



Annual Report 2014

Neerim District Financial
Services Limited

ABN 46 091 832 923

Neerim District **Community Bank®** Branch

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Chairman's report

For year ending 30 June 2014



Dear Shareholder,

Welcome to the 14th Annual Report for your company, Neerim District Financial Services Ltd (NDFSLS). It has been a very busy year with many new community initiatives arising both internally and from other community groups. Things like the Wetlands project and the Arts - Bower Project have created a sense of vibrancy and optimism in our district and have come about from the hard work of many community groups and their members. It has been our pleasure as your Board of Directors to financially support these and several other projects in the district.

We have also had an amazing growth in our Board numbers this year as well as the loss of one of our founding Board members in Chris Jensen. Chris and I were the only remaining members of the initial Board of Directors, selected when the company was first created. I can't begin to list all the things Chris has done for both your company and the community through the hundreds upon hundreds of hours that he has donated of his time. Chris has been one of the true visionaries of our **Community Bank®** branch and has held several leadership roles within the Board, including being the Deputy Chairman for a number of years. He also took the lead role in the design, coordination and building of our new branch. Without his knowledge and commitment, your company would not be in the position it is today.

On behalf of the Board, shareholders and all of the community in the Neerim District, I would like to thank Chris for his tireless work in creating an institution that will benefit our district for decades to come.

We have four new Directors and all bring with them definitely needed skills, knowledge and opinions. They will all contribute greatly to the continued improvement of the company's profitability, and hence its returns to both the shareholders and the community. It has long been a goal of mine to increase the number of Board members to at least approach the maximum number allowed. By doing so we get input from a far wider section of the community. Each new Director is from a different demographic and all are highly professional and committed Board members. I will introduce you to each of them at the AGM, however it looks like for the very first time that we will have a full Board at this year's AGM.

In terms of the team that actually operates the branch, I couldn't be happier. Tim has proven to be a top level Manager and is highly rated not only by the Board, but also by Bendigo and Adelaide Bank.

The team of ladies who support him are the real frontline of our **Community Bank®** branch. They are the ones that deal with the customers on a daily basis and are the main reason for the goodwill that exists in our customer base. Without this it would make Tim's job exponentially harder. Our team has been stable throughout many years and each staff member has continually upgraded their skills and knowledge. They are not just employees, they are invested in our branch and often work outside of normal hours, attending meetings and community events, representing our branch to the best of their abilities.

On behalf of the Board and the shareholders I would like to give them all my utmost thanks for their continued commitment to the customers and the branch.

Financially it has been another great year with many milestones achieved. We have now contributed in excess of \$2 million to the Neerim district in terms of sponsorships, advertising, donations and grants.

We have our new building fully operational and it is being regularly used by other community groups, both as a meeting venue and for its administrative capabilities. Our banking book has surpassed the \$117 million mark, a number that continues to astound me.

Chairman's report (continued)

The banking team have done an amazing job given the difficulties in the financial sector in the last year. Our profit results, after being normalised for the contributions made to the community, has continued to increase and our budgets show that this will continue to be the case for many years to come.

We have had one situation which has affected our profitability in the short to medium term which involves the re-alignment of the split of income between our company and Bendigo and Adelaide Bank. After over a decade, the initial methods of calculating the income split had become highly prejudiced to the **Community Bank®** branches. This was as a result of changes in the financial services sector over a long period of time. Bendigo and Adelaide Bank have been more than fair in the process and have created new initiatives and products that will allow us to return to higher income levels in the medium term.

The final area I would like to address is an initiative of the Board that we are all very passionate about. As with all other regional areas, we are experiencing an increase in the presence of illicit drugs in our community. We are no worse than any other area, importantly however, we are no better either. We cannot afford to stick our heads in the sand and think that we do not have a problem here.

Several community groups, including the Warragul Police, ran an open forum on the issue of drugs in our communities in the last 12 months. It was a very large and passionate meeting and highlighted a lot of the difficulties facing authorities in having the impact on illicit drug use that they would like.

The number one issue, as always, is having the funding to properly staff and resource the initiatives and programs they would like. One of the most awful statistics that has come to light recently is the time it takes someone who has an addiction problem to get help. Once they have decided that they want to tackle the problem, it can take up to two months to be assessed for treatment and then up to another six months to get a place in a treatment facility, like the one in Dandenong. The chances of that person still being of a mind to tackle the issue in eight months time is very small and the damage that can have been done in the community during this time has the potential to be great.

With the above in mind, the Board looked at ways we could create a program solely for residents of our district, that would attack the issue on three fronts. Preventative education, treatment and rehabilitation.

Preventative education being the building block of any addiction program and needs to address everyone from the very young to parents and even grandparents. Treatment, as alluded to above, is an area that is extremely short of funding and I find that the above waiting times are something that no member of our community should have to be subjected to. Finally rehabilitation is essential to cement the success that will be achieved in the previous two stages.

By successfully treating community members experiencing addiction problems, we regain a productive member of our district, we reduce the demand and supply of illicit drugs in our community and we reduce the exposure our youth in particular have, not only to illicit drugs, but also to the types of behaviour that occurs in such situations.

With the above in mind, we formed a group of experts to educate the Board as to the actual drugs our community face, the effects they have, as well as what cutting edge treatments and programs available that could benefit our district.

These included a Professor of Addiction treatment from Melbourne University who consults regularly on Government boards and committees related to this issue. Withdrawal and addiction treatment nurses who specialise in the area of treating people with addiction issues, including existing members of our community. Psychologists who specialise in this area of practice and also treat existing members of our community. Doctors who are already specialising in this area and practice in the region. The creator of a program in New Zealand that had an enormous impact on their local community, reducing ICE use by 60%.

All of these professionals donated their time to come and meet with us for a full day to begin the process of creating a program specifically designed to suit a small district such as ours. They have continued to consult on a regular basis, providing guidance, information, input and ideas.

Chairman's report (continued)

From this we hired an expert, Ms Anne Fitts, who specialises in health issues, working with health professionals and accessing government grants, to help put all of the ideas into a formal process to achieve all of our aims and co-ordinate everyone's input into a document that meets all the standards required.

As of the time of writing this, she has finished the first draft which was submitted for review at our July Board meeting. From there we will assess the financial requirements of the project to both create and administer it on an ongoing basis. This is an important point, as while this program is designed to reduce the effect that illicit drugs have on our community, it will always exist on some level.

The next step will be to involve all of the interested groups in the community, including the local representatives of the Victorian Police Force, the Board of the hospital, other local health care providers and other community groups to get their input and buy-in.

By the time I sit in front of you at the AGM, we will have a range of issues to discuss with you and hopefully get your support on. We have intentionally limited the involvement of other groups at this stage, as we wanted to keep the participants to a level where the design process would not get bogged down. Rest assured however that all interested groups and residents will have an opportunity to have their input into the process well before it is finalised.

It is my personal hope that what we design here in our district, will become the standard for treatment of addiction problems in many rural communities, particularly ones that have the resources of as part of the **Community Bank®** network of Bendigo and Adelaide Bank.

In closing I would once again like to thank the banking team for their hard work and commitment. I would like to thank the members of the Board for their tireless work on the shareholders and communities behalf.

I would like to thank you, the shareholders, for your continuing faith in the Board to run your company. Finally I would once again like to thank Mr Chris Jensen for the tireless work he has done since the inception of NDFS, which has been one of the key factors in its success to date.



Paul Bright
Chairman

Manager's report

For year ending 30 June 2014



It is with great pleasure that I present my report for the financial year ending 30 June 2014 on behalf of Neerim District **Community Bank**[®] 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 \$117.4 million business (up from \$104.9 million 12 months ago):

- Lending portfolio balance is \$66.9 million
- Deposit portfolio balance is \$50.5 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 and shareholders for their ongoing support. Without the support, our **Community Bank**[®] branch would not be able to contribute to our communities 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**[®] 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**[®] branch and let them know of the benefits of doing banking with our local **Community Bank**[®] branch.

I would like to thank my staff, Maureen, Karen, Jenny, Donna and Amanta 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 ensure the company remains strong. Thank you to our retired Directors Jim Cunliffe, Christopher Jensen, Raymond Childs and Damien Morley 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

Bendigo and Adelaide Bank report

For year ending 30 June 2014

The past year marked two very significant milestones for our **Community Bank**[®] network, celebrating the opening of its 300th branch while also reaching \$120 million in community contributions. Both achievements could not have been accomplished without your ongoing support as shareholders and customers.

The **Community Bank**[®] network has grown considerably since it was first launched in 1998, in partnership with the people from the western Victorian farming towns of Rupanyup and Minyip. For these communities the **Community Bank**[®] model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its doors.

Sixteen years later, the model has grown into something even bigger than that. It has rapidly developed into a partnership that generates a valued, alternative source of income for a community, funding activities or initiatives that make a local town or suburb a better place to live.

In June 2014, the network welcomed its 305th branch in Penola, South Australia, and in the same week, the Victorian coastal town of Port Fairy introduced its community to our unique style of banking. These branches join a robust and maturing banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives that will ultimately strengthen their community.

The **Community Bank**[®] network has returned more than \$20 million in contributions to local communities in this financial year alone. Our branches have been able to fund projects that make a difference to a community; improved health services, sports programs, aged care facilities, education initiatives and community events that connect communities and encourage prosperity.

Demand from communities remains strong, with about 30 **Community Bank**[®] branch sites currently in development, and 10 branches expected to open nationally in the next 12 months. The network's steady expansion demonstrates the strength and relevance of a banking model where the desire to support the financial needs of customers is equalled by the desire to realise shared aspirations by harnessing the power of community.

At the end of the financial year 2013/14 the **Community Bank**[®] network had achieved the following:

- Returns to community – \$122.2 million
- **Community Bank**[®] branches – 305
- **Community Bank**[®] branch staff – more than 1,500
- **Community Bank**[®] company Directors – 1,900
- Banking business – \$24.46 billion
- Customers – 550,000
- Shareholders – 72,000
- Dividends paid to shareholders since inception – \$36.7 million.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including the Community Enterprise Foundation[™] (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green[™] (environment and sustainability initiative), Community Telco[®] (telecommunications solution), tertiary education scholarships and Connected Communities Enterprises that provide **Community Bank**[®] companies with further development options.

Bendigo and Adelaide Bank report (continued)

In September last year the Bank announced it would commence a comprehensive review of the **Community Bank®** model. The intention of the review is to rigorously explore and analyse the model, setting the vision and strategy for a sustainable and successful commercial model, regardless of changes to operational and market conditions. An update of this review will be provided at the **Community Bank®** National Conference in Darwin in September.

Bendigo and Adelaide Bank's vision is to be Australia's most customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we respectfully listen and respond to every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

To this aim, the Bank supports the Financial Systems Inquiry (FSI) which calls for an even playing field for all banks in an effort to increase customer choice. It takes a principled approach to governing, encouraging banks to consider all members of a community when they do business.

Bendigo and Adelaide Bank is a signatory to the Regional Banking submission in collaboration with Bank of Queensland, Suncorp and ME Bank, while our independent submission focuses on the important role banks play in communities.

Banks inject a high-level of capability and knowledge in the places they operate, supporting the sustainability of communities and helping to ensure they're viable. The Bank calls for a framework that incentivises banks, and the people who work for them, to be good corporate citizens, while promoting ethical decision making, innovation and better outcomes for customers and communities.

This financial year we launched our new www.bendigobank.com.au website. Packed with useful information and easy to access online services, our 1.4 million customers can easily connect with us at home, at work or on their mobile or tablet as well as learn more about our commitment to strengthening and supporting local communities.

In line with increasing demand for "anywhere, anytime" banking, we're excited about the impending introduction of our improved online banking platform to our customers later this year.

As **Community Bank®** shareholders you are part of something special, a unique banking movement founded on a whole new way of thinking about banking and the role it plays in modern society.

The **Community Bank®** model is the ultimate example of a win/win partnership and I thank you for your important support of your local **Community Bank®** branch.



Robert Musgrove
Executive Community Engagement

Directors' report

For the financial year ended 30 June 2014

The Directors present their report on the company for the financial year ending 30 June 2014.

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



Mr Paul Bright

Chairman / Director

Age: 45

Appointed Director: 2 March 2000

Occupation: Accountant

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

Principle of Tarago Accounting and Business in Warragul. He has lived in the Neerim district for the over 20 years.

Board Committees: Executive Committee, Governance & Planning Committee.



Mrs Susan Mary Allen

Deputy Chair / Treasurer / Director

Age: 61

Appointed Director: 16 November 2004

Occupation: Retired

Experience & Expertise: Prior to retirement worked at Crowe Howarth Accountants 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 organizations

Board Committees: Executive Committee, Governance & Planning Committee, Youth Committee, HR Committee.



Mr Peter Bain

Director

Age: 42

Appointed Director: 27 October 2011

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 Jane Charles

Director

Age: 23

Appointed Director: 28 February 2012

Occupation: Tertiary Student

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

Board Committees: Youth Committee, Governance & Planning Committee.

Directors' report (continued)

1. Directors (continued)



Mr Kenneth Kercheval

Director

Age: 63

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 organizations including Neerim Lions Club, Drouin West CFA and Jindivick Primary School Council.

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



Mrs Jennifer Lynne Prout

Director

Age: 62

Appointed Director: 25 October 2012

Occupation: Primary School Principal

Experience & Expertise: Principal of the Neerim South Primary School. She has been employed by the Department of Education and early Childhood Development since 1974. Ms. Prout has been a Principal for more than 24 years having previously served as Principal at Hallora and Longwarry Primary Schools.

Board Committees: Marketing & Sponsorship Committee.



Mr Alan John Whyte

Director

Age: 74

Appointed Director: 24 October 2013

Experience & Expertise: Alan Whyte has property in the Neerim South area and lives in Mt Waverley. He has extensive experience in sales and marketing, administration and was previously employed as a Project Manager in the Recruitment Industry.

Board Committees: Marketing & Sponsorship Committee.



Mr Timothy Peter Kubale

Director

Age: 41

Appointed Director: 25 February 2014

Experience & Expertise: Tim Kubale is owner and operator of Kubale Constructions, a large commercial and residential building company based in Warragul. Born and raised in Neerim District Tim attended Neerim District Secondary College. He lives in Rokeby.

Board Committees: HR Committee.



Ms Kathrine Lorraine Sheehan

Director

Age: 40

Appointed Director: 25 February 2014

Experience & Expertise: Kathrine Sheehan is an accountant who lives in Neerim South. She is the owner of a Ski Hire business in Neerim South.

Board Committees: HR Committee.

Directors' report (continued)

1. Directors (continued)



Ms Robyn Anne Mitchard

Director

Age: 31

Appointed Director: 27 May 2014

Experience & Expertise: Robyn Mitchard is employed by Fonterra Limited as Territory Manager based at Darnum. She was born and raised in Warragul where she attended school. Robyn is passionate about the community she lives in and is currently President of the Buln Buln Netball Club in addition to being Vice President of the Ellinbank and District Netball Association and a Board member of the Ellinbank and District Football League. Robyn lives in Drouin East.



Mr Christopher Jensen

Director

Age: 59

Appointed Director: 2 February 2000

Resigned: 12 February 2014

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 organizations.



Mr Raymond Childs

Director

Age: 64

Appointed Director: 26 June 2012

Resigned: 24 October 2013

Occupation: Builder & Project Manager

Experience & Expertise: Has been involved in the building industry for over 43 years. Operates Childhodson Pty Ltd, a Building and Project Management Services company based in Neerim South. He has been involved in many local projects.



Mr James Cunliffe

Director

Age: 76

Appointed Director: 2 February 2000

Resigned: 24 October 2013

Occupation: Retired Earthmoving Contractor

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

Directors' report (continued)

1. Directors (continued)



Mr Damien Morley

Director

Age: 56

Appointed Director: 4 June 2013

Resigned: 24 October 2013

Occupation: Solicitor

Experience & 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 \$65,750 (2012/13 \$159,431).
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, 11 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	11	7
C. Jensen *****	2000	8	5
J. Cunliffe ****	2000	4	3
S. Allen	2004	11	11
K. Kercheval	2010	11	9
P. Bain	2011	11	8
S. Charles	2012	11	10
R. Childs *****	2012	4	2
J. Prout	2012	11	8
D. Morley *****	2013	4	0
A. Whyte *	2013	8	8
T. Kubale **	2014	4	4
R. Mitchard ***	2014	4	3
K. Sheehan **	2014	1	1

* Appointed to Board 24/10/2013

** Appointed to Board 25/02/2014

*** Appointed to Board 27/05/2014

**** Resigned 24/10/2013

***** Resigned 12/02/2014

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: Kidmans Partners.

Signed in accordance with a resolution of the Board of Directors



Paul Bright
Chairperson

Date: 4 August 2014

Auditor's independence declaration

TAYLOR PARTNERS PTY. LTD.
CHARTERED ACCOUNTANTS

A.C.N 006 597 235

R. MALE FCA
G. JAMES CA

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 2014 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
Suite 5, 255 Whitehorse Road, Balwyn Vic 3103

Dated this 29th day of August 2014

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

Financial statements

Statement of comprehensive income for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Revenue			
Income from operations		921,972	944,441
Interest received		4,586	9,113
Dividends received		1,116	1,090
		927,674	954,644
Expenses			
Borrowing costs		222	533
Employee benefit expenses		389,074	363,655
Depreciation		19,094	20,743
Amortisation of franchise fee		10,000	10,000
General administration		193,024	169,505
Leasing costs		16,497	13,635
Audit services		1,475	2,150
Advertising and promotion		77,687	71,683
Occupancy costs		58,762	28,623
		765,835	680,527
Profit (loss) from ordinary activities before income tax & market development		161,839	274,117
Market development		68,386	46,825
Income tax relating to ordinary activities	4	27,703	67,861
Net profit (loss) after income tax		65,750	159,431
Earnings per share (cents per share)			
- basic for the period (cents)		17.35	42.06
- diluted for the period (cents)		17.35	42.06

The accompanying notes form part of this financial report

Financial statements (continued)

Statement of financial position as at 30 June 2014

	Note	2014 \$	2013 \$
Current assets			
Cash assets	6	184,054	228,442
Receivables		88,088	84,951
Other		6,436	5,944
Provisions	5	21,907	-
Total current assets		300,485	319,337
Non - current assets			
Intangibles	15	10,000	20,000
Plant and equipment	2	38,888	60,734
Deferred tax asset	4	11,244	8,154
Other financial assets	3	573,910	512,883
Other assets	9	-	3,599
Total non - current assets		634,042	605,370
Total assets		934,527	924,707
Current liabilities			
Payables		36,277	47,594
Provisions	5	19,547	26,391
Interest - bearing liabilities		4,838	4,485
Total current liabilities		60,662	78,470
Non - current liabilities			
Provisions	5	15,226	10,821
Deferred tax liability	4	1,867	1,654
Interest - bearing liabilities		2,127	6,964
Total non - current liabilities		19,220	19,439
Total liabilities		79,882	97,909
Net assets		854,645	826,798
Members funds			
Contributed equity		379,025	379,025
Accumulated profits / (losses)	11	475,620	447,773
Total members' funds		854,645	826,798

The accompanying notes form part of this financial report

Financial statements (continued)

Statement of cashflows for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cashflow from operating activities			
Receipts from customers		1,027,596	1,044,036
Payments to suppliers and employees		(852,971)	(725,906)
Interest received		4,475	15,532
Amounts paid to ATO		(47,471)	(60,393)
Income taxes paid		(64,417)	(72,731)
Net cash provided by operating activities	7	67,212	200,538
Cash flow from investing activities			
Dividends received		290	340
Payment for property, plant and equipment		(12,219)	(21,646)
Proceeds from sale of property, plant and equipment		-	-
Purchase of units in Neerim District Property Developments Unit Trust		(60,200)	(298,200)
Loan to Neerim District Property Developments Unit Trust		-	-
Net cash used in investing activities		(72,129)	(319,506)
Cash flow from financing activities			
Repayment of borrowings		(5,168)	(15,078)
Proceeds from borrowings		3,599	-
Borrowing costs		-	-
Payment of dividends on ordinary shares	12	(37,902)	(45,483)
Net cash used in financing activities		(39,471)	(60,561)
Net increase/(decrease) in cash held		(44,388)	(179,529)
Cash at the beginning of the financial year		228,442	407,971
Cash and cash equivalents at the end of the financial year	6	184,054	228,442

The accompanying notes form part of this financial report

Financial statements (continued)

Statement of changes in equity for the year ended 30 June 2014

	Contributed equity \$	Retained earnings \$	Total equity \$
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)
At 30 June 2013	379,025	447,773	826,798
At 1 July 2013	379,025	447,773	826,798
Net profit/(loss) for the period	-	65,750	65,750
Dividends provided for or paid	-	(37,903)	(37,903)
At 30 June 2014	379,025	475,620	854,645

The accompanying notes form part of this financial report

Notes to the financial statements

For year ended 30 June 2014

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 Cashflow statement, cash includes:

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

Notes to the financial statements (continued)

Note 1. Summary 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)

Note 1. Summary 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)

	2014 \$	2013 \$
Note 2. Plant and equipment		
Plant and equipment at cost	90,680	150,952
Less provision for depreciation	(51,792)	(90,218)
	38,888	60,734
Reconciliations of written - down value of plant & equipment		
Balance at beginning of year	60,734	64,860
Additions	12,219	21,646
Disposals	-	(5,029)
Loss on sale of assets	(14,971)	-
Depreciation expense	(19,094)	(20,743)
Balance at end of year	38,888	60,734

Note 3. Other financial assets

Bendigo and Adelaide Bank Limited shares	22,510	21,683
Neerim District Property Developments Units	551,400	491,200
	573,910	512,883

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%	28,036	68,187
Adjust for tax effect:		
Timing differences deductible when incurred		
Provision for holiday pay, LSL and accrued expenses	3,091	(8)
Prepayments	(181)	-
Timing differences assessable when received		
Accrued interest	(32)	1,924
Deductible permanent differences		
Other	(334)	(327)
	30,580	69,776
Movement in deferred tax asset	(3,090)	9
Movement in deferred tax liability	213	(1,924)
Income tax expense	27,703	67,861

Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 4. Income tax expense (continued)		
Deferred tax asset		
Accrued expenses	579	571
Accrued Superannuation	233	-
Provision for holiday pay	5,864	4,337
Provision for long service leave	4,568	3,246
	11,244	8,154
Movement in deferred tax asset charged to statement of comprehensive income	3,090	(9)
Deferred tax liability		
Accrued interest	166	134
Prepaid insurance	1,701	1,520
	1,867	1,654
Movement in deferred tax liability charged to statement of comprehensive income	213	(1,924)

Note 5. Provisions

Current		
Income tax payable	(21,907)	11,936
Annual leave	19,547	14,455
	(2,360)	26,391
Non - current		
Long service leave	15,226	10,821
Average number of employees	7	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:

Cash at bank	184,054	228,442
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Notes to the financial statements (continued)

	2014 \$	2013 \$
Note 7. Cash flow information		
Reconciliation of cash flow from operation with operating profit / loss		
Operating profit / (loss)	65,750	159,431
Dividend reinvestment plan	(826)	(750)
Dividends received	(290)	(340)
Loss on sale of property, plant and equipment	14,971	222
Non - Cashflows in operating results		
- Depreciation	19,094	20,743
- Amortisation	10,000	10,000
- Borrowing costs written off	222	533
- Donations (Laptops)	-	4,826
- Hire purchase charges	684	1,272
Changes in assets and liabilities		
(Increase) / Decrease in receivables	(3,137)	11,194
(Increase) / Decrease in prepayments	(714)	-
Increase / (Decrease) in creditors	(11,319)	(4,541)
Increase / (Decrease) in provisions	9,497	2,817
Increase / (Decrease) in income tax payable	(33,843)	(2,954)
(Increase) / Decrease in deferred tax assets	(3,090)	9
Increase / (Decrease) in deferred tax liabilities	213	(1,924)
Net cash provided by operating activities	67,212	200,538

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 Tarago Accounting & Business Services.	15,213	13,945
Mr P Bright is a Director of this entity.		
Secretarial services provided by Anthony Allen & Associates.	27,332	25,814
Mr A Allen is the spouse of Mrs Susan Allen (Director).		
Transport services provided by Jindivick charters and tours.	550	825
Mr K Kercheval is the principal in this entity.		
Supplies provided by Neerim South Foodworks Supermarket.	6,415	3,477
Mr P Bain is the principal in this entity.		

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 8. Related party transactions (continued)

Director - related entities (continued)

Maintenance provided by Childs Hodson Pty Ltd.	-	1,320
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Mr R Childs was 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.

	2014 \$	2013 \$
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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
Units held in Neerim District Property Developments Unit Trust	551,400	491,200

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.

Note 11. Accumulated profits / (losses)

Accumulated profit at the beginning of the financial year	447,773	333,825
Net profit after income tax	65,750	159,431
Less dividends paid	(37,903)	(45,483)
Accumulated profit (loss) at the end of the financial year	475,620	447,773

Note 12. Dividends paid on ordinary shares

Franked dividends (10 cents per share)	37,903	45,483
(2013: 12 cents per share)		

Notes to the financial statements (continued)

	2014 \$	2013 \$
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Note 13. Franking credit balance

Franking account balance as at end of the financial year	311,798	263,619
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Note 14. Company details

The registered office of the company is 143 Main Road, Neerim South.

The principal place of business is 143 Main Road, Neerim South.

Note 15. Intangibles

Franchise fee at cost	50,000	50,000
Less amortisation	(40,000)	(30,000)
	10,000	20,000

Note 16. Leasing commitments

Finance lease commitments payable

Not later than one year	4,838	4,485
Later than one year but not later than five years	2,127	6,964

Note 17. Earnings per share

Earnings used in calculating basic and diluted earnings per share	65,750	159,431
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:

Notes to the financial statements (continued)

Note 18. Financial instruments (continued)

a) Interest rate risk (continued)

	Floating interest rate		Fixed interest rate				Non-interest bearing	
			Within 1 year		1 To 5 years			
	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$	2014 \$	2013 \$
Financial assets								
Cash at bank	184,054	228,442						
Receivables							88,088	84,951
Total financial assets	184,054	228,442					88,088	84,951
Financial liabilities								
Payables							–	–
Hire purchase			4,838	4,485	2,127	6,964		
Total financial liabilities			4,838	4,485	2,127	6,964	–	–

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

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 2014 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: 4 August 2014

Independent audit report

TAYLOR PARTNERS PTY. LTD.
CHARTERED ACCOUNTANTS

A.C.N 006 597 235

R. MALE FCA
G. JAMES CA

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

OUR REFERENCE

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 2014. 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 2014 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

Date: 29th August, 2014

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Liability Limited by a Scheme approved under Professional Standards Legislation.



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