



# Annual Report 2015

Neerim District Financial  
Services Limited

ABN 46 091 832 923

Neerim District **Community Bank®** Branch

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# Chairman's report

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For year ending 30 June 2015



Dear Shareholders,

It is my pleasure to present to you my first report as Chairman of Neerim District Financial Services Limited. In beginning I must thank Paul Bright for his tireless work as your Chairman since the company's inception in 2000. It has only been through ill health that he has stepped down as Chair but he continues as a Director providing guidance and advice to the Board.

Financially, the year has finished off well with a net profit from ordinary activities after tax of \$56,280, down slightly from the previous years \$65,750. This reduction is in some way due to the increase in occupation costs (rent) up from \$59,000 to \$105,000 arising from the move to the new building. Rent is being paid to pay off the loan raised to erect the building. In the long term this will result in a valuable wholly owned community asset.

During the year we increased our contribution to the Community Enterprise Foundation™ by \$20,000 over the previous year. These funds are used to provide the grants to be given out by the company. Hence, our net profit after tax is slightly down on the previous year.

The past year has been one of consolidation into our new home with a new Branch Manager, Brendan O'Brien and some new staff members.

## Now some numbers!

- We have increased our banking book (total loans + total deposits) from \$117.5 million to \$124.3 million. This represents an increase of a 5.8% and given the economic climate of the last 12 months, is an excellent result.
- Our gross Income has increased from \$928,000 for the 2013/14 financial year to \$950,000 for the 2014/15 financial year. While the operating costs of the company have also increased by \$16,000 to \$782,000.
- Over the last 15 years the split of the income from certain areas has skewed to the distinct advantage of the **Community Bank®** branch. Bendigo Bank have recently announced some adjustments in an effort to bring it somewhat more in line with what was originally agreed upon. It is possible that there will be more corrections in the future that will affect our results.
- We distributed over \$200,000 to the community through sponsorships, advertising, grants and special projects during the past 12 months. Among the ones we are most proud of are:
  - o Hosting the Annual Senior Citizens Christmas Lunch - \$5,000
  - o Sponsorship of almost all local sporting and community organisations - \$50,000
  - o Community grants, including the Wetland Project - \$101,000
  - o Sponsorship of 'Fresh Fruit Fridays' at the Neerim South Primary School
  - o Sponsorship of the Charity Golf Day in conjunction with the other **Community Bank®** branches in the region and the Warragul Country Club which raised over \$20,000 for the West Gippsland Hospital.
- We have now contributed over \$2.2 million in community grants, marketing 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.

During the year we have been rewarded for our contributions to our community. At Bendigo Bank's **Community Bank®** National Conference which was held in Darwin last September, we were inducted into the **Community Bank®**

## Chairman's report (continued)

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"Hall of Fame" for our contribution to the **Community Bank**® network in Australia. Then in March this year the 'Neerim South Wetlands' project which was supported by the company was awarded the "Best Community Project" at Bendigo Bank's **Community Bank**® Victorian Regional Conference. Two excellent accolades for the company which shows we are on the right track.

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 shareholders seeking to sell their shares have the freedom to recoup the funds they contributed.

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 Brendan, have continued to perform well and achieve excellent results in their assessments by Bendigo Bank. Without their commitment to customer service and the performance of the branch, none of the \$2.2 million distributed in the local district would have been possible. I would also like to thank Tony Allen, our company Secretary and Executive Officer for his dedication to the position and ensuring the company is administered well.

### **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.

Let's hope the future continues to look bright for our company and our district. Remember 'Your banking helps our community grow'.



**Tim Kubale**  
**Chairman**

# Manager's report

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For year ending 30 June 2015



It is with pleasure that I present my first report as Branch Manager for the year ending 30 June 2015 on behalf of Neerim District **Community Bank**<sup>®</sup> Branch.

Over the past 12 months the branch has continued to grow:

- Our portfolio has increased from \$117.46 million to \$124.34 million
- Lending portfolio balance is \$60.9 million
- Deposit portfolio is \$58.4 million.

Results like these cannot be achieved without the support of our customers.

I would like to personally thank our customers and shareholders for their ongoing support. The branch team look forward to sharing in your successes as we continue to enjoy and strengthen our relationships.

This year has seen us exceed \$2.2 million in community contributions. These contributions have been distributed through sponsorships, grants and marketing. For these contributions to continue, we encourage family and friends to support our local businesses and banking services.

Thank you to the staff, Maureen, Karen, Donna, Krystal and Paula for their dedication, enthusiasm and commitment in providing the best possible service to our customers. Their support is truly valued and appreciated.

Thank you to the company's Board of Directors who continue to volunteer their time to make sure the company remains strong.

Thank you to everyone in our community.

We look forward to another successful and rewarding year ahead.

A handwritten signature in black ink, consisting of several loops and a trailing flourish.

**Brendan O'Brien**  
**Branch Manager**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2015

In the 2015 financial year, the **Community Bank**<sup>®</sup> network opened its 310th branch and community contributions since the model's inception exceed \$130 million. Both of these achievements could not have been achieved without your ongoing support as a shareholder, customer and advocate of what is a truly unique way of banking for the benefit of your local community.

Local communities continue to embrace the **Community Bank**<sup>®</sup> model, a banking movement founded on the simple belief that successful customers and successful communities create a successful bank.

Seventeen years later communities are still approaching us and the model is as robust and relevant as ever, however a review of what we were doing, why and how we could do it better was timely.

During an 18 month period the Bank, in partnership with the **Community Bank**<sup>®</sup> network, undertook a comprehensive review of the **Community Bank**<sup>®</sup> model. Project Horizon was the largest single engagement process ever undertaken by our organisation.

As a result, a focus for the next 18 months will be the implementation of 64 recommendations. What was overwhelmingly obvious is that our **Community Bank**<sup>®</sup> network, and our Bank, care deeply about what has been developed and in what the future holds for the network.

In the early days of **Community Bank**<sup>®</sup> development, the **Community Bank**<sup>®</sup> model was seen as a way to restore branch banking services to rural towns, regional cities and metropolitan suburbs after the last of the banks closed their doors.

Today, although the focus is still about providing banking services, there is perhaps an even greater interest in the way in which the model creates a successful community enterprise used to effectively, and sustainably, build community capacity.

In October 2014, we welcomed **Community Bank**<sup>®</sup> branches in Bacchus Marsh, Kilmore, Maffra, Kwinana and Nubeena. All of these branches join a strong and mature banking network where valued partnerships enhance banking services, taking the profits their banking business generates and reinvesting that funding into initiatives to ultimately strengthen their community.

Following consultation with local residents and business owners responding to other banks reducing their branch presence, Aldinga Beach **Community Bank**<sup>®</sup> Branch opened the Willunga Customer Service Centre in April 2015, providing a full banking service to local people five days a week.

The **Community Bank**<sup>®</sup> model is a great example of shared value and was centre stage at an international Shared Value conference in the United States earlier this year.

Funding generated by **Community Bank**<sup>®</sup> branches support projects that make a difference to a community. But no matter how big or small the place people call home, the **Community Bank**<sup>®</sup> network recognises that when they act as one, powered by the good that money can bring, bigger things can happen for local towns, regions and states.

In WA, a \$125,000 commitment to Ronald McDonald House by Collie & Districts **Community Bank**<sup>®</sup> Branch resulted in a further \$125,000 from 21 branches (both community and company owned) in the state.

In QLD, Longreach farming families are now feeding their stock thanks to a dedicated Rotary Club and financial contributions from 16 **Community Bank**<sup>®</sup> (and company) branches.

Across regional and rural NSW, young people are today better drivers thanks to a driver education program supported by **Community Bank**<sup>®</sup> branches and across Australia, 58 young people headed off to their first year of university with the help of a **Community Bank**<sup>®</sup> scholarship.



# Bendigo and Adelaide Bank report (continued)

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Interest in the **Community Bank**<sup>®</sup> model remains strong, with 20 **Community Bank**<sup>®</sup> sites currently in development and a further six **Community Bank**<sup>®</sup> branches expected to open nationally during 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 support the community with the good that money can bring.

By the end of the financial year 2014/15 the **Community Bank**<sup>®</sup> network achieved the following:

- Returns to community – over \$130 million since the model's inception
- **Community Bank**<sup>®</sup> branches – 310
- **Community Bank**<sup>®</sup> branch staff – more than 1,500
- **Community Bank**<sup>®</sup> company Directors – 1,946
- Banking business – \$28.79 billion
- Customers – 699,000
- Shareholders – 74,393
- Dividends paid to shareholders since inception – \$38.6 million

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

In Bendigo and Adelaide Bank, your **Community Bank**<sup>®</sup> company has a committed and strong partner and over the last financial year our company has continued its solid performance. Our Bank continues to be rated at least "A-" by Standard & Poor's, Moody's and Fitch in recognition of its strong performance in the face of what continues to be a challenging economic environment.

Our **Community Bank**<sup>®</sup> partners played an integral role in the Bank's involvement in the Financial Systems Inquiry, lobbying their local Federal Government representatives and calling for a level playing field.

Recent APRA announcements regarding changes to risk weights on mortgages will positively impact our Bank – providing customers with a level playing field by giving them more choice from a wider variety of financial providers.

Thanks to the efforts of our people, our peers and **Community Bank**<sup>®</sup> partners, we're starting to see the benefits. In continuing to take a collaborative approach, we act as one network driving positive outcomes for all Australians.

As **Community Bank**<sup>®</sup> company shareholders you are part of a unique banking movement.

The model offers an alternative way to think about banking and the role banks play in modern society, and because of your support there really is no limit to what can be achieved for local people and the communities in which you live.

Thank you for your ongoing support of your local **Community Bank**<sup>®</sup> branch.



**Robert Musgrove**  
**Executive Community Engagement**

# Directors' report

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For the financial year ended 30 June 2015

The Directors present their report on the company for the financial year ending 30 June 2015.

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



**Mr Timothy Peter Kubale**

Chairman / Director

**Age:** 43

**Appointed Director:** 25 February 2014

**Occupation:** Builder

**Experience and expertise:** Tim Kubale is owner and operator of Kubale Constructions, a large commercial and residential building company based in Warragul. Raised in the Neerim District Tim attended Neerim District Secondary College. He lives in Rokeby.

**Board Committees:**

Executive Committee

HR Committee



**Mrs Susan Mary Allen**

Deputy Chair / Assistant Treasurer / Director

**Age:** 62

**Appointed Director:** 16 November 2004

**Occupation:** Retired

**Experience and expertise:** Prior to retirement Susan worked 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



**Mrs Samantha Jane Pedersen (nee Charles)**

Director / Treasurer

**Age:** 24

**Appointed Director:** 28 February 2012

**Occupation:** Primary producer

**Experience and expertise:** With her husband they have recently taken over the family dairy farm in Jindivick. She is studying Accountancy part-time and working in Aged Care. Samantha has an interest in improving the outlook for the youth of the district. Samantha plays netball with the Neerim Neerim South Football Netball Club.

**Board Committees:**

Youth Committee

Governance & Planning Committee



# Directors' report (continued)

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## 1. The Directors in office (continued)



**Mr Paul Bright**

Director

**Age:** 46

**Appointed Director:** 2 March 2000.

**Occupation:** Accountant

**Experience and expertise:** Over 20 years as an accountant and business advisor. Paul is Principle Director of Tarago Accounting and Business Services. He has lived in the Neerim district for over 20 years. During the past year Paul was given extended leave from the Board due to personal health issues but has continued to provide business advice and counsel to the Board.

**Board Committees:**

Governance & Planning Committee



**Mr Peter Bain**

Director

**Age:** 43

**Appointed Director:** 27 October 2011

**Occupation:** Retail Business Owner

**Experience and expertise:** Over 25 years in grocery retailing. Is the owner of the Foodworks Supermarket in Neerim South and has a keen interest in supporting community organisations.

**Board Committees:**

Marketing & Sponsorship Committee



**Mr Kenneth Kercheval**

Director

**Age:** 64

**Appointed Director:** 21 October 2010

**Occupation:** Retired 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 organizations including Neerim Lions Club, Drouin West CFA and Jindivick Primary School Council.

**Board Committees:**

Marketing & Sponsorship Committee



**Mrs Jennifer Lynne Prout**

Director

**Age:** 63

**Appointed Director:** 25 October 2012

**Occupation:** Primary School Principal

**Experience and 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 28 years having previously served as Principal at Hallora and Longwarry Primary Schools.

**Board Committees:**

Marketing & Sponsorship Committee

# Directors' report (continued)

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## 1. The Directors in office (continued)



**Ms Kathrine Lorraine Sheehan**

Director

**Age:** 41

**Appointed Director:** 25 February 2014

**Experience and expertise:** Kathrine Sheehan is an accountant who lives in Neerim South. With her Husband Kate is the owner of a Ski Hire business in Neerim South.

**Board Committees:**

HR Committee



**Ms Robyn Anne Mitchard**

Director

**Age:** 32

**Appointed Director:** 27 May 2014

**Experience and 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. Robyn lives in Buln Buln.

**Board Committees:**

Governance & Planning Committee

HR Committee



**Mr Alan John Whyte**

Director

**Age:** 75

**Appointed Director:** 24 October 2013

**Resigned:** 27 January 2015

**Experience and 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.

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 was in providing **Community Banking** 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 \$56,894 (2013/14 \$65,750).
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.

## Directors' report (continued)

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

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
T. Kubale	2014	11	11
S. Allen	2004	11	10
S. Pedersen (nee Charles)	2012	11	8
P. Bright~	2000	11	2
P. Bain	2011	11	7
K. Kercheval	2010	11	9
R. Mitchard	2014	11	7
J. Prout	2012	11	8
K. Sheehan	2014	11	10
A. Whyte *	2013	7	6

~ Paul Bright was granted extended leave from the Board due to health issues in November 2014.

\* Resigned 24/02/2015.

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

# Directors' report (continued)

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## Auditor's independence declaration

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

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


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

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I declare that, to the best of my knowledge and belief, in relation to the audit of Neerim District Financial Services Limited for the year ended 30 June 2015 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 4, 255 Whitehorse Road, Balwyn VIC 3103

Dated this 15th day of September 2015

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255 Whitehorse Road BALWYN  
VICTORIA, AUSTRALIA 3103  
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VICTORIA, AUSTRALIA 3103

Liability Limited by a Scheme approved under Professional Standards Legislation.

Signed in accordance with a resolution of the Board of Directors.



**Timothy Kubale**  
**Chairperson**

Date: 14 August 2015

# Financial statements

## Statement of Comprehensive Income for the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Revenue</b>			
Income from operations		944,359	921,972
Interest received		4,553	4,586
Dividends received		1,216	1,116
Trust distributions received		878	-
		<b>951,006</b>	<b>927,674</b>
<b>Expenses</b>			
Borrowing costs		146	222
Employee benefit expenses		366,400	389,074
Depreciation		11,233	19,094
Amortisation of franchise fee		10,000	10,000
General administration		177,596	193,024
Leasing costs		14,749	16,497
Audit services		1,500	1,475
Advertising and promotion		94,719	77,687
Occupancy costs		105,597	58,762
		<b>781,940</b>	<b>765,835</b>
<b>Profit (loss) from ordinary activities before income tax &amp; Community Enterprise Foundation™</b>			
		<b>169,066</b>	<b>161,839</b>
Community Enterprise Foundation™		88,311	68,386
Income tax relating to ordinary activities	4	23,861	27,703
<b>Net profit (loss) after income tax</b>		<b>56,894</b>	<b>65,750</b>
<b>Earnings per share (cents per share)</b>			
- basic for the period (cents)		15.01	17.35
- diluted for the period (cents)		15.01	17.35

The accompanying notes form part of this financial report.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2015

	Note	2015 \$	2014 \$
<b>Current assets</b>			
Cash assets	6	264,401	184,054
Receivables		83,639	88,088
Other		8,601	6,436
Provisions	5	-	21,907
<b>Total current assets</b>		<b>356,641</b>	<b>300,485</b>
<b>Non - current assets</b>			
Intangibles	15	-	10,000
Plant and equipment	2	28,229	38,888
Deferred tax asset	4	12,858	11,244
Other financial assets	3	564,840	573,910
Other assets	9	-	-
<b>Total non - current assets</b>		<b>605,927</b>	<b>634,042</b>
<b>Total assets</b>		<b>962,568</b>	<b>934,527</b>
<b>Current liabilities</b>			
Payables		49,303	36,277
Provisions	5	20,935	19,547
Interest - bearing liabilities		2,127	4,838
<b>Total current liabilities</b>		<b>72,365</b>	<b>60,662</b>
<b>Non - current liabilities</b>			
Provisions	5	18,061	15,226
Deferred tax liability	4	2,296	1,867
Interest - bearing liabilities		-	2,127
<b>Total non - current liabilities</b>		<b>20,357</b>	<b>19,220</b>
<b>Total liabilities</b>		<b>92,722</b>	<b>79,882</b>
<b>Net assets</b>		<b>869,846</b>	<b>854,645</b>
<b>Members funds</b>			
Contributed equity		379,025	379,025
Accumulated profits / (losses)	11	490,821	475,620
<b>Total members' funds</b>		<b>869,846</b>	<b>854,645</b>

The accompanying notes form part of this financial report.



# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2015

	Note	2015 \$	2014 \$
<b>Cashflow from operating activities</b>			
Receipts from customers		1,043,447	1,027,596
Payments to suppliers and employees		(886,324)	(852,971)
Interest received		4,601	4,475
Amounts paid to ATO		(42,785)	(47,471)
Income taxes paid		(1,444)	(64,417)
<b>Net cash provided by operating activities</b>	<b>7</b>	<b>117,495</b>	<b>67,212</b>
<b>Cash flow from investing activities</b>			
Dividends received		287	290
Payment for property, plant and equipment		(574)	(12,219)
Proceeds from redemption of shares		10,000	-
Purchase of units in Neerim District Property Developments Unit Trust		-	(60,200)
<b>Net cash used in investing activities</b>		<b>9,713</b>	<b>(72,129)</b>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		(5,168)	(5,168)
Proceeds from borrowings		-	3,599
Payment of dividends on ordinary shares	12	(41,693)	(37,902)
<b>Net cash used in financing activities</b>		<b>(46,861)</b>	<b>(39,471)</b>
Net increase/(decrease) in cash held		80,347	(44,388)
Cash at the beginning of the financial year		184,054	228,442
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6</b>	<b>264,401</b>	<b>184,054</b>

The accompanying notes form part of this financial report.

## Financial statements (continued)

### Statement of Changes in Equity for the year ended 30 June 2015

	Contributed equity \$	Retained earnings \$	Total equity \$
<b>At 1 July 2013</b>	<b>379,025</b>	<b>447,773</b>	<b>826,798</b>
Net profit/(loss) for the period	-	65,750	65,750
Dividends provided for or paid	-	(37,903)	(37,903)
<b>At 30 June 2014</b>	<b>379,025</b>	<b>475,620</b>	<b>854,645</b>
<b>At 1 July 2014</b>	<b>379,025</b>	<b>475,620</b>	<b>854,645</b>
Net profit/(loss) for the period	-	56,894	56,894
Dividends provided for or paid	-	(41,693)	(41,693)
<b>At 30 June 2015</b>	<b>379,025</b>	<b>490,821</b>	<b>869,846</b>

The accompanying notes form part of this financial report.

# Notes to the financial statements

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For year ended 30 June 2015

## Note 1. Statement of significant accounting policies

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

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

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

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

### **(a) Statement of compliance**

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

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

### **(b) Plant and equipment**

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

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

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

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

- Plant and equipment 10% - 100%.

### **(c) Cash**

For the purposes of the Cash Flow Statement, cash includes:

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

# Notes to the financial statements (continued)

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

### **(d) Revenue**

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

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

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

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

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

### **(f) Intangibles**

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

### **(g) Leases**

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

#### Finance leases

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

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

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

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

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

### **(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.

# Notes to the financial statements (continued)

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

### (i) Income tax (continued)

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.

	2015 \$	2014 \$
Plant and equipment at cost	91,254	90,680
Less provision for depreciation	(63,025)	(51,792)
	<b>28,229</b>	<b>38,888</b>

## Note 2. Plant and equipment

## Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 2. Plant and equipment (continued)		
Reconciliations of written - down value of plant & equipment		
Balance at beginning of year	38,888	60,734
Additions	574	12,219
Disposals	-	-
Loss on sale of assets	-	(14,971)
Depreciation expense	(11,233)	(19,094)
<b>Balance at end of year</b>	<b>28,229</b>	<b>38,888</b>

### Note 3. Other financial assets

Bendigo and Adelaide Bank Limited shares	13,440	22,510
Neerim District Property Developments Units	551,400	551,400
	<b>564,840</b>	<b>573,910</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%	24,227	28,036
Adjust for tax effect:		
Timing differences deductible when incurred		
Provision for holiday pay, LSL and accrued expenses	1,615	3,091
Prepayments	(443)	(181)
Timing differences assessable when received		
Accrued interest	13	(32)
Deductible permanent differences		
Other	(365)	(334)
	<b>25,046</b>	<b>30,580</b>
Movement in deferred tax asset	(1,614)	(3,090)
Movement in deferred tax liability	429	213
<b>Income tax expense</b>	<b>23,861</b>	<b>27,703</b>



## Notes to the financial statements (continued)

	2015 \$	2014 \$
Note 4. Income tax expense (continued)		
<b>Deferred tax asset</b>		
Accrued expenses	578	579
Accrued Superannuation	1,090	233
Provision for holiday pay	5,772	5,864
Provision for long service leave	5,418	4,568
	<b>12,858</b>	<b>11,244</b>
<b>Movement in deferred tax asset charged to statement of comprehensive income</b>	<b>1,614</b>	<b>3,090</b>
<b>Deferred tax liability</b>		
Accrued interest	151	166
Prepaid insurance	2,145	1,701
	<b>2,296</b>	<b>1,867</b>
<b>Movement in deferred tax liability charged to statement of comprehensive income</b>	<b>429</b>	<b>213</b>

## Note 5. Provisions

### Current

Income tax payable	1,432	(21,907)
Annual leave	19,240	19,547
	<b>20,672</b>	<b>(2,360)</b>

### Non - current

<b>Long service leave</b>	<b>18,061</b>	<b>15,226</b>
Average number of employees	6	7

## 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>264,401</b>	<b>184,054</b>
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## Notes to the financial statements (continued)

	2015 \$	2014 \$
<b>Note 7. Cash flow information</b>		
Reconciliation of cash flow from operation with operating profit / loss		
Operating profit / (loss)	56,894	65,750
Dividend reinvestment plan	(930)	(826)
Dividends received	(287)	(290)
Trust distribution received	(878)	-
Loss on sale of property, plant and equipment	-	14,971
Non - Cash flows in operating results		
- Depreciation	11,233	19,094
- Amortisation	10,000	10,000
- Borrowing costs written off	146	222
- Hire purchase charges	330	684
Changes in assets and liabilities		
- (Increase) / Decrease in receivables	4,449	(3,137)
- (Increase) / Decrease in prepayments	(1,432)	(714)
- Increase / (Decrease) in creditors	13,027	(11,319)
- Increase / (Decrease) in provisions	2,527	9,497
- Increase / (Decrease) in income tax payable	23,602	(33,843)
- (Increase) / Decrease in deferred tax assets	(1,615)	(3,090)
- Increase / (Decrease) in deferred tax liabilities	429	213
<b>Net cash provided by operating activities</b>	<b>117,495</b>	<b>67,212</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 Tarago Accounting & Business Services		
Mr P Bright is a Director of this entity	15,526	15,213
Secretarial services provided by Anthony Allen & Associates.		
Mr A Allen is the spouse of Mrs Susan Allen (Director).	29,012	27,332
Transport services provided by Jindivick charters and tours.		
Mr K Kercheval is the principal in this entity.	484	550
Supplies provided by Neerim South Foodworks Supermarket.		
Mr P Bain is the principal in this entity.	3,887	6,415

# Notes to the financial statements (continued)

## Note 8. Related party transactions (continued)

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

## 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.

	2015 \$	2014 \$
Units held in Neerim District Property Developments Unit Trust	551,400	551,400

## Note 10. Segment reporting

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

	2015 \$	2014 \$
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## Note 11. Accumulated profits / (losses)

Accumulated profit at the beginning of the financial year	475,620	447,773
Net profit after income tax	56,894	65,750
Less dividends paid	(41,693)	(37,903)
<b>Accumulated profit (loss) at the end of the financial year</b>	<b>490,821</b>	<b>475,620</b>

## Note 12. Dividends paid on ordinary shares

Franked dividends (11 cents per share)		
(2014: 10 cents per share)	41,693	37,903

## Note 13. Franking credit balance

Franking account balance as at end of the financial year	295,894	311,798
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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.

## Notes to the financial statements (continued)

	2015 \$	2014 \$
<b>Note 15. Intangibles</b>		
Franchise fee at cost	50,000	50,000
Less amortisation	(50,000)	(40,000)
	-	<b>10,000</b>

## Note 16. Leasing commitments

Finance lease commitments payable

Not later than one year	2,127	4,838
Later than one year but not later than five years	-	2,127

## Note 17. Earnings per share

Earnings used in calculating basic and diluted earnings per share	56,894	65,750
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	
	2015 \$	2014 \$	Within 1 year		1 To 5 years		2015 \$	2014 \$
			2015 \$	2014 \$	2015 \$	2014 \$		
<b>Financial assets</b>								
Cash at bank	264,401	184,054						
Receivables							83,639	88,088
<b>Total financial assets</b>	<b>264,401</b>	<b>184,054</b>					<b>83,639</b>	<b>88,088</b>
<b>Financial liabilities</b>								
Payables								
Hire purchase			2,127	4,838	-	2,127		
<b>Total financial liabilities</b>			<b>2,127</b>	<b>4,838</b>	<b>-</b>	<b>2,127</b>	<b>-</b>	<b>-</b>

# Notes to the financial statements (continued)

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## Note 18. Financial instruments (continued)

### **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 2015 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.



**Timothy Kubale**  
**Chairperson**

Date: 14 August 2015



# 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**

## 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 2015. 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 2015 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: 15/09/2015

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Liability Limited by a Scheme approved under Professional Standards Legislation.

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