



# Annual Report 2017

Neerim District Financial  
Services Limited

ABN 46 091 832 923

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

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# Chairman's report

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For year ending 30 June 2017



It is with great pleasure that I present this report, my second as Chairman of your company, Neerim District Financial Services Limited.

I am particularly pleased to report a return to after-tax profit of \$61,827 for the financial year ending 30 June 2017. This result is a fine achievement given the extremely tight market conditions in which we operate.

As all of Australia would be aware, we are operating in an environment of extremely low interest rates, the lowest of all time, with the official cash rate standing at 1.5. Bank profitability is driven by margin, the margin between the cost of funds and the interest rate received or paid out. Whilst low interest rates are attractive for borrowing consumers, they present our **Community Bank**<sup>®</sup> branch with unique challenges.

One would be excused for thinking that a low interest rate environment would lead to an increase in lending, with borrowers taking advantage of the low cost of funds. Ironically, banks in Australia, including our own company, are experiencing unprecedented levels of loan pay downs with borrowers taking the opportunity to increase the equity they hold in their assets. And in this environment, in order for us to grow, every loan that is paid down or paid out, requires replacement loans to bolster the book.

Similarly, low interest rates on deposits are causing investors to seek better returns for their funds by moving to other forms of higher-yielding securities such as managed funds or the domestic and international share markets. These low interest rate levels have a real impact on our ability to increase our revenue.

Our book has risen from \$126.1 million as at 1 July 2016 to \$127.2 million at 30 June 2017. We continue to be at the forefront of **Community Bank**<sup>®</sup> branches throughout Gippsland and credit for this goes to our Branch Manager, Brendan O'Brien and his staff for their untiring efforts in driving our business growth. On behalf of all shareholders, I thank Brendan for his unswerving dedication, his zeal for business growth and his unwavering commitment to the **Community Bank**<sup>®</sup> model.

I also thank and commend all our staff for their relentless pursuit of customer satisfaction. I regularly receive comment about the high level of customer service delivered by our staff and these are comments which make me justifiably proud of the role our company plays within our community.

The other source of pride is the knowledge that, through the support we receive from our customers, we have been able to return over \$150,000 to our community in the form of sponsorships, grants and donations during the past financial year bringing the total returned to the Neerim community since 2000 to over \$2.5 million.

What a remarkable contribution to the sense of community and the community spirit displayed in the Neerim District. As shareholders, you have every right to be proud of the contribution your company makes to this community.

Our continuing success would not have been possible without the ongoing assistance of our partner, Bendigo and Adelaide Bank Limited. In many ways, this has been a difficult year for both Bendigo Bank and your company as both parties come to grips with a new revenue sharing model, which has proven to be quite difficult to comprehend and just as difficult to implement.

In the 2016 report I mentioned that we were continuing with the established model until we saw the implications of the new model on our income. After 10 months it became evident that the new model would not have a detrimental effect on our income and a decision was made to change over to the new Funds Transfer Pricing (FTP) model as from 1 July 2017.

## Chairman's report (continued)

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The new model is designed to formalise the revenue sharing formula of all products issued by **Community Bank**<sup>®</sup> branches and is a significant change to the method previously used. As with any change, there has been resistance and some confusion but in the true spirit of partnership, Bendigo Bank has worked with us to ensure that the science now used to calculate revenue share is transparent and understood.

I am also thankful for the efforts of your Board who continue to perform their governance duties with the utmost care and diligence. It is a privilege to be counted amongst their number and you, as shareholders, can rest assured that your interests are at the forefront of their deliberations and decisions.

In particular I would like to thank Paul Bright for his contribution to the Board and our District over the past 17 years. Without the foresight of people such as Paul we would not have the successful branch we now have today. The other Director who resigned during the year was Samantha Pedersen. Samantha was the youngest Board Director when she joined the Board in 2012. Her contribution to assisting the youth of the district was significant. We wish them both well for their futures.



**Tim Kubale**  
**Chairman**

# Manager's report

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For year ending 30 June 2017



It is with great pleasure that I present my third report as Branch Manager for the year ending 30 June 2017 on behalf of Neerim District **Community Bank**<sup>®</sup> Branch.

Many people still underestimate the range of competitive and sophisticated financial products and services we offer. Bendigo Bank is Australia's fifth largest bank, and it is an organisation we are proud to be a partner of. Our integration with our local community is what sets us apart and motivates us.

Our focus will continue to drive business growth, excellence in customer service and building relationships with our key stakeholder organisations.

Over the past 12 months the branch has continued to grow, in terms of total Footings.

- Our portfolio has increased from \$126.211 million to \$127.225 million
- Our Lending portfolio balance is \$59.953 million
- Our Deposit portfolio is \$67.271 million.

Our deposit growth was exceptional meeting our expected target for the year.

While lending approval activity and volumes increased by \$1.374 million year on year, our lending growth was subdued. Contributing factors include: a heavily amortising mature book, historically low interest rates and a higher level of sale discharges than normally experienced.

It is however pleasing to note that is very rare for us to see business lost due to customer dissatisfaction or from a lack of competitiveness and this is due to a team that strives for excellence in customer service.

Overall I am very proud of our team and the results achieved for the 2016/17 both in overall growth and profitability.

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 \$2.5 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.

A special thank you and congratulations to the staff, Maureen, Karen, Donna, Paula, Krystal and Eve 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 a successful and rewarding year ahead.

A handwritten signature in black ink, appearing to read 'Brendon O'Brien'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

**Brendon O'Brien**  
**Branch Manager**

# Bendigo and Adelaide Bank report

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For year ending 30 June 2017

As we approach 20 years since the first **Community Bank**<sup>®</sup> branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank**<sup>®</sup> funded centres.
- Continue their education thanks to a **Community Bank**<sup>®</sup> scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank**<sup>®</sup> grant.
- Reap the environmental benefits of **Community Bank**<sup>®</sup> funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank**<sup>®</sup> branch.

In fact, since the model's inception your investment in local communities exceeds \$165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank**<sup>®</sup> model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank**<sup>®</sup> model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

So thank you for your investment in your local **Community Bank**<sup>®</sup> company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank**<sup>®</sup> branches would be just another bank.



**Robert Musgrove**  
**Executive Engagement Innovation**



# Directors' report

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For the financial year ended 30 June 2017

The Directors present their report on the company for the financial year ending 30 June 2017.

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



**Mr Timothy Peter Kubale**

Chairman / Director

Age: 45

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.



**Ms Robyn Anne Mitchard**

Deputy Chair / Director

Age: 34

Appointed Director: 27 May 2014

Experience & Expertise: Robyn Mitchard is a self employed consultant to the dairy industry. 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.



**Mrs Susan Mary Allen**

Treasurer / Director

Age: 64

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.



**Mr Peter Bain**

Director

Age: 45

Appointed Director: 27 October 2011

Occupation: Retail Business Owner

Experience & Expertise: Over 25 years in grocery retailing. Peter 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.

# Directors' report (continued)

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## 1. The Directors in office (continued)



**Mrs Jennifer Lynne Prout**

Director

Age: 65

Appointed Director: 25 October 2012

Occupation: Primary School Principal

Experience & Expertise: Principal of the Neerim South Primary School. Jennie 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.



**Dr Benton Ross Smith**

Director

Age: 44

Appointed Director: 1 December 2015

Experience & Expertise: Dr Ben Smith is a Veterinary Surgeon and Principal at the West Gippsland Vet Care 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.



**Mr Adam Francis Sheehan**

Director

Age: 43

Appointed Director: 18 April 2017

Occupation: Retail Business Owner

Experience & Expertise: Adam is a long term resident of the Neerim District. He currently operates a retail Ski hire business in Neerim South and Mount Baw Baw. Adam is keen to see the local district flourish and develop.



**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.

Retired: 27 October 2016



# Directors' report (continued)

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1. The Directors in office (continued)



**Mrs Samantha Jane Pedersen**

Director / AssitantTreasurer

Age: 26

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, Finance Committee.

Resigned: 20 June 2017



**Mr Paul Bright**

Director

Age: 48

Appointed Director: 2 March 2000.

Occupation: Accountant

Experience & Expertise: Over 25 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 30 years. During the past year Paul was given extended leave from attending Board meetings 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.

Resigned: 15 March 2017

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

2. The principle activity of the company during the financial year were in providing **Community Bank**<sup>®</sup> 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 \$61,827.
4. During the financial year the company continued its trading activities. The results of those operations were in line with operations.
5. There was no significant change in the state of affairs of the company during the financial year.
6. No matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.
7. The Directors are not aware of any likely developments in the operation of the company or of any change in the expected results of those operations in future financial years.
8. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an Officer or Auditor of the company.
9. No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company of all or any part of those proceedings.  
  
The company was not a party to any such proceedings during the year.
10. The company's operation are not regulated by any significant environmental regulation under a law of the Commonwealth, or of a State or Territory.

## Directors' report (continued)

11. The Neerim District Financial Services Limited has accepted the **Community Bank**<sup>®</sup> Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the Neerim District **Community Bank**<sup>®</sup> Branch. There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.
12. No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company with a Director, a firm of which a Director is a member, or an entity in which a Director has a substantial financial interest other than the benefits disclosed in Note 8.

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

13. During the financial year, 12 meetings of Directors were held. Attendances by each Director were as follows:-

	Board member since	Number eligible to attend	Number attended
T. Kubale	2014	12	9
S. Allen	2004	12	11
S. Pedersen**	2012	9	1
P. Bright *	2000	9	0
P. Bain	2011	12	10
K. Kercheval	2010	4	3
J. Prout	2012	12	9
R. Mitchard***	2014	12	5
B Smith	2015	12	9
A. Sheehan****	2017	2	1

### Notes to meetings table



- \* Paul Bright was granted extended leave from the Board due to health issues in November 2014. This absence was extended for the 2016 / 2017 meeting season. Paul resigned from the Board on the 15 March 2017.
- \*\* Samantha Pederson was granted 6 months Leave of Absence from July 2016 to January 2017 following the birth of her son. Samantha resigned from the Board on 20 June 2017.
- \*\*\* Robyn Mitchard was granted 3 months leave of absence due to health issues from April 2017 to June 2017.
- \*\*\*\* Adam Sheehan was appointed to the Board on 18 April 2017.

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:

	<p>Accountants and Advisors</p>
<p><b>Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Neerim District Financial Services Ltd</b></p>	
<p>I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been:</p>	
<p>(i) no contraventions of the auditor independence requirements as set out in the <i>Corporations Act 2001</i> in relation to the audit; and</p>	
<p>(ii) no contraventions of any applicable code of professional conduct in relation to the audit.</p>	
<p><b>KIDMANS PARTNERS AUDIT PTY LTD</b></p>	
	
<p><b>JOHN PETRIDIS DIRECTOR</b></p>	
<p>Dated: 7 Sept 2017</p>	
<p>Kidmans Partners Audit Pty Ltd</p>	
<p>Suite 4, 255 Whitehorse Road, Balwyn, Victoria, Australia 3103</p>	<p>Postal Address: P.O. Box 718, Balwyn, Victoria, Australia 3103</p>
<p>T (613) 9836 2900 F (613) 9836 5233 ABN 46 143 986 841 www.kidmanspartners.com.au</p>	
<p>Liability limited by a scheme approved under Professional Standards Legislation.</p>	

Signed in accordance with a resolution of the Board of Directors



**Timothy Kubale**  
**Chairperson**

Date: 7 September 2017

# Financial statements

## Statement of Comprehensive Income for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Revenue</b>			
Income from operations		904,887	913,245
Interest received		2,857	3,167
Dividends received		1,084	997
Trust distributions received		51,298	33,437
		<b>960,126</b>	<b>950,846</b>
<b>Expenses</b>			
Borrowing costs		73	143
Employee benefit expenses		410,474	431,504
Depreciation		11,897	14,802
Amortisation of franchise fee		10,360	10,360
General administration		181,983	171,604
Leasing costs		15,311	14,231
Audit services		2,370	1,520
Advertising and promotion		76,020	82,146
Occupancy costs		113,161	113,005
		<b>821,649</b>	<b>839,315</b>
<b>Profit before income tax &amp; Community Enterprise Foundation™</b>		<b>138,477</b>	<b>111,531</b>
Community enterprise foundation		52,632	42,105
Income tax	4	24,018	20,462
<b>Net profit after income tax</b>		<b>61,827</b>	<b>48,898</b>
<b>Earnings per share (cents per share)</b>			
- Basic for the period (cents)		16.31	12.90
- Diluted for the period (cents)		16.31	12.90

The accompanying notes form part of this financial report.

# Financial statements (continued)

## Statement of Financial Position as at 30 June 2017

	Notes	2017 \$	2016 \$
<b>Current assets</b>			
Cash assets	6	179,814	212,493
Receivables		82,441	88,773
Other		58,730	40,758
<b>Total current assets</b>		<b>320,985</b>	<b>342,024</b>
<b>Non - current assets</b>			
Intangibles	15	31,080	41,440
Plant and equipment	2	33,947	40,426
Deferred tax asset	4	10,393	11,445
Other financial assets	3	584,920	565,837
<b>Total non - current assets</b>		<b>660,340</b>	<b>659,148</b>
<b>Total assets</b>		<b>981,325</b>	<b>1,001,172</b>
<b>Current liabilities</b>			
Payables		34,757	83,038
Provisions	5	17,743	13,222
Interest - bearing liabilities		4,682	4,421
<b>Total current liabilities</b>		<b>57,182</b>	<b>100,681</b>
<b>Non - current liabilities</b>			
Provisions	5	28,369	23,836
Deferred tax liability	4	1,976	2,100
Interest - bearing liabilities		402	5,084
<b>Total non - current liabilities</b>		<b>30,747</b>	<b>31,020</b>
<b>Total liabilities</b>		<b>87,929</b>	<b>131,701</b>
<b>Net assets</b>		<b>893,396</b>	<b>869,471</b>
<b>Members funds</b>			
Contributed equity		379,025	379,025
Accumulated profits	11	514,371	490,446
<b>Total members' funds</b>		<b>893,396</b>	<b>869,471</b>

The accompanying notes form part of this financial report.



# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash flow from operating activities</b>			
Receipts from customers		1,001,707	998,063
Payments to suppliers and employees		(934,828)	(873,387)
Interest received		2,546	3,305
Amounts paid to ato		(54,724)	(41,858)
Income taxes paid		(14,666)	(20,170)
<b>Net cash provided by operating activities</b>	<b>7</b>	<b>35</b>	<b>65,953</b>
<b>Cash flow from investing activities</b>			
Dividends received		-	-
Proceeds from sale of non current assets		-	12,955
Payment for property, plant and equipment		(5,418)	(36,998)
Proceeds from redemption of shares		-	-
Payment for franchise fee			(51,800)
Trust distribution received		15,436	879
<b>Net cash used in investing activities</b>		<b>10,018</b>	<b>(74,964)</b>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		(4,829)	(4,426)
Borrowing costs			(397)
Proceeds from borrowings			11,199
Payment of dividends on ordinary shares	12	(37,903)	(49,273)
<b>Net cash used in financing activities</b>		<b>(42,732)</b>	<b>(42,897)</b>
Net increase/(decrease) in cash held		(32,679)	(51,908)
Cash at the beginning of the financial year		212,493	264,401
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6</b>	<b>179,815</b>	<b>212,493</b>

The accompanying notes form part of this financial report.

## Financial statements (continued)

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### Statement of Changes in Equity for the year ended 30 June 2017

	Contributed equity \$	Retained earnings \$	Total equity \$
At 1 July 2015	379,025	490,821	869,846
Net profit/ for the period	-	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>
At 1 July 2016	379,025	490,446	869,471
Net profit/ for the period	-	61,827	61,827
Dividends provided for or paid	-	(37,903)	(37,903)
<b>At 30 June 2017</b>	<b>379,025</b>	<b>514,371</b>	<b>893,396</b>

The accompanying notes form part of this financial report.

# Notes to the financial statements

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For year ended 30 June 2017

## Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards 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).

#### New and amended standards adopted by the entity

The Entity has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the Entity's financial statements for the annual year beginning 1 July 2016.

None of these amendments have had a significant impact on the entity.

The Australian Accounting Standards Board issues new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Entity. The Entity has decided not to early adopt any new or amended pronouncements.

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods commencing on or after 1 January 2018). These standards include revised requirements for the classification and measurement of financial instruments, and revised recognition and derecognition requirements for financial instruments. This Standard is not expected to significantly impact the Entity.

AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019). This standard replaces current accounting requirements for leases in AASB 117 Leases and related interpretations by introducing a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. The main changes include:

- Recognition of a right-to-use asset and liability for all leases excluding short-term leases with less than 12 months of tenure and low-value asset leases
- Depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit and loss
- Additional disclosure requirements

Transitional provisions will allow either retrospective application to comparatives or an adjustment to opening equity on the date of initial application. Although the adoption of AASB 16 will impact the Entity's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

# Notes to the financial statements (continued)

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

### **(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%

### Provision for impairment of inventories

The Entity performs an annual assessment of the assets valuation to determine if there is a requirement for an Provision for Impairment. The provision for impairment assessment requires a degree of estimation and judgement.

### 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.

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.

### **(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.

### **(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).

# Notes to the financial statements (continued)

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

### **(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 Statement of Financial Position are shown inclusive of GST. Cashflows are included in the Statement of Cashflows 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 reporting 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.

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

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 reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and



# Notes to the financial statements (continued)

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

### (i) Income tax (continued)

- 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 reporting 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 reporting 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.

	2017 \$	2016 \$
<b>Note 2. Plant and equipment</b>		
Plant and equipment at cost	97,731	92,313
Less provision for depreciation	(63,784)	(51,887)
	<b>33,947</b>	<b>40,426</b>
Reconciliations of written - down value of plant & equipment		
Balance at beginning of year	40,426	28,229
Additions	5,418	36,997
Disposals	-	(12,955)
Profit on sale of assets	-	2,957
Depreciation expense	(11,897)	(14,802)
<b>Balance at end of year</b>	<b>33,947</b>	<b>40,426</b>

## Notes to the financial statements (continued)

	2017 \$	2016 \$
<b>Note 3. Other financial assets</b>		
Bendigo Bank Shares	15,520	14,437
Neerim District Property Developments Units	569,400	551,400
	<b>584,920</b>	<b>565,837</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 27.5%	23,607	20,828
Adjust for tax effect:		
Timing differences deductible when incurred		
Provision for holiday pay, LSL and accrued expenses	(131)	(1,413)
Prepayments	35	155
Timing differences assessable when received		
Accrued interest	(85)	41
Deductible permanent differences		
Other	(336)	(299)
	<b>23,090</b>	<b>19,312</b>
Movement in deferred tax asset	1,052	1,413
Movement in deferred tax liability	(125)	(196)
<b>Income tax expense</b>	<b>24,018</b>	<b>20,529</b>
Deferred tax asset		
Accrued expenses	206	575
Accrued Superannuation	52	-
Provision for holiday pay	2,333	3,717
Provision for long service leave	7,801	7,153
	<b>10,393</b>	<b>11,445</b>
<b>Movement in deferred tax asset charged to statement of comprehensive income</b>	<b>(1,052)</b>	<b>(1,413)</b>
<b>Deferred tax liability</b>		
Accrued interest	186	110
Prepaid insurance	1,789	1,990
	<b>1,976</b>	<b>2,100</b>
<b>Movement in deferred tax liability charged to statement of comprehensive income</b>	<b>124</b>	<b>196</b>

## Notes to the financial statements (continued)

	2017 \$	2016 \$
<b>Note 5. Provisions</b>		
<b>Current</b>		
Income tax payable	9,260	837
Annual leave	8,483	12,385
	<b>17,743</b>	<b>13,222</b>
<b>Non - current</b>		
<b>Long service leave</b>	<b>28,369</b>	<b>23,836</b>
Average number of employees	6	6

## 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>179,814</b>	<b>212,493</b>
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## Note 7. Cash flow information

Reconciliation of cash flow from operation with operating profit / loss

Operating profit	61,827	48,898
Dividend reinvestment plan	(1,084)	(996)
Dividends received	-	-
Trust distribution received	(51,298)	(33,437)
Profit on sale of property, plant and equipment	-	(2,957)
Non - Cash flows in operating results		
- Depreciation	11,897	14,802
- Amortisation	10,360	10,360
- Borrowing costs written off	73	143
- Hire purchase charges	408	606
Changes in assets and liabilities		
Increase / (Decrease) in receivables	6,022	(4,995)
Decrease in prepayments	127	516
(Increase) / Decrease in creditors	(48,281)	33,735
(Increase) / Decrease in provisions	632	(1,079)
Increase / (Decrease) in income tax payable	8,424	(859)
Decrease in deferred tax assets	1,052	1,413
Decrease in deferred tax liabilities	(124)	(196)
<b>Net cash provided by operating activities</b>	<b>35</b>	<b>65,953</b>

# Notes to the financial statements (continued)

## 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.

	2017 \$	2016 \$
<b>Director - related entities</b>		
Accounting services provided by Tarago Accounting & Business Services	14,140	14,258
Mr P Bright is a Director of this entity		
Secretarial services provided by Anthony Allen & Associates.	31,728	33,434
Mr A Allen is the spouse of Mrs Susan Allen (Director).		
Transport services provided by Jindivick charters and tours.	-	-
Mr K Kercheval is the principal in this entity.		
Supplies provided by Neerim South Supermarket.	2,186	2,910
Mr P Bain is the principal in this entity.		

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

## Note 9. 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.

	2017 \$	2016 \$
Units held in Neerim District Property Developments Unit Trust	569,400	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.

	2017 \$	2016 \$
<b>Note 11. Accumulated profits</b>		
Accumulated profit at the beginning of the financial year	490,446	490,821
Net profit after income tax	61,827	48,898
Less dividends paid	(37,903)	(49,273)
<b>Accumulated profit at the end of the financial year</b>	<b>514,371</b>	<b>490,446</b>

## Notes to the financial statements (continued)

	2017 \$	2016 \$
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### Note 12. Dividends paid on ordinary shares

Franked dividends (10 cents per share) (2016: 13 cents per share)	37,903	49,273
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### Note 13. Franking credit balance

Franking account balance as at end of the financial year	294,237	293,947
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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	51,800
Less Amortisation	(20,720)	(10,360)
	<b>31,080</b>	<b>41,440</b>

### Note 16. Leasing commitments

Finance lease commitments payable

Not later than one year	4,682	4,421
Later than one year but not later than five years	402	5,084

### Note 17. Earnings per share

Earnings used in calculating basic and diluted earnings per share	61,827	48,898
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	
	2017	2016	Within 1 year		1 To 5 years		2017	2016
			2017	2016	2017	2016		
<b>Financial assets</b>								
Cash at bank	179,815	212,493						
Receivables							82,441	88,773
<b>Total financial assets</b>	<b>179,815</b>	<b>212,493</b>					<b>82,441</b>	<b>88,773</b>
<b>Financial liabilities</b>								
Payables								
Hire purchase			4,682	2,127	402	-		
<b>Total financial liabilities</b>			<b>4,682</b>	<b>2,127</b>	<b>402</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 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

There are no other matter or circumstance that have arisen since 30 June 2017 that has significantly affected, or may significantly affect the Entity's operations, the results of those operations, or the Entity's state of affairs in future financial years.

## Note 19. Events after the reporting period

There are no other matter or circumstance that have arisen since 30 June 2017 that has significantly affected, or may significantly affect the Entity's operations, the results of those operations, or the Entity's state of affairs in future financial years.

# 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 2017 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: 7 September 2017

# Independent audit report

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Accountants and Advisors

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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 2017, 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 Audit Pty Ltd

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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 2017 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: 46 143 966 841



**John Petridis**  
Director

Dated this **7** day of **sept.**, 2017

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