



# Neerim District Financial Services Limited

ABN 46 091 832 923

# ANNUAL REPORT 2013

Neerim District **Community Bank®** Branch

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# Chairman's report

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For year ending 30 June 2013



Dear Shareholders,

What an interesting and busy year it has been for your company. We have had several new people join the Board of Directors to lend their knowledge and different perspectives to the Board's management function as well as a couple leave the Board, generally due to personal issues. To those that have left, their contribution and knowledge will be sorely missed and I hope we will see you join us again someday. To those that have joined us, I can't wait to see the positive impact you will have on our company by bringing a new set of eyes and a new point of view to our meetings.

We have nearly finished the building of our very own purpose built Company Head Quarters and **Community Bank**® branch. In fact by the time you read this, we will have finished shifting in and will be operating from our new premises. At this stage this building is 100% owned by your company and is a result of a lot of hard work and financial responsibility of the last several years. I think it is an asset to the town as well as to yourselves and something we should be immensely proud of. I would like to thank the Landlords of our original home of the last 13 years as well as thank Tim Kubale for the construction of our new home.

Now some numbers! I have listed several KPI's below;

- We have increased our banking book (total loans + total deposits) from \$99 million to \$106 million. This represents an increase of a little over 7% and given the economic climate of the last 12 months, is an excellent result and in excess of what Bendigo Bank predicted. Given the current rate of income to bank book, this will result in additional income of nearly \$70,000 p.a. without any notable increases in costs. In effect this goes straight to the company's profit line.
- Our gross income has decreased from \$972,000 for the 2011/12 financial year to \$955,000 for the 2012/13 financial year. However this is solely due to a drop in the interest received as the funds were used to purchase the land for the new building. We did however also manage to reduce the operating costs of the company by \$20,000 which left us with a bottom line slightly higher than in the previous financial year. Bendigo Bank also changed the amount of income we receive from them on certain products.

Over the last 13 years the split of the income from certain areas has skewed to the distinct advantage of the **Community Bank**® branch. Bendigo Bank made an adjustment in an effort to bring it somewhat more in line with what was originally agreed upon. This has had an impact on the income for the 2012/13 financial year.

It is possible that there will be one more correction in the 2013/14 financial year that will again affect our results. Bendigo Bank has created several initiatives to help the **Community Bank**® branch replace the lost revenue which we are pursuing.

- We have now contributed over \$1.6 million in community grants, advertising and sponsorships in the district. That is an enormous achievement and one wonders what some of our local facilities and clubs would look like without those funds being injected.

The purchase of the land and the process of building our new branch has meant that your company has had to hold on to a significant share of the profits to ensure we had the funds necessary to complete the new branch. I would envisage that once it has been completed, the funds available each year for grants will increase significantly. Some of the more significant grants allocated over the last 12 months are outlined below.

# Chairman's report (continued)

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We distributed another \$93,000 to the community through sponsorships, advertising, grants and special projects. Among the ones we are most proud of are:

- The purchase of and training in the use of additional defibrillators for the local Police Station and other clubs in our district.
- Hosting the Annual Senior Citizens Lunch - \$3,000.
- Sponsorship of almost all local sporting and community organizations - \$25,000.
- The Wetlands Project - \$85,000.
- The Noojee Train Relocation Project - \$10,000.
- The Primary and Secondary School's project for a gymnasium at the Recreation Centre - \$50,000.
- The Secondary School's Digital Media Studio - \$10,000
- The Hospital's Telephone and IT system upgrade - \$15,000
- Other groups such as the Bowls Club, Cemetery Trust, Neerim Noojee Ambulance and several other Primary Schools all received funds in excess of \$43,000.
- As well as many other events and groups within our catchment area were supported.

We can never thank Bendigo Bank enough for 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 unqualified support in every way possible. Without them, all that has been done for our district would not have been possible.

The payment of this year's dividend will represent the first real capital return that shareholders will have received. Last year the dividends paid equated to the money the community injected into our company to create it. This year's represents a clear return in excess of those contributions. We continue to have a large demand for shares in our company, generally from people new to our district. This means that any of our original shareholders now have the freedom to recoup the funds they contributed which is an excellent position to be in. Mind you, it is very rare that anyone is so inclined.

It has been another very exciting and rewarding year and although it may not have produced the spectacular results of some previous years, it has still achieved some significant positives for our district. Our staff, led by Tim, have continued to perform in the top echelon of Bendigo Bank **Community Bank**® branches and achieve excellent results in their assessments by Bendigo Bank. Without their unwavering commitment to customer service and the performance of the branch, none of the \$1.6 million distributed in the local district would have been possible. Thank you all.

In my role as Chairman of your company, I would like to thank all of the individual members of the Board of Directors. These people are all volunteers and receive no remuneration for the time they contribute and the risk they assume as Directors of the company. They donate their time well in excess of simply attending monthly Board meetings by representing our branch at the many sporting club and schools presentations, external training courses, Bendigo Bank conferences and sub-committee work such as our new branch.

As mentioned above, we have lost a few Directors from the Board due to private reasons. One of the reasons our company has been so successful is the variety of people we have contributing to our Board meetings. Whether you are a farmer, on home duties, an employee or any other type of person, your individual point of view is welcomed on our Board. The role is not technically difficult and does not require any specific knowledge or skills, just a wish to contribute to the future of our district. We want your point of view.

So often it is the same people who put their time and effort into the various community groups and it is tiring for them to always be doing so without the help of a large portion of our community. If you could spare a few hours each month, we would welcome your contribution with open arms.

## Chairman's report (continued)

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Remember, it is you and your families that benefit from the hard work these people do. Many of them are not members of any of the clubs and associations that benefit from the company's profits, they simply have a desire to see the people of our district have the best lives possible.

Are you going to sit back and accept the fruits of their labour without contributing in some way to it yourself? Or are you going to put your hand up and donate a small portion of your time to the cause?

Everyone on the Board has things they would rather do with their spare time, that is not an acceptable reason for not helping out. Please consider joining us in the running of your company.

Our new home will be opened on the 10 October and I would welcome all of you to attend and see what your company has achieved. It will be one of the truly great moments in the company's history.



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

# Manager's report

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For year ending 30 June 2013



It is with great pleasure that I present my report for the financial year ending 30 June 2013 on behalf of the Neerim District **Community Bank®** Branch.

Over the last 12 months we have continued to grow the branch portfolio.

Our portfolio has increased from \$99.2 million to \$104.9 million. This is represented as follows:

- Lending portfolio balance is \$57.4 million.
- Deposit portfolio balance is \$47.3 million.

Results like this can not be achieved without the support of our customers.

I would like to personally thank our customers for entrusting us with their banking needs. The branch team look forward to sharing in your successes as we continue to enjoy and strengthen our relationships.

I would like to thank my staff Maureen, Karen, Jenny, Donna and Brigitte for their continued support and care given to our customers. They are dedicated, enthusiastic and committed in helping our customers with their banking. Their support is truly valued and appreciated.

I also extend my thanks to the volunteer Directors of Neerim District Financial Services Limited who, work tirelessly behind the scenes to promote and support local activities within our community.

This year has seen us reach \$1.6 million in community contributions. These contributions have been distributed through sponsorships, grants and dividends.

For these contributions to continue, we need to encourage family and friends to support our local businesses and banking services.

My staff and I look forward to the journey ahead as we relocate to our new branch and continue to serve our community.

A handwritten signature in black ink, appearing to read 'Tim Gilmore'.

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

# Directors' report

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For the financial year ended 30 June 2013

The Directors present their report on the company for the financial year ending 30 June 2013.

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



**Mr Paul Bright**

Chairman

Age: 44

Appointed Director: 2 March 2000

Occupation: Accountant

Experience and 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, Governance & Planning Committee.



**Mr Christopher Jensen**

Deputy Chairman

Age: 58

Appointed Director: 2 March 2000

Occupation: Ambulance Paramedic

Experience and 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 Development Committee.



**Mrs Susan Allen**

Age: 60

Appointed Director: 16 November 2004

Occupation: Retired

Experience and 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, Governance & Planning Committee, Property Development Committee, Youth Committee.

# Directors' report (continued)

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## 1. Directors (continued)



**Mr James Cunliffe**

Director

Age: 75

Appointed Director: 2 March 2000

Occupation: Retired Earthmoving Contractor

Experience and 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 Development Committee.



**Mr Kenneth Kercheval**

Director

Age: 62

Appointed Director: 21 October 2010

Occupation: Charter Bus & Tour Operator

Experience and 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: 41

Appointed Director: 27 October 2011

Occupation: Retail Business Owner

Experience and 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: 22

Appointed Director: 28 February 2012

Occupation: Tertiary Student

Experience and 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: Governance & Planning Committee, Youth Committee.

# Directors' report (continued)

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## 1. Directors (continued)



### **Mr Raymond Childs**

Age: 63

Appointed Director: 26 June 2012

Occupation: Building & Project Manager

Experience and expertise: Has been involved in the building industry for over 42 years. Operates Childs Hodson 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: Property Development Committee.



### **Ms Jennifer Prout**

Director

Age: 61

Appointed Director: 25 October 2012

Occupation: Primary School Principal

Experience and expertise: Principal of the Neerim South Primary School since 2003. She has been employed by the Department of Education and Early Childhood Development since 1974. Ms Prout has been a Principal for more than 25 years having previously served as Principal at Hallora and Longwarry Primary Schools.

Board committees: Human Resources Committee.



### **Mr Damien Morley**

Director

Age: 55

Appointed Director: 4 June 2013

Occupation: Barrister & Solicitor

Experience and expertise: Was admitted to the Bar in 1983 and has worked as a solicitor for over 30 years. Has lived in the Neerim District since 1999 and has been involved in the Neerim Neerim South Football Netball Club as a team manager for 8 years. Damien is a member of the Noojee Historical Society and the Function at the Junction Committee. He is a past councilor of the Neerim District Rural Primary School.

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®** branch services under the management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.
3. The net profit of the company for the financial year was \$159,431 (2011 - 2012 \$177,239).

## Directors' report (continued)

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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.

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®** 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®** 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 Limited 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.

## Directors' report (continued)

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	11
S. Allen	2004	13	13
J. Cunliffe	2000	13	7
K. Kercheval	2010	13	9
P. Bain	2011	13	7
S. Charles	2012	13	12
R. Childs	2012	13	13
J Prout *	2012	9	9
D Morley **	2013	2	1

\*Appointed to Board 25/10/2012

\*\* Appointed to Board 04/06/2013

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

### Auditor's independence declaration

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

Taylor Parters

Signed in accordance with a resolution of the Board of Directors



**Paul Bright**  
**Chairperson**

5 August 2013.

# Auditor's independence declaration

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

ACN 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**

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 2013 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 30<sup>th</sup> day of August 2013

# Financial statements

## Statement of comprehensive income for the year ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Revenue</b>			
Income from operations		944,441	945,144
Interest received		9,113	26,530
Dividends received		1,090	1,130
		<b>954,644</b>	<b>972,804</b>
<b>Expenses</b>			
Borrowing costs		533	675
Employee benefit expenses		363,655	367,889
Depreciation		20,743	28,551
Amortisation of franchise fee		10,000	10,000
General administration		169,505	179,569
Leasing costs		13,635	14,437
Audit services		2,150	680
Advertising and promotion		71,683	73,060
Occupancy costs		28,623	27,047
		<b>680,527</b>	<b>701,908</b>
<b>Profit (loss) from ordinary activities before income tax &amp; market development</b>		<b>274,117</b>	<b>270,896</b>
Market development		46,825	18,182
Income tax relating to ordinary activities	4	67,861	75,475
<b>Net profit (loss) after income tax</b>		<b>159,431</b>	<b>177,239</b>
<b>Earnings per share (cents per share)</b>			
- Basic for the period (cents)		42.06	46.76
- Diluted for the period (cents)		42.06	46.76

The accompanying notes form part of this financial report

# Financial statements (continued)

## Statement of financial position as at 30 June 2013

	Note	2013 \$	2012 \$
<b>Current assets</b>			
Cash assets	6	228,442	407,971
Receivables		84,951	89,725
Other		5,944	12,896
<b>Total current assets</b>		<b>319,337</b>	<b>510,592</b>
<b>Non - current assets</b>			
Intangibles	15	20,000	30,000
Plant and equipment	2	60,734	64,860
Deferred tax asset	4	8,154	8,163
Other financial assets	3	512,883	213,934
Other assets	9	3,599	3,599
<b>Total non - current assets</b>		<b>605,370</b>	<b>320,556</b>
<b>Total assets</b>		<b>924,707</b>	<b>831,148</b>
<b>Current liabilities</b>			
Payables		47,594	52,187
Provisions	5	26,391	29,899
Interest - bearing liabilities		4,485	13,735
<b>Total current liabilities</b>		<b>78,470</b>	<b>95,821</b>
<b>Non - current liabilities</b>			
Provisions	5	10,821	7,450
Deferred tax liability	4	1,654	3,578
Interest - bearing liabilities		6,964	11,449
<b>Total non - current liabilities</b>		<b>19,439</b>	<b>22,477</b>
<b>Total liabilities</b>		<b>97,909</b>	<b>118,298</b>
<b>Net assets</b>		<b>826,798</b>	<b>712,850</b>
<b>Members funds</b>			
Contributed equity		379,025	379,025
Accumulated profits / (losses)	11	447,773	333,825
<b>Total members' funds</b>		<b>826,798</b>	<b>712,850</b>

The accompanying notes form part of this financial report

# Financial statements (continued)

## Statement of cashflows for the year ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Cashflow from operating activities</b>			
Receipts from customers		1,044,036	1,032,531
Payments to suppliers and employees		(725,906)	(712,503)
Interest received		15,532	26,468
Amounts paid to ato		(60,393)	(51,591)
Income taxes paid		(72,731)	(94,963)
<b>Net cash provided by operating activities</b>	<b>7</b>	<b>200,538</b>	<b>199,942</b>
<b>Cash flow from investing activities</b>			
Dividends received		340	436
Payment for property, plant and equipment		(21,646)	(28,168)
Proceeds from sale of property, plant and equipment		-	12,727
Purchase of units in neerim district property developments unit trust		(298,200)	(193,000)
Loan to neerim district property developments unit trust		-	(3,599)
<b>Net cash used in investing activities</b>		<b>(319,506)</b>	<b>(211,604)</b>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		(15,078)	(22,694)
Proceeds from borrowings		-	17,948
Borrowing costs		-	(569)
Payment of dividends on ordinary shares	12	(45,483)	(45,483)
<b>Net cash used in financing activities</b>		<b>(60,561)</b>	<b>(50,798)</b>
Net increase/(decrease) in cash held		(179,529)	(62,460)
Cash at the beginning of the financial year	6	407,971	470,431
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6</b>	<b>228,442</b>	<b>407,971</b>

The accompanying notes form part of this financial report

## Financial statements (continued)

### Statement of changes in equity for the year ended 30 June 2013

	Note	Contributed Equity \$	Retained Earnings \$	Total Equity \$
At 1 July 2011		379,025	195,718	574,743
Net profit/(loss) for the period		-	177,239	177,239
Prior period adjustment			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>
At 1 July 2012		379,025	333,825	712,850
Net profit/(loss) for the period		-	159,431	159,431
Dividends provided for or paid		-	(45,483)	(45,483)
<b>At 30 June 2013</b>		<b>379,025</b>	<b>447,773</b>	<b>826,798</b>

The accompanying notes form part of this financial report

# 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 recognised.

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 utilised:

- 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)

	2013 \$	2012 \$
<b>Note 2. Plant and equipment</b>		
Plant and equipment at cost	150,952	199,568
Less provision for depreciation	(90,218)	(134,708)
	<b>60,734</b>	<b>64,860</b>
Reconciliations of written - down value of plant & equipment		
Balance at beginning of year	64,860	76,073
Additions	21,646	30,567
Disposals	(5,029)	(13,229)
Depreciation expense	(20,743)	(28,551)
<b>Balance at end of year</b>	<b>60,734</b>	<b>64,860</b>

### Note 3. Other financial assets

Bendigo Bank shares	21,683	20,934
Neerim District Property Developments Units	491,200	193,000
	<b>512,883</b>	<b>213,934</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%	68,187	75,814
Adjust for tax effect:		
Timing differences deductible when incurred		
Provision for holiday pay, LSL and accrued expenses	(8)	2,051
Prepayments	-	(613)
Timing differences assessable when received		
Accrued interest	1,924	(19)
Deductible permanent differences		
Other	(327)	(339)
	<b>69,776</b>	<b>76,894</b>
Movement in deferred tax asset	9	(2,050)
Movement in deferred tax liability	(1,924)	631
<b>Income tax expense</b>	<b>67,861</b>	<b>75,475</b>

## Notes to the financial statements (continued)

	2013 \$	2012 \$
Note 4. Income tax expense (continued)		
<b>Deferred tax asset</b>		
Accrued expenses	571	1,425
Provision for holiday pay	4,337	4,503
Provision for long service leave	3,246	2,235
	<b>8,154</b>	<b>8,163</b>
<b>Movement in deferred tax asset charged to statement of comprehensive income</b>	<b>(9)</b>	<b>2,050</b>
<b>Deferred tax liability</b>		
Accrued interest	134	2,058
Prepaid insurance	1,520	1,520
	<b>1,654</b>	<b>3,578</b>
<b>Movement in deferred tax liability charged to statement of comprehensive income</b>	<b>(1,924)</b>	<b>631</b>

## Note 5. Provisions

### Current

Income tax payable	11,936	14,890
Annual leave	14,455	15,009
	<b>26,391</b>	<b>29,899</b>

### Non - current

<b>Long service leave</b>	<b>10,821</b>	<b>7,450</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>228,442</b>	<b>407,971</b>
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## Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 7. Cash flow information</b>		
Reconciliation of cash flow from operation with operating profit / loss		
Operating profit / (loss)	159,431	177,239
Dividend reinvestment plan	(750)	(694)
Dividends received	(340)	(436)
Loss on sale of property, plant and equipment	222	500
Non - cash flows in operating results		
- Depreciation	20,743	28,551
- Amortisation	10,000	10,000
- Borrowing costs written off	533	675
- Donations (Laptops)	4,826	-
- Hire purchase charges	1,272	2,537
Changes in assets and liabilities		
(Increase) / decrease in receivables	11,194	(8,975)
(Increase) / decrease in prepayments	-	(2,042)
Increase / (decrease) in creditors	(4,541)	4,742
Increase / (decrease) in provisions	2,817	7,333
Increase / (decrease) in income tax payable	(2,954)	(18,069)
(Increase) / decrease in deferred tax assets	9	(2,050)
Increase / (decrease) in deferred tax liabilities	(1,924)	631
<b>Net cash provided by operating activities</b>	<b>200,538</b>	<b>199,942</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.	-	17,793
Mr P Bright was a business advisory contractor in this entity.		
Accounting services provided by Tarago Accounting & Business Services	13,945	-
Mr P Bright is a Director of this entity		
Catering services provided by The Steely Dan Group Pty Ltd.	-	7,760
Mr G Howson is a principal in this entity.		

## Notes to the financial statements (continued)

	2013 \$	2012 \$
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### Note 8. Related party transactions (continued)

#### Director - related entities (continued)

Secretarial services provided by Anthony Allen & Associates.	25,814	12,000
Mr A Allen is the spouse of Mrs Susan Allen (Director).		
Transport services provided by Jindivick charters and tours.	825	1,375
Mr K Kercheval is the principal in this entity.		
Supplies provided by Neerim South Foodworks Supermarket.	3,477	-
Mr P Bain is the principal in this entity.		
Maintenance provided by Childs Hodson Pty Ltd.	1,320	-
Mr R Childs is a principal in this entity		

Neerim District Financial Services Ltd has accepted the **Community Bank®** 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®** 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 Limited shareholders.

	2013 \$	2012 \$
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### Note 9. Related party relationship

Neerim District Financial Services Ltd is the sole unitholder in Neerim District Property Developments Unit Trust. The purpose of Neerim District Property Developments Unit Trust is to own the land and building for the new bank branch.

Loan To Neerim District Property Developments Unit Trust	3,599	3,599
Units held in Neerim District Property Developments Unit Trust	491,200	193,000

### Note 10. Segment reporting

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

## Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 11. Accumulated profits / (losses)</b>		
Accumulated profit at the beginning of the financial year	333,825	195,718
Net profit after income tax	159,431	177,239
Prior period adjustment *	-	6,351
Less dividends paid	(45,483)	(45,483)
<b>Accumulated profit (loss) at the end of the financial year</b>	<b>447,773</b>	<b>333,825</b>

\* 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 Commissioner of Taxation 2011.

This case dealt with the deductibility of franchise fees.

### Note 12. Dividends paid on ordinary shares

Franked dividends (12 cents per share) (2012: 12 cents per share)	45,483	45,483
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### Note 13. Franking credit balance

Franking account balance as at end of the financial year	263,619	209,914
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### Note 14. Company details

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

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

### Note 15. Intangibles

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

### Note 16. Leasing commitments

#### Finance lease commitments payable

<b>Not later than one year</b>	<b>4,485</b>	<b>13,735</b>
<b>Later than one year but not later than five years</b>	<b>6,964</b>	<b>11,449</b>

# Notes to the financial statements (continued)

	2013 \$	2012 \$
<b>Note 17. Earnings per share</b>		
Earnings used in calculating basic and diluted earnings per share	159,431	177,239
Weighted average number of shares for basic and diluted earnings per share	379,025	379,025

## Note 18. 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			
	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$	2013 \$	2012 \$
Financial assets								
Cash at bank	228,442	407,981						
Receivables							84,951	89,725
Total financial assets	228,442	407,981					84,951	89,725
Financial liabilities								
Payables							47,390	53,535
Hire purchase			4,485	15,007	6,964	12,489		
Total financial liabilities			4,485	15,007	6,964	12,489	47,592	53,535

### 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 2013 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**

5 August 2013.

# Independent audit report

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

ACN 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 2013. 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 2013 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: 30<sup>th</sup> August, 2013

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.







Neerim District **Community Bank**<sup>®</sup> Branch  
 Shop 3, 115 Main Road, Neerim South VIC 3831  
 Phone: (03) 5628 1079 Fax: (03) 5628 1089

Franchisee: Neerim District Financial Services Limited  
 Shop 3, 115 Main Road, Neerim South VIC 3831  
 Phone: (03) 5628 1079 Fax: (03) 5628 1089  
 ABN: 46 091 832 923

[www.bendigobank.com.au/neerim](http://www.bendigobank.com.au/neerim)  
 (BMPAR13027) (07/13)

