to the highest level of service to both the customers and our company. They continually go beyond their normal role as employee's to do anything they can to support our community. They attend numerous community functions in their own time and it is this commitment that leads to customers shifting the financial needs to our **Community Bank®** branch. We are very fortunate to have a stable team that has built up the kind of individual knowledge of our customers that has been sorely lacking in the industry for some time. Led by Tim, we look forward to many more years of continued service and support.

I thank you for the continued trust you place in myself and our Board. We have a diverse team in both age and experience that is invaluable to the efficient and ethical running of your company.

We have welcomed some new Directors and said farewell to a couple as well. For those joining us, I thank you for your commitment to helping us move forward into a new and exciting phase. For those departing, they deserve all of our thanks for the time, dedication and experience they have brought to our boardroom table. The contribution of each and every one of the current and past Directors has had an enormous influence on the success and direction of your company.

As always there are still vacant positions on the company's Board so if you, or anyone you know, wishes to be a part of our success, please let myself or any Board member know who to call. You don't need any banking, business or financial background. All you need is the desire to help our community become the best it can be and to contribute your knowledge in whatever form it may take.



**Paul Bright CA B.Bus**  
**Chairman**

# Manager's report

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For year ending 30 June 2012



It is with great pleasure that I present my report for the financial year ending 30 June 2012 on behalf of Neerim District **Community Bank**<sup>®</sup> Branch.

It has been another successful year with the branch achieving significant results. Our Funds Under Management have continued to increase. We are now managing a \$99.2 million business (up from \$90.65 million 12 months ago).

- Lending portfolio balance is \$51.9 million.
- Deposit portfolio balance is \$47.3 million.

This significant growth is a result of the high level of success and support of our customers.

I would like to personally thank our customers for their ongoing support. Without the support, our **Community Bank**<sup>®</sup> branch would not be able to contribute to our community's prosperity in the way it has.

For our growth and prosperity to continue, it is important for our customers and shareholders to do as much banking as possible with our **Community Bank**<sup>®</sup> branch. This will ensure our activity levels remain high and to foster the growth of banking business. I also encourage you to talk with your family, friends and peers, who may not be using our **Community Bank**<sup>®</sup> branch and let them know of the benefits of doing banking with our local branch.

I would like to thank my staff, Maureen, Karen, Jenny, Donna and Brigitte for their dedication, enthusiasm and commitment in helping our customers with their banking. Their support is truly valued and appreciated.

Thank you to the company's Board of Directors who continue to work diligently on a volunteer basis to make sure that the business remains strong and that it can provide benefits to our local communities. Thank you to our retired Directors, Bob Evans and Tracel Devereau, for their contributions and I wish them well for the future.

Thank you to everyone in our community.

My staff and I look forward to another successful and rewarding year ahead.

A handwritten signature in black ink, appearing to read 'Tim Gilmore', with a stylized flourish at the end.

**Tim Gilmore**  
**Branch Manager**

# Directors' report

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For the financial year ended 30 June 2012

The Directors present their report on the company for the financial year ending 30 June 2012.

1. The Directors in office at any time during or since the end of the year are:



**Mr Paul Bright**

Chairman

Age: 43

Appointed Director: 2 March 2000

Occupation: Accountant

Experience & expertise: Over 20 years as an accountant and business advisor.

He has lived in the Neerim District for over 20 years.

Board committees: Executive Committee, Audit & Planning Committee.



**Mr Christopher Jensen**

Deputy Chairman

Age: 57

Appointed Director: 2 March 2000

Occupation: Ambulance Paramedic

Experience & expertise: Extensive banking experience, having worked for the State Bank of Victoria / Commonwealth Bank of Australia for 20 years. He has served on committees of several local community organisations.

Board committees: Executive Committee, Marketing & Sponsorship Committee, Human Resources Committee, Property Committee.



**Mrs Susan Allen**

Age: 59

Appointed Director: 16 November 2004

Occupation: Retired Administrator

Experience & expertise: Prior to retirement worked at WHK in Warragul as an Administrator for more than 10 years. She has resided in the Neerim District for more than 30 years. She has been actively involved in the local community being an executive member of numerous Community and Regional organisations

Board committees: Executive Committee, Audit & Planning Committee, Human Resources Committee, Youth Committee.



**Mr James Cunliffe**

Director

Age: 75

Appointed Director: 2 March 2000

Occupation: Retired Earthmoving Contractor

Experience & expertise: Involved with numerous local community organisations, including the Neerim District Soldiers' Memorial Hospital, the Neerim District Cemetery Trust, and the Neerim District Lions Club

Board committees: Property Committee.

# Directors' report (continued)

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1. The Directors in office at any time during or since the end of the year are: (continued)



**Mr Kenneth Kercheval**

Director

Age: 62

Appointed Director: 21 October 2010

Occupation: Charter Bus & Tour Operator

Experience & expertise: Worked in the hospitality and forestry industry for over 34 years before establishing his own bus & tour company. Has served on many community organisations including Neerim Lions Club, Drouin West CFA and Jindivick Primary School Council.

Board committees: Marketing & Sponsorship Committee, Human Resources Committee.



**Mr Peter Bain**

Director

Age: 40

Appointed Director: 27 October 2001

Occupation: Retail Business Owner

Experience & expertise: Over 20 years in grocery retailing. Is currently the owner of the Foodworks Supermarket in Neerim South and has a keen interest in supporting community organisations.

Board committees: Marketing & Sponsorship Committee.



**Ms Samantha Charles**

Director

Age: 21

Appointed Director: 28 February 2012

Occupation: Student

Experience & expertise: Currently studying Accountancy part-time whilst working in Aged Care and Hospitality. Was an active member of the Neerim District Youth Foundation and has a interest in improving the outlook for the youth of the district. Sam plays netball with the Neerim Neerim South Club.

Board committees: Youth Committee.



**Mr Raymond Childs**

Age: 62

Appointed Director: 26 June 2012

Occupation: Building & Project Manager

Experience & expertise: Has been involved in the building industry for over 42 years. Operates Childshodson Pty Ltd, a Building and Project Management Company based in Neerim South. He has been involved in many local projects in both domestic and commercial construction.

Board committees: Nil.

## Directors' report (continued)

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1. The Directors in office at any time during or since the end of the year are: (continued)



**Ms Tracel Devereux**

Director

Age: 55

Appointed Director: 24 February 2009

Occupation: Program Leader Community - CCG

Experience & expertise: She has been a local resident for 25 years. Previously Chief Executive Officer of the Alpha - Autism Inc and is a past Director of West Gippsland Healthcare Group, and a member of the Historic Motorcycle Racing Association of Victoria.

Board committees: Audit & Planning Committee, Property Committee.



**Mr Robert Evans**

Director

Age: 64

Appointed Director: 27 November 2008

Occupation: Retired

Experience & expertise: Resident of the District since 2005. Vice President of Neerim District Agricultural & Horticultural Society and a member of Neerim Jolly Walkers Group.

Resigned: 9 November 2011.

Directors have been in office since the start of the financial year to the date of the report, unless otherwise stated.

2. The principle activity of the company during the financial year were in providing **Community Bank**® services under the management rights to operate a franchised branch of Bendigo and Adelaide Bank.
3. The net profit of the company for the financial year was \$177,239 (2010-2011 \$160,637).
4. During the financial year the company continued its trading activities. The results of those operations were in line with projections.
5. There was no significant change in the state of affairs of the company during the financial year.
6. No matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.
7. The Directors are not aware of any likely developments in the operation of the company or of any change in the expected results of those operations in future financial years.
8. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an Officer or Auditor of the company.
9. No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company of all or any part of those proceedings.

The company was not a party to any such proceedings during the year.



## Directors' report (continued)

10. The company's operation are not regulated by any significant environmental regulation under a law of the Commonwealth, or of a State or Territory.

11. The Neerim District Financial Services Limited has accepted the **Community Bank**<sup>®</sup> Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the Neerim District **Community Bank**<sup>®</sup> Branch. There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

12. 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 with a Director, a firm of which a Director is a member, or an entity in which a Director has a substantial financial interest other than the benefits disclosed in Note 8.

This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the accounts, or the fixed salary of a full time employee of the company.

13. During the financial year, 13 meetings of Directors were held. Attendances by each Director were as follows:-

	Board member since	Directors' meetings	
		Number eligible to attend	Number attended
P. Bright	2000	13	9
C. Jensen	2000	13	10
S. Allen	2004	13	13
J. Cunliffe	2000	13	11
K. Kercheval	2010	13	13
P. Bain**	2011	8	7
S. Charles***	2012	5	5
R. Childs****	2012	1	1
T. Devereux	2009	13	10
R. Evans*	2008	1	1

\* Resigned from Board effective 9/11/2011

\*\* Appointed to Board 27/10/2012

\*\*\* Appointed to Board 28/2/2012

\*\*\*\* Appointed to Board 26/6/2012

All Directors are widely experienced in the general business environment in which the company operates.

# Directors' report (continued)

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## Auditor's independence declaration

The Directors received the following declaration from the Auditor of the company:

**TAYLOR PARTNERS PTY. LTD.**  
**CHARTERED ACCOUNTANTS** A.C.N 006 597 235

R. MALE F.C.A.  
G. JAMES C.A.

OUR REFERENCE

**Auditors Independence Declaration  
Under Section 307C of the Corporations Act 2001**


**To the Directors of  
Neerim District Financial Services Limited**

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I declare that, to the best of my knowledge and belief, in relation to the audit of Neerim District Financial Services Limited for the year ended 30 June 2012 there have been;

a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.



R L Male FCA

Taylor Partners Pty Ltd  
220 Chesterville Road, Moorabin, Vic

Dated this 24<sup>th</sup> day of August 2012

220 Chesterville Road, (PO Box 1429) Moorabbin, Vic. 3189  
Website: [www.taylorpartners.com.au](http://www.taylorpartners.com.au) Email: [admin@taylorpartners.com.au](mailto:admin@taylorpartners.com.au)  
Telephone: (03) 9553 3223 Facsimile: (03) 9553 2548  
Liability Limited by a Scheme approved under Professional Standards Legislation.

Signed in accordance with a resolution of the Board of Directors



**Paul Bright**  
**Chairperson**

Date: 7 September 2012

# Financial statements

## Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Revenue</b>			
Income from operations		945,144	870,699
Interest received		26,530	21,085
Dividends received		1,130	1,099
		<b>972,804</b>	<b>892,883</b>
<b>Expenses</b>			
Borrowing costs		675	230
Employee benefit expenses		367,889	329,741
Depreciation		28,551	21,387
Amortisation of franchise fee		10,000	10,000
General administration		179,569	140,842
Leasing costs		14,437	8,476
Audit services		680	1,400
Advertising and promotion		73,060	89,970
Occupancy costs		27,047	21,177
		<b>701,908</b>	<b>623,223</b>
<b>Profit (loss) from ordinary activities before income tax &amp; market development</b>		<b>270,896</b>	<b>269,660</b>
Market development		18,182	36,364
Income tax relating to ordinary activities	4	75,475	72,659
<b>Net profit (loss) after income tax</b>		<b>177,239</b>	<b>160,637</b>
<b>Earnings per share (cents per share)</b>			
- basic for the period (cents)		46.76	42.38
- diluted for the period (cents)		46.76	42.38

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of financial position as at 30 June 2012

	Note	2012 \$	2011 \$
<b>Current assets</b>			
Cash assets	6	407,971	470,431
Receivables		89,725	80,812
Other		12,896	10,898
<b>Total current assets</b>		<b>510,592</b>	<b>562,141</b>
<b>Non - current assets</b>			
Intangibles	14	30,000	40,000
Plant and equipment	2	64,860	76,073
Deferred tax asset	4	8,163	6,113
Other financial assets	3	213,934	20,240
Other assets		3,599	2,400
<b>Total non - current assets</b>		<b>320,556</b>	<b>144,826</b>
<b>Total assets</b>		<b>831,148</b>	<b>706,967</b>
<b>Current liabilities</b>			
Payables		52,187	47,390
Provisions	5	29,899	50,939
Interest - bearing liabilities		13,735	17,874
<b>Total current liabilities</b>		<b>95,821</b>	<b>116,203</b>
<b>Non - current liabilities</b>			
Provisions	5	7,450	3,497
Deferred tax liability	4	3,578	2,947
Interest - bearing liabilities		11,449	9,577
<b>Total non - current liabilities</b>		<b>22,477</b>	<b>16,021</b>
<b>Total liabilities</b>		<b>118,298</b>	<b>132,224</b>
<b>Net assets</b>		<b>712,850</b>	<b>574,743</b>
<b>Members funds</b>			
Contributed equity		379,025	379,025
Accumulated profits / (losses)	10	333,825	195,718
<b>Total members' funds</b>		<b>712,850</b>	<b>574,743</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of cash flows for the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Cash flow from operating activities</b>			
Receipts from customers		1,032,531	951,009
Payments to suppliers and employees		(712,503)	(710,568)
Interest received		26,468	23,571
Amounts paid to ato		(128,485)	(38,775)
Income taxes paid		(18,069)	(64,178)
<b>Net cash provided by operating activities</b>	<b>7</b>	<b>199,942</b>	<b>161,059</b>
<b>Cash flow from investing activities</b>			
Dividends received		436	450
Franchise fee		-	(50,000)
Share liability		-	(550)
Payment for property, plant and equipment		(28,168)	(40,967)
Proceeds from sale of property, plant and equipment		12,727	-
Purchase of units in neerim district property developments unit trust		(193,000)	-
Loan to neerim district property developments unit trust		(3,599)	-
<b>Net cash used in investing activities</b>		<b>(211,604)</b>	<b>(91,067)</b>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		(22,694)	(26,123)
Proceeds from borrowings		17,948	32,532
Borrowing costs		(569)	(1,028)
Payment of dividends on ordinary shares	11	(45,483)	(45,483)
<b>Net cash used in financing activities</b>		<b>(50,798)</b>	<b>(40,102)</b>
Net increase/(decrease) in cash held		(62,460)	29,890
Cash at the beginning of the financial year	6	470,431	440,541
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6</b>	<b>407,971</b>	<b>470,431</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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### Statement of changes in equity for the year ended 30 June 2012

	Note	Contributed equity \$	Retained earnings \$	Total equity \$
At 1 July 2010		379,025	80,564	459,589
Net profit/(loss) for the period		-	160,637	160,637
Dividends provided for or paid		-	(45,483)	(45,483)
<b>At 30 June 2011</b>		<b>379,025</b>	<b>195,718</b>	<b>574,743</b>
At 1 July 2011		379,025	195,718	574,743
Net profit/(loss) for the period		-	177,239	177,239
Prior period adjustment	10		6,351	6,351
Dividends provided for or paid		-	(45,483)	(45,483)
<b>At 30 June 2012</b>		<b>379,025</b>	<b>333,825</b>	<b>712,850</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2012

## Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other Authoritative Pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity of Neerim District Financial Services Limited as an individual entity. The company is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values, or except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied.

### (a) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS. The adoption of AIFRS does not have any material impact on total equity or profit after tax as reported under previous Australian Accounting Standards (AGAAP), and there are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

### (b) Plant and equipment

Each class of property, plant and equipment are carried at cost less where applicable any accumulated depreciation.

The carrying amount of fixed assets is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets, employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining the recoverable amounts.

The depreciable amount of all fixed assets are depreciated using the diminishing value method over their useful lives to the company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:-

Plant and equipment 10% - 100%

### (c) Cash

For the purposes of the Cash flow statement, cash includes:

- (i) cash at bank; and
- (ii) cash on at call deposits at bank.

# Notes to the financial statements (continued)

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## Note 1. Statement of significant accounting policies (continued)

### **(d) Revenue**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue is recognised net of the amount of goods and services tax (GST)

### **(e) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of a cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST. Cashflows are included in the Cashflow Statement on a gross basis, and the GST component arising from investing and financing activities, which is recoverable from, or payable to the Australian Taxation Office, are classified as operating activities.

### **(f) Intangibles**

The franchise fee is valued in the accounts at cost and is being amortised over a period of five years. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer recoverable is written off.

### **(g) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits associated to ownership.

#### Finance leases

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease of equal value is also recognized.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and recognized directly in the net profit.

### **(h) Employee benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within the year together with benefits arising from wages, salaries and annual leave, which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on costs. Other 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.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.



# Notes to the financial statements (continued)

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## Note 1. Statement of significant accounting policies (continued)

### **(i) Income tax**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

### **(j) Trade and other payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 2. Plant and equipment</b>		
Plant and equipment at cost	199,568	168,000
Less provision for depreciation	(134,708)	(91,927)
	<b>64,860</b>	<b>76,073</b>
Reconciliations of written - down value of plant & equipment		
Balance at beginning of year	76,073	58,893
Additions	30,567	38,567
Disposals	(13,229)	-
Depreciation expense	(28,551)	(21,387)
<b>Balance at end of year</b>	<b>64,860</b>	<b>76,073</b>

### Note 3. Other financial assets

Bendigo Bank shares	20,934	20,240
Neerim District Property Developments Units	193,000	-
	<b>213,934</b>	<b>20,240</b>

### Note 4. Income tax expense

The prima facie tax payable on operating profit is reconciled to the income tax expense as follows:

Prima facie tax payable on operating profit at 30%	75,814	69,989
<b>Adjust for tax effect:</b>		
Non - deductible permanent differences		
Set - up costs	-	3,000
<b>Timing differences deductible when incurred</b>		
Provision for holiday pay, LSL and accrued expenses	2,051	(64)
Prepayments	(613)	764
Accrued interest	(19)	745
<b>Deductible permanent differences</b>		
Other	(339)	(329)
	<b>76,894</b>	<b>74,105</b>
Movement in deferred tax asset	(2,050)	64
Movement in deferred tax liability	631	(1,510)
<b>Income tax expense</b>	<b>75,475</b>	<b>72,659</b>

## Notes to the financial statements (continued)

	2012 \$	2011 \$
Note 4. Income tax expense (continued)		
<b>Deferred tax asset</b>		
Accrued expenses	1,425	1,575
Provision for holiday pay	4,503	3,489
Provision for long service leave	2,235	1,049
	<b>8,163</b>	<b>6,113</b>
<b>Movement in deferred tax asset charged to statement of comprehensive income</b>	<b>2,050</b>	<b>(64)</b>
<b>Deferred tax liability</b>		
Accrued interest	2,058	2,040
Prepaid insurance	1,520	908
	<b>3,578</b>	<b>2,948</b>
<b>Movement in deferred tax liability charged to statement of comprehensive income</b>	<b>631</b>	<b>(1,510)</b>

## Note 5. Provisions

### Current

Income tax payable	14,890	39,310
Annual leave	15,009	11,629
	<b>29,899</b>	<b>50,939</b>

### Non - current

<b>Long service leave</b>	<b>7,450</b>	<b>3,497</b>
Average number of employees	5	5

## Note 6. Cash

Cash at the end of the year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

<b>Cash at bank</b>	<b>407,971</b>	<b>470,431</b>
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## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 7. Cash flow information</b>		
<b>Reconciliation of cash flow from operation with operating profit / loss</b>		
Operating profit / (loss)	177,239	160,637
Dividend reinvestment plan	(694)	(648)
Dividends received	(436)	(451)
Loss on sale of property, plant and equipment	500	
<b>Non - cash flows in operating results</b>		
Depreciation	28,551	21,387
Amortisation	10,000	10,000
Borrowing costs written off	675	230
Hire purchase charges	2,537	2,246
<b>Changes in assets and liabilities</b>		
(Increase) / decrease in receivables	(8,975)	(5,263)
(Increase) / decrease in prepayments	(2,042)	2,547
Increase / (decrease) in creditors	4,742	(37,593)
Increase / (decrease) in provisions	7,333	(514)
Increase / (decrease) in income tax payable	(18,069)	9,926
(Increase) / decrease in deferred tax assets	(2,050)	64
Increase / (decrease) in deferred tax liabilities	631	(1,509)
<b>Net cash provided by operating activities</b>	<b>199,942</b>	<b>161,059</b>

## Note 8. Related party transactions

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

### Director - related entities

Accounting services provided by WHK.	23,524	17,793
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Mr P Bright was a business advisory contractor in this entity.

Catering services provided by The Steely Dan Group Pty Ltd.	-	7,760
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Mr G Howson is a principal in this entity.

Secretarial services provided by Anthony Allen & Associates.	33,783	12,000
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Mr A Allen is the spouse of Mrs Susan Allen (Director).

## Notes to the financial statements (continued)

	2012 \$	2011 \$
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### Note 8. Related party transactions (continued)

#### Director - related entities (continued)

Transport services provided by Jindivick charters and tours.	350	1,375
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Mr K Kercheval is the principal in this entity.

Groceries provided by Neerim South Foodworks Supermarket.	1,309	-
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Mr P Bain is the principal in this entity.

Neerim District Financial Services Ltd has accepted the **Community Bank**<sup>®</sup> Directors Privileges package. The package is available to all Directors who can elect to vail themselves of the benefits based on their personal banking with the Neerim District **Community Bank**<sup>®</sup> Branch. There is no requirements to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

### Note 9. Segment reporting

The company operates in the service sector where it conducts a **Community Bank**<sup>®</sup> branch in the Neerim South area of Gippsland in Victoria.

	2012 \$	2011 \$
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### Note 10. Accumulated profits / (losses)

Accumulated profit at the beginning of the financial year	195,718	80,564
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Net profit after income tax	177,239	160,637
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Prior period adjustment *	6,351	-
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Less dividends paid	(45,483)	(45,483)
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<b>Accumulated profit (loss) at the end of the financial year</b>	<b>333,825</b>	<b>195,718</b>
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\* Prior Period Adjustment relates to amendments made to 2010 and 2011 Income Tax Returns due to the clarity provided in Inglewood & Districts Community Enterprises Ltd v Commisioner of Taxation 2011. This case dealt with the deductibility of franchise fees.

### Note 11. Dividends paid on ordinary shares

<b>Franked dividends (12 cents per share)</b>	<b>45,483</b>	<b>45,483</b>
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(2011: 12 cents per share)

## Notes to the financial statements (continued)

	2012 \$	2011 \$
<b>Note 12. Franking credit balance</b>		
<b>Franking account balance as at end of the financial year</b>	<b>209,914</b>	<b>133,959</b>

### Note 13. Company details

The registered office of the company is  
Shop 3 / 115 Main Street, Neerim South VIC 3831

The principal place of business is  
Shop 3 / 115 Main Street, Neerim South VIC 3831

### Note 14. Intangibles

Franchise fee at cost	50,000	50,000
Less amortisation	(20,000)	(10,000)
	<b>30,000</b>	<b>40,000</b>

### Note 15. Leasing commitments

Finance lease commitments payable		
Not later than one year	13,735	19,679
Later than one year but not later than five years	11,449	9,839

### Note 16. Earnings per share

Earnings used in calculating basic and diluted earnings per share	177,239	160,637
Weighted average number of shares for basic and diluted earnings per share	379,025	379,025

## Notes to the financial statements (continued)

### Note 17. Financial instruments

#### a) Interest rate risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

	Floating interest rate		Fixed interest rate				Non-interest bearing	
			Within 1 year		1 To 5 years			
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
<b>Financial assets</b>								
Cash at bank	407,981	470,431						
Receivables							89,725	80,812
<b>Total financial assets</b>	<b>407,981</b>	<b>470,431</b>					<b>89,725</b>	<b>80,812</b>
<b>Financial liabilities</b>								
Payables							53,535	47,390
Hire purchase			15,007	19,679	12,489	9,839		
<b>Total financial liabilities</b>			<b>15,007</b>	<b>19,679</b>	<b>12,489</b>	<b>9,839</b>	<b>53,535</b>	<b>47,390</b>

#### b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

#### c) Net fair value

For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in a standardised form. Financial assets where the carrying amount exceeds net fair values have been written down as the company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and Notes to the Financial Statements.

# Directors' declaration

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The Directors of the company declare that:

1. The financial statements and notes, as set out in the Directors' report, Income statement, Balance sheet, Cash flow statement and Notes to the financial statements, are in accordance with the Corporations Act 2001:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company;
2. In the Directors' opinion 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.



**Paul Bright**  
**Chairperson**

Date: 7 September 2012



# Independent audit report

**TAYLOR PARTNERS PTY. LTD.**  
**CHARTERED ACCOUNTANTS**

A.C.N 006 597 235

R. MALE F.C.A.  
G. JAMES C.A.

OUR REFERENCE

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF**  
**NEERIM DISTRICT FINANCIAL SERVICES**

## SCOPE

We have audited the financial report of Neerim District Financial Services Limited set out in the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Notes to the Financial Statements for the year ended 30 June 2012. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on them to the members of the company.

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

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

## Audit Opinion

In our opinion, the financial report of Neerim District Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**TAYLOR PARTNERS**  
**CHARTERED ACCOUNTANTS**

  
**R. MALE FCA**  
**PARTNER**

Date: 24<sup>th</sup> August, 2012

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Liability Limited by a Scheme approved under Professional Standards Legislation.



Neerim District **Community Bank®** Branch  
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 Phone: (03) 5628 1079 Fax: (03) 5628 1089

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