



# Annual Report 2016

Neerim District Financial  
Services Limited

ABN 46 091 832 923

Neerim District **Community Bank**<sup>®</sup> Branch

# Contents

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<b>Chairman's report</b>	<b>2</b>
<b>Manager's report</b>	<b>4</b>
<b>Bendigo and Adelaide Bank report</b>	<b>5</b>
<b>Directors' report</b>	<b>6</b>
<b>Financial statements</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>15</b>
<b>Directors' declaration</b>	<b>25</b>
<b>Independent audit report</b>	<b>26</b>

**Cover images - clockwise from top left:**

Brendan O'Brien and Paula Guy with Bendigo Piggy at 15th Birthday celebrations.

Toby Kelly, Dave Johnson & Mick Whitford at Day off the farm Luncheon.

Steve Symes (Buln Buln FNC), Brendan O'Brien, Danny Sheehan, (Neerim Neerim South FNC) at

**Community Bank**<sup>®</sup> Challenge Trophy day.

Branch Staff – Brendan, Donna, Paula, Karen, Eve and Maureen.

Beth Delzoppo and Lucinda Miller – 2016 Neerim District Scholarship recipient.

Ken Kercheval enjoys the face-painting at the 15th Birthday celebrations.

Chandra & Isaiah Abrahams at National Junior Athletics championships Perth.

# Chairman's report

For year ending 30 June 2016



It is my pleasure to present to you my 2015/16 report as Chairman of the Neerim District Financial Services Limited.

Financially the year has finished off okay with a net profit from ordinary activities after tax of \$48,898 down on the previous year.

The 2015/16 financial year has been a difficult year in the banking and finance industry. Interest rates are at an all-time low and although we have grown our book, we are making less income. Good for the consumer but not all that good for us as a company.

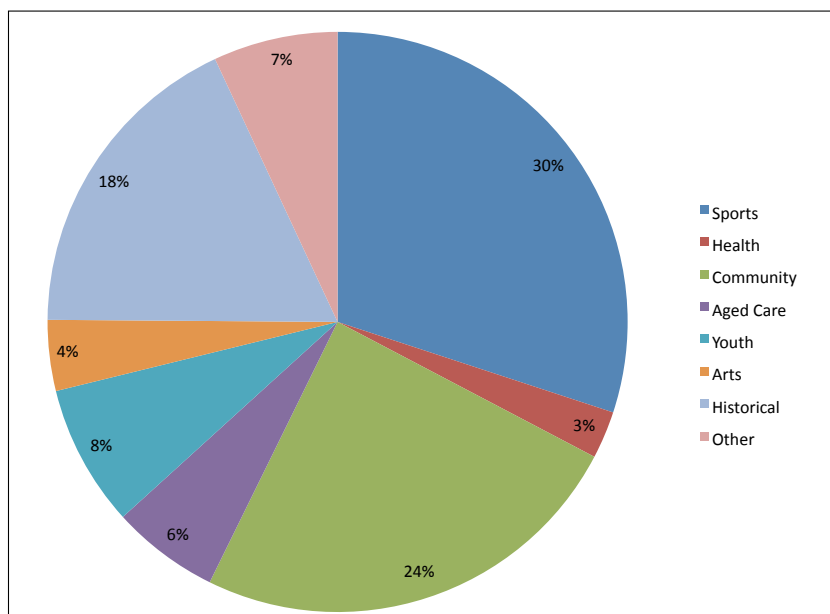
During 2015 we renewed our franchise agreement with the Bendigo and Adelaide Bank for a further five years. During the renewal process we were offered the opportunity to change to a new plain language version of the franchise agreement or stay on our original agreement. Following advice from both legal and business experts we decided to continue on our current version. One reason behind this decision was the changes proposed by the Bendigo and Adelaide Bank used to calculate our share of the profit. From the initial figures shared with us we would have been significantly worse off changing to the new system. In making the decision to stay on the current agreement we reserved the right to change over if and when we were able to see it would be better for us.

The past year has been one of consolidation with our Branch Manager, Brendan O'Brien having his first full year at the helm. Recently negotiations with staff on a new Enterprise Bargaining Agreement were finalised and the agreement has been signed off by Fair Work Australia.

Early in the year we celebrated 15 years as a **Community Bank**<sup>®</sup> branch in the Neerim District. As part of the celebrations we held a public choice competition involving five community projects. The most popular project was the Noojee CFA signage project.

Now some numbers!

- We have increased our banking book (total loans + total deposits) from \$124.3 million to \$126.2 million. This represents an increase of a 3.4% and given the economic climate of the last 12 months, is an excellent result.
- Our gross Income has decreased from \$951,006 for the 2014/15 financial year to \$950,846 for the 2015/16 financial year. While the operating costs of the company have also increased from \$781,940 to \$839,315.
- We distributed over \$127,963 to the community through sponsorships, advertising, grants and special projects during the past 12 months. The following chart shows where the funds have been allocated.

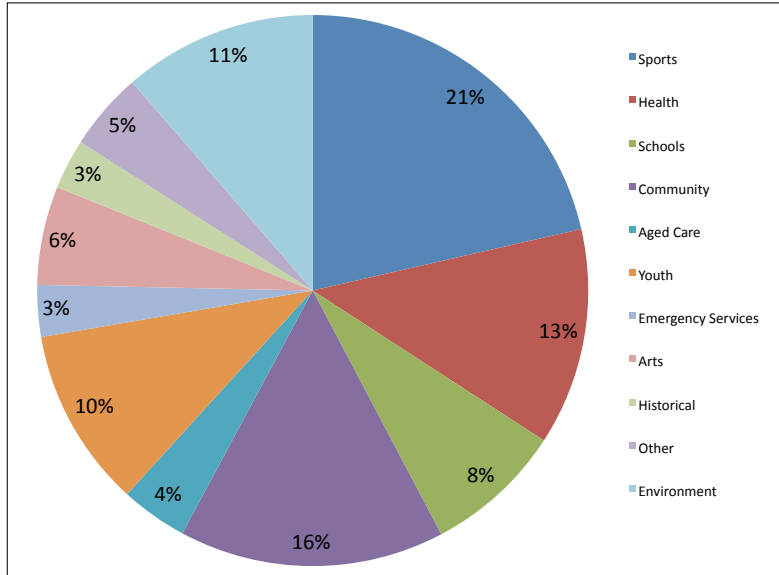


2015/16 Community Investment expenditure.

# Chairman's report (continued)

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- We have now contributed over \$2.4 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. The chart below details our community Investments over the past five years (2011/12 to 2015/16).



We continue to have a large demand for shares in our company, generally from people new to our district. This means that if any of our shareholders are seeking to sell their shares they have many willing buyers waiting.

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.

Finally, I would also like to thank our staff, led by Brendan, who have continued to perform well and achieve excellent results in their assessments by Bendigo Bank. I would also like to thank Tony Allen, our Company Secretary and Executive Officer for his dedication to the position.

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 events, external training courses, conferences and on sub-committees.

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 2016



It is with great pleasure that I present my second report as Branch Manager for the financial year ending 30 June 2016 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 \$124.34 million to \$126.211 million
- Our lending portfolio balance is \$61.820 million
- Our deposit portfolio is \$64.391 million.

In a challenging market, 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 \$2.4 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, Eve 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 overlapping loops and a long horizontal stroke, positioned above the printed name and title.

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

# Bendigo and Adelaide Bank report

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For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank**<sup>®</sup> branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank**<sup>®</sup> communities in every state and territory of Australia.

The statistics are impressive:

- More than \$148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than \$38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank**<sup>®</sup> companies.

- Aged care
- Youth disengagement
- Homelessness
- Domestic and family violence
- Mental health
- Unemployment
- Environment

I have no doubt that your **Community Bank**<sup>®</sup> company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank**<sup>®</sup> branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers... and the list goes on.

As **Community Bank**<sup>®</sup> company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**<sup>®</sup> branch the success it is today.

To every single one of our 1,900-plus **Community Bank**<sup>®</sup> company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank**<sup>®</sup> community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank**<sup>®</sup> community can achieve.



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

# Directors' report

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For the financial year ended 30 June 2016

The Directors present their report on the company for the financial year ending 30 June 2016.

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



**Mr Timothy Peter Kubale**

Chairman / Director

Age: 44

Appointed Director: 25 February 2014

Occupation: Builder

Experience & 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. Tim lives in Rokeby.

Board Committees: Executive Committee  
HR Committee  
Finance Committee



**Mrs Susan Mary Allen**

Deputy Chair / Treasurer / Director

Age: 63

Appointed Director: 16 November 2004

Occupation: Retired

Experience & 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  
Finance Committee



**Mrs Samantha Jane Pedersen**

Director / Assistant Treasurer

Age: 25

Appointed Director: 28 February 2012

Occupation: Primary producer

Experience & expertise: With her husband they operate a dairy farm in Jindivick. She studied Accountancy and worked in Aged Care. Samantha has an interest in improving the outlook for the youth of the district.

Board Committees: Youth Committee  
Governance & Planning Committee  
Finance Committee

# Directors' report (continued)

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## 1. The Directors (continued)



### **Mr Paul Bright**

Director

Age: 47

Appointed Director: 2 March 2000.

Occupation: Accountant

Experience & 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 keep abreast of issues and provide business advice and counsel to the Board.

Board Committees: Governance & Planning Committee  
Finance Committee



### **Mr Peter Bain**

Director

Age: 44

Appointed Director: 27 October 2011

Occupation: Retail Business Owner

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

Board Committees: Community Investment and Marketing Committee  
Finance Committee



### **Mr Kenneth Kercheval**

Director

Age: 65

Appointed Director: 21 October 2010

Occupation: Retired 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: Community Investment and Marketing Committee  
Finance Committee



### **Mrs Jennifer Lynne Prout**

Director

Age: 64

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

Board Committees: Community Investment and Marketing Committee



# Directors' report (continued)

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## 1. The Directors (continued)



### **Ms Kathrine Lorraine Sheehan**

Director

Age: 42

Appointed Director: 25 February 2014

Resigned Director: 26 April 2016

Experience & 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: 33

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. Robyn lives in Buln Buln.

Board Committees: Governance & Planning Committee  
HR Committee



### **Dr Benton Ross Smith**

Director

Age: 43

Appointed Director: 1 December 2015

Experience & expertise: Dr Ben Smith is a Veterinary Surgeon and Principal at the West Gippsland Veterinary Clinic in Warragul. He has lived in the area for many years and resides in Lardner with his wife and two children. Ben has a keen interest in the community and business development.

Board Committees: Community Investment and Marketing Committee

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 Bank**<sup>®</sup> 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 \$48,898 (2014/15 \$56,894).
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:-

	<b>Board member since</b>	<b>Number eligible to attend</b>	<b>Number attended</b>
T. Kubale	2014	11	9
S. Allen	2004	11	11
S. Pedersen	2012	11	6
P. Bright *	2000	11	0
P. Bain	2011	11	8
K. Kercheval	2010	11	9
R. Mitchard	2014	11	10
J. Prout	2012	11	10
K. Sheehan #	2014	8	5
B. Smith **	2015	5	4

\* Paul Bright was granted extended leave from the Board due to health issues in November 2014. This absence was extended for the 2015 / 2016 meeting season

\*\* Appointed 01/12/2016

# Resigned 26/04/2016

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

# Directors' report (continued)

## Auditor's independence declaration

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



### AUDITOR'S 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 during the year ended 30 June 2016 there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Kidmans Partners Audit Pty Ltd  
ABN: 46 143 986 841

A handwritten signature in black ink, appearing to read 'John Petridis', is written over a grey circular stamp.

**John Petridis**  
Director

Dated: 6 September 2016

KIDMANS PARTNERS AUDIT PTY LTD ABN 46 143 986 841  
[www.kidmanspartners.com.au](http://www.kidmanspartners.com.au)

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Postal Address:  
P.O. BOX 718, BALWYN,  
VICTORIA, AUSTRALIA 3103

Liability limited by a scheme approved under Professional Standards Legislation

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

A handwritten signature in black ink, appearing to read 'Tim Kubale', is written over a grey circular stamp.

**Tim Kubale**  
Chairman

Date: 30 August 2016

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Revenue</b>			
Income from operations		913,245	944,359
Interest received		3,167	4,553
Dividends received		997	1,216
Trust distributions received		33,437	878
		<b>950,846</b>	<b>951,006</b>
<b>Expenses</b>			
Borrowing costs		143	146
Employee benefit expenses		431,504	366,400
Depreciation		14,802	11,233
Amortisation of franchise fee		10,360	10,000
General administration		171,604	177,596
Leasing costs		14,231	14,749
Audit services		1,520	1,500
Advertising and promotion		82,146	94,719
Occupancy costs		113,005	105,597
		<b>839,315</b>	<b>781,940</b>
<b>Profit before Community Enterprise Foundation™</b>		<b>111,532</b>	<b>169,066</b>
Community Enterprise Foundation™		42,105	88,311
<b>Profit before income tax</b>		<b>69,427</b>	<b>80,755</b>
Income tax expense	4	20,529	23,861
<b>Net profit after income tax</b>		<b>48,898</b>	<b>56,894</b>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<b>48,898</b>	<b>56,894</b>
<b>Earnings per share (cents per share)</b>			
- basic for the period (cents)		12.90	15.01
- diluted for the period (cents)		12.90	15.01

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2016

	Notes	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	6	212,493	264,401
Trade and other receivables		88,773	83,639
Other current assets		40,758	8,601
<b>Total current assets</b>		<b>342,024</b>	<b>356,641</b>
<b>Non - current assets</b>			
Intangible assets	15	41,440	-
Plant and equipment	2	40,426	28,229
Deferred tax asset	4	11,445	12,858
Other financial assets	3	565,837	564,840
<b>Total non - current assets</b>		<b>659,148</b>	<b>605,927</b>
<b>Total assets</b>		<b>1,001,172</b>	<b>962,568</b>
<b>Current liabilities</b>			
Trade and other payables		83,038	49,303
Provisions	5	13,222	20,935
Interest - bearing liabilities		4,421	2,127
<b>Total current liabilities</b>		<b>100,681</b>	<b>72,365</b>
<b>Non - current liabilities</b>			
Provisions	5	23,836	18,061
Deferred tax liability	4	2,100	2,296
Interest - bearing liabilities		5,084	-
<b>Total non - current liabilities</b>		<b>31,020</b>	<b>20,357</b>
<b>Total liabilities</b>		<b>131,701</b>	<b>92,722</b>
<b>Net assets</b>		<b>869,471</b>	<b>869,846</b>
<b>Members funds</b>			
Contributed equity		379,025	379,025
Retained earnings	11	490,446	490,821
<b>Total members' funds</b>		<b>869,471</b>	<b>869,846</b>

The accompanying notes form part of these financial statements.

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2016

	Notes	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		998,063	1,043,447
Payments to suppliers and employees		(873,387)	(886,324)
Interest received		3,305	4,601
Amounts paid to ato		(41,858)	(42,785)
Income taxes paid		(20,170)	(1,444)
<b>Net cash provided by operating activities</b>	<b>7</b>	<b>65,953</b>	<b>117,495</b>
<b>Cash flows from investing activities</b>			
Dividends received		-	287
Proceeds from sale of non current assets		12,955	-
Payment for property, plant and equipment		(36,998)	(574)
Proceeds from redemption of shares		-	10,000
Payment for franchise fee		(51,800)	-
Trust distribution received		879	-
<b>Net cash generated from / (used in) investing activities</b>		<b>(74,964)</b>	<b>9,713</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(4,426)	(5,168)
Borrowing costs		(397)	-
Proceeds from borrowings		11,199	-
Payment of dividends on ordinary shares	12	(49,273)	(41,693)
<b>Net cash used in financing activities</b>		<b>(42,897)</b>	<b>(46,861)</b>
Net (decrease) / increase in cash held		(51,908)	80,347
Cash at the beginning of the financial year		264,401	184,054
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6</b>	<b>212,493</b>	<b>264,401</b>

The accompanying notes form part of these financial statements.

## Financial statements (continued)

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### Statement of Changes in Equity for the year ended 30 June 2016

	<b>Members funds \$</b>	<b>Retained earnings \$</b>	<b>Total equity \$</b>
At 1 July 2014	379,025	475,620	854,645
Net profit for the year	-	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>
At 1 July 2015	379,025	490,821	869,846
Net profit for the year	-	48,898	48,898
Dividends provided for or paid	-	(49,273)	(49,273)
<b>At 30 June 2016</b>	<b>379,025</b>	<b>490,446</b>	<b>869,471</b>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

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For year ended 30 June 2016

## Note 1. Statement of significant accounting policies

### General information

Neerim District Financial Services Limited is an Australian Public company, Limited by Shares, incorporated and domiciled in Australia under the Corporations Act 2001.

The company's principal activity is to provide **Community Bank**<sup>®</sup> branch services under the management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

The financial statements for the year ended 30 June 2016 were approved and authorised for issue by the Board of Directors on [DATE].

### Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the Corporations Act 2001 and the Australian Accounting Standards and Interpretations. The financial statements are for the economic entity of Neerim District Financial Services Limited as an individual entity.

For purposes of preparing the financial statements, the company is a for-profit entity. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company comply with International Financial Reporting Standards ('IFRS').

New and amended standards adopted by the company.

The company has adopted all of the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the company's financial statements for the annual period beginning 1 July 2015.

### Financial reporting framework

The financial report is a general purpose financial report that has been prepared in order to satisfy the financial reporting requirements of the Australian Accounting Standards and the Corporations Act 2001.

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 principal accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied.

#### **(a) Property, plant and equipment**

Each class of property, plant and equipment are carried at cost less where applicable any accumulated depreciation. The depreciable amount of all Property, Plant and Equipment is depreciated over the useful life of the asset to the company commencing from the time that the asset is held ready for use.

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.



# Notes to the financial statements (continued)

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

### **(a) Property, plant and equipment (continued)**

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

- Plant and equipment 10% - 100%

### **(b) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments. For the purposes of the Statement of Cash Flows, cash includes:

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

### **(c) Revenue**

Revenue is measured at the fair value of the consideration received or receivable.

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).

### **(d) Goods and services tax (GST)**

Revenue, 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 Statement of Financial Position are shown inclusive of GST. Cashflows are included in the Statement of Cash Flows 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.

### **(e) 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.

### **(f) 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.

# Notes to the financial statements (continued)

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

### **(g) Employee benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to reporting date.

#### Short term and long term employee benefits

A liability is recognised for benefits accruing to employees in respect of wage and salaries, annual leave and sick leave in the period in which the related services is rendered.

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 by the company in respect of services provided by employees up to reporting date.

#### Retirement benefit costs

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

### **(h) Taxation**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

#### Current tax

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before tax as reported in the Statement of Profit or Loss and other Comprehensive Income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's current tax is calculated using tax rates that have been enacted or subsequently enacted by the end of the reporting period.

#### Deferred tax

Deferred income tax expense reflects movements in the deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or subsequently enacted at the end of the reporting period. Their measurement also reflects that manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates or joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

# Notes to the financial statements (continued)

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

### **(h) Taxation (continued)**

#### Deferred tax (continued)

Deferred tax assets and liabilities are offset where:

- (a) legally enforceable right to set off exists; and
- (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

### **(i) 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.

### **(j) Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

### **(k) Impairment of assets**

At each reporting date, the association reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the Statement of Profit or Loss and Other Comprehensive Income.

### **(l) Current and non-current classification**

Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

An asset is classified as current when:

- it is either expected to be realised or intended to be sold or consumed in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within 12 months after the reporting period; or
- the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

# Notes to the financial statements (continued)

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

### (l) Current and non-current classification (continued)

A liability is classified as current when:

- it is either expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current.

### (m) Comparative information

When required by Accounting Standards, comparatives have been adjusted to conform to changes in presentation for the current year.

### n) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires the Board of Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The Board of Directors continually evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

	2016 \$	2015 \$
<b>Note 2. Plant and equipment</b>		
Plant and equipment at cost	92,313	91,254
Less accumulated depreciation	(51,887)	(63,025)
	<b>40,426</b>	<b>28,229</b>
<b>Reconciliation of plant and equipment</b>		
Balance at beginning of year	28,229	38,888
Additions	36,997	574
Disposals	(12,955)	-
Profit on sale of assets	2,957	-
Depreciation expense	(14,802)	(11,233)
<b>Balance at end of year</b>	<b>40,426</b>	<b>28,229</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 3. Other financial assets</b>		
Bendigo Bank shares	14,437	13,440
Neerim District Property Developments Units	551,400	551,400
	<b>565,837</b>	<b>564,840</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%	20,828	24,227
Adjust for tax effect:		
Timing differences deductible when incurred		
Provision for annual leave, long service leave and accrued expenses	(1,413)	1,615
Prepayments	155	(443)
Timing differences assessable when received		
Accrued interest	41	13
Deductible permanent differences		
Other	(299)	(366)
	<b>19,312</b>	<b>25,046</b>
Movement in deferred tax asset	1,413	(1,614)
Movement in deferred tax liability	(196)	429
<b>Income tax expense</b>	<b>20,529</b>	<b>23,861</b>
<b>Deferred tax asset</b>		
Accrued expenses	575	578
Accrued Superannuation	-	1,090
Provision for annual leave	3,717	5,772
Provision for long service leave	7,153	5,418
	<b>11,445</b>	<b>12,858</b>
<b>Movement in deferred tax asset charged to statement of comprehensive income</b>	<b>(1,413)</b>	<b>1,614</b>
<b>Deferred tax liability</b>		
Accrued interest	110	151
Prepaid insurance	1,990	2,145
	<b>2,100</b>	<b>2,296</b>
<b>Movement in deferred tax liability charged to the Statement of Profit or loss and other Comprehensive income</b>	<b>196</b>	<b>(429)</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 5. Provisions</b>		
<b>Current</b>		
Income tax payable	837	1,695
Annual leave	12,385	19,240
	<b>13,222</b>	<b>20,935</b>
<b>Non - current</b>		
<b>Long service leave</b>		
Average number of employees	6	6
	<b>23,836</b>	<b>18,061</b>

## Note 6. Cash

Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

<b>Cash at bank</b>	<b>212,493</b>	<b>264,401</b>
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## Note 7. Cash flow information

Reconciliation of cash flow from operation with operating profit

Operating profit	48,898	56,894
Dividend reinvestment plan	(996)	(930)
Dividends received	-	(287)
Trust distribution received	(33,437)	(878)
Profit on sale of property, plant and equipment	(2,957)	-
<b>Non - Cash flows in operating results</b>		
- Depreciation	14,802	11,233
- Amortisation	10,360	10,000
- Borrowing costs written off	143	146
- Hire purchase charges	606	330
<b>Changes in assets and liabilities</b>		
(Increase) / Decrease in receivables	(4,995)	4,449
Decrease/ (Increase) in prepayments	516	(1,432)
Increase in payables	33,735	13,027
(Decrease) / Increase in provisions	(1,079)	2,527
Increase / (Decrease) in income tax payable	(859)	23,602
Decrease/ (Increase) in deferred tax assets	1,413	(1,615)
(Decrease) / Increase in deferred tax liabilities	(196)	429
<b>Net cash provided by operating activities</b>	<b>65,953</b>	<b>117,495</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
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### 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.	14,258	15,526
Secretarial services provided by Anthony Allen & Associates. Mr A Allen is the spouse of Mrs Susan Allen (Director).	33,434	29,012
Transport services provided by Jindivick charters and tours. Mr K Kercheval is the principal in this entity.	-	484
Supplies provided by Neerim South Supermarket. Mr P Bain is the principal in this entity.	3,861	3,887

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.

	2016 \$	2015 \$
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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 bank branch.

<b>Units held in Neerim District Property Developments Unit Trust</b>	<b>551,400</b>	<b>551,400</b>
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### 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.

### Note 11. Retained earnings

Retained earnings at the beginning of the financial year	490,821	475,620
Net profit after income tax	48,898	56,894
Less dividends paid	(49,273)	(41,693)
<b>Retained earnings at the end of the financial year</b>	<b>490,446</b>	<b>490,821</b>

## Notes to the financial statements (continued)

	2016 \$	2015 \$
<b>Note 12. Dividends paid on ordinary shares</b>		
<b>Franked dividends (13 cents per share) (2015: 11 cents per share)</b>	<b>49,273</b>	<b>41,693</b>

### Note 13. Franking credit balance

<b>Franking account balance as at end of the financial year</b>	<b>293,947</b>	<b>295,894</b>
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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	51,800	50,000
Less Amortisation	(10,360)	(50,000)
	<b>41,440</b>	-

### Note 16. Leasing commitments

Finance lease commitments payable

Not later than one year	4,421	2,127
Later than one year but not later than five years	5,084	-

### Note 17. Earnings per share

Earnings used in calculating basic and diluted earnings per share	48,898	56,894
Weighted average number of shares for basic and diluted earnings per share	379,025	379,025



# Notes to the financial statements (continued)

## Note 18. Financial instruments

### a) Interest rate risk

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

	Floating interest rate		Fixed interest rate				Non-interest bearing	
			Within 1 year		1 To 5 years			
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Financial assets</b>								
Cash at bank	212,493	264,401						
Receivables							88,773	83,639
<b>Total financial assets</b>	<b>212,493</b>	<b>264,401</b>					<b>88,773</b>	<b>83,639</b>
<b>Financial liabilities</b>								
Payables								
Hire purchase			4,421	2,127	5,084	-		
<b>Total financial liabilities</b>			<b>4,421</b>	<b>2,127</b>	<b>5,084</b>	-	-	-

### b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of receivables, 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 receivable or group of receivables 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.

## Note 19. Events after reporting date

There have not been any material events between the reporting date and the date of signing of the financial statements by the Board of Directors.

# 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, Statement of Profit or Loss and other Comprehensive Income, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements, are in accordance with the requirements of the Corporations Act 2001:
  - (a) comply with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2016 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.



**Tim Kubale**  
**Chairman**

Date: 30 August 2016

# Independent audit report

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## INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF NEERIM DISTRICT FINANCIAL SERVICES LIMITED

### Report on the financial report

We have audited the accompanying general purpose financial report of Neerim District Financial Services Limited which comprises the Statement of Financial Position as at 30 June 2016, the Statement of Profit or Loss and other Comprehensive Income, the Statement of Members' Funds and the Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Board of Directors' declaration.

### *Directors' responsibility for the financial report*

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The Board of Director's responsibility also includes establishing and maintaining internal controls necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit, we have complied with the Independence requirements of the *Corporations Act 2001*.

KIDMANS PARTNERS PTY LTD – ABN 49 143 987 222

(incorporating Robert Jan + Associates)  
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# Independent audit report (continued)

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## *Audit Opinion*

In our opinion the financial report of Neerim District Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the financial reporting requirements of the *Corporations Act 2001*.

**Kidmans Partners Audit Pty Ltd**  
ABN: 46 143 986 841

A handwritten signature in black ink, appearing to read 'John Petridis', written over a series of horizontal lines.

**John Petridis**  
Director

Dated:

**KIDMANS PARTNERS PTY LTD – ABN 49 143 987 222**

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