



Annual Report 2018

Neerim District Financial Services
Limited

Neerim District **Community Bank**[®] Branch

ABN 46 091 832 923

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Chairman's report

For year ending 30 June 2018



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

I am particularly pleased to report a return to after-tax profit of \$69,010 for the financial year ending 30 June 2018. This result is a fine achievement given the continuation of the extremely tight market conditions in which we operate.

Enduring low interest rates present ongoing challenges to Bank profitability and continue to result in pressure on margins. The Royal Commission, whilst focussed on the Big 4, has had impacts on the broader banking sector and lending requirements have been tightened across the industry. In the light of the extremely challenging environmental conditions, our book growing by \$5.37 million over the last financial year is an even more impressive achievement and places our branch in the top few in the region for performance.

Our Branch Manager, Brendan O'Brien has continued to strive for the growth in our business and has achieved outstanding results for which I'd like to congratulate him and thank Brendan for his continuing dedication and commitment to the **Community Bank®** model.

I also thank and acknowledge the efforts of all our branch staff who continue to strive to maximise the satisfaction of our customers and play a key support role to Brendan in growing our business and providing an important service to our community.

The other source of pride is the knowledge that, through the support we receive from our customers, we were able to return over \$200,000 to our community in the form of sponsorships, grants, scholarships and donations during the past financial year bringing the total returned to the Neerim District Community since 2000 to over \$2.7 million. Shareholders should continue 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 who provide top quality ongoing support and enable us to focus on driving the best results we can.

As we announced last year, Tony Allen was retiring and being replaced by Bruce MacDougall as Executive Officer and Company Secretary which occurred at the start of February 2018. We also took the opportunity at this time to consider the most optimal structure of the back office which ultimately resulted in the creation of the new position of Community Engagement Officer. Rebecca Ladds was appointed to this role in May and the Board considers that this revised model is providing better coverage and increased value drawing from varying strengths, skillsets and availability and results in the removal of a single point of dependency. I'd like to thank the efforts of Bruce and Bec and look forward to working with them into the future.

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.

I would like to thank Robyn Mitchard who served on the Board from 2014 to December 2017 and was an active member of the HR and Governance Committees as well as performing the role of Deputy Chair. We wish Robyn all the best for her future. I would also like to welcome Matt Cumming and Rebecca Ladds to the Board as new Directors who will each bring value in different capacities and I look forward to their contributions.

Chairman's report (continued)

My final duty in providing this report to you is to declare that, following another successful year of operations, your Board has approved a dividend for the year of 5.5 cents per share. This dividend is lower than historical dividend rates that NDFS has declared and paid, however, in an environment of record low interest rates with the RBA official cash rate currently still 1.5%, a return of 5.5% is still far higher than the best Term Deposit rates available. Whilst the Board recognise the need to compensate shareholders for the absence of capital growth and the relative illiquidity of their investment, we believe that, as this will increase the amount available to be returned to the community by way of Grants, Sponsorship, Scholarships and Donations, that shareholders will support the move to vary dividends with market conditions.

This dividend is fully-franked and is available to all shareholders on our register as at 30 October 2018. Dividend payment will be made on or about 1 December 2018.



Tim Kubale
Chairman

Manager's report

For year ending 30 June 2018



It is with great pleasure that I present my fourth report as Branch Manager for the year ending 30 June 2018 on behalf of Neerim District **Community Bank®** 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 with overall growth of \$5.37 million.

Lending growth was positive at \$901,358 albeit subdued due to contributing factors including: a heavily amortising mature book, historically low interest rates, and a tightening of lending requirements more broadly across the banking industry.

Our branch deposit growth was exceptional exceeding our target for the year by \$3.2 million.

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 2017/18 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 **Community Bank®** branch team look forward to sharing in your successes as we continue to enjoy and strengthen our relationships.

This year has seen us exceed \$2.7 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 and Melissa 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.



Brendon O'Brien
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank®** branch opened. And it has only been a few months since the latest, the 321st, **Community Bank®** branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank®** branch to the most recent one, and the 319 in between.

This year, five of our **Community Bank®** branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank®** branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank®** funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over \$200 million in **Community Bank®** contributions, all because of people banking with their local **Community Bank®** branch.

Be the change has further highlighted the power of the model. For others, customers are important. For our **Community Bank®** network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only 'community bank', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank®** company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank®** company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank®** branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank®** branch and your community. Thank you for continuing to play a role in helping your community **Be the change**.



Robert Musgrove
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2018

The Directors present their report on the company for the financial year ending 30 June 2018.

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



Mr Timothy Peter Kubale

Chairman / Director

Age: 46

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: 35

Resigned Director: December 2017

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: 65

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

Directors' report (continued)

1. The Directors in office (continued)



Mr Peter Bain

Director

Age: 46

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



Mrs Jennifer Lynne Prout

Director

Age: 66

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: 45

Appointed Director: 1 December 2015

Occupation: Veterinary Surgeon

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
HR Committee



Mr Adam Sheehan

Director

Age: 44

Appointed Director: 18 April 2017

Occupation: Business entrepreneur

Experience & Expertise: Adam is a business entrepreneur, having developed multiple businesses revolved around the snow season, on and off Mount Baw Baw over the past twenty years. Adam has grown up in Neerim South and is well known in the community. He is currently coaching the Neerim District Junior Football Club under 10 team.

Board Committees: Community Investment and Marketing Committee

Directors' report (continued)

1. The Directors in office (continued)



Mr Matt Cumming

Director

Age: 41

Appointed Director: 28 November 2017

Occupation: Self - employed Builder

Experience & Expertise: Matt has been born and bred in Neerim South and has always been actively involved in the community, particularly the football club, where he has played his whole life and in more recent times has been a committee member. Matt has had his own building business for over twenty years. His business skills and knowledge of the community and people are an invaluable asset to the Board.

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 were in providing **Community Bank®** 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 \$69,010.
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.
11. The Neerim District Financial Services Limited has accepted the **Community Bank®** Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the Neerim District **Community Bank®** Branch. There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.

Directors' report (continued)

12. No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company with a Director, a firm of which a Director is a member, or an entity in which a Director has a substantial financial interest other than the benefits disclosed in Note 8.

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

13. During the financial year, 11 meetings of Directors were held. Attendances by each Director were as follows:-

	Board member since	Directors' meetings	
		Number eligible to attend	Number attended
T. Kubale	2014	11	11
S. Allen **	2004	11	8
A. Sheehan	2017	11	8
M. Cumming *	2017	6	3
P. Bain	2011	11	10
B. Smith	2015	11	5
J. Prout	2012	11	9
R. Mitchard ***	2014	5	4

Notes to Meetings Table

* Matt Cumming was appointed to the Board in November 2017

** Sue Allen was on a leave of absence for 3 meetings

*** Robyn Mitchard resigned from the Board December 2017

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

Auditor's Independence Declaration

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

Kidmans Partners Audit Pty Ltd

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



Timothy Kubale
Chairperson

Date: 14 August 2018

Auditor's independence declaration



Accountants and Advisors

**Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
to Neerim District Financial Services Ltd**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit of the trust account; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit of the trust account.

KIDMANS PARTNERS AUDIT PTY LTD

A handwritten signature in black ink, appearing to read 'John Petridis'.

John Petridis
Director
Melbourne 18/9/2018

Kidmans Partners Audit Pty Ltd

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Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue			
Income from operations		919,871	904,887
Interest received		1,551	2,857
Dividends received		1,168	1,084
Trust distributions received		58,447	51,298
		981,037	960,126
Expenses			
Borrowing costs		79	73
Employee benefit expenses		426,808	410,474
Depreciation		8,801	11,897
Amortisation of franchise fee		10,360	10,360
General administration		179,979	181,983
Leasing costs		14,502	15,311
Audit services		2,720	2,370
Advertising and promotion		80,038	76,020
Occupancy costs		113,063	113,161
		836,350	821,649
Profit before income tax & Community Enterprise Foundation™		144,687	138,477
Community Enterprise Foundation™		50,000	52,632
Income tax	4	25,677	24,018
Net profit after income tax		69,010	61,827
Earnings per share (cents per share)			
- basic for the period (cents)		18.21	16.31
- diluted for the period (cents)		18.21	16.31

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Financial Position as at 30 June 2018

	Notes	2018 \$	2017 \$
Current assets			
Cash assets	6	171,639	179,814
Receivables		82,276	82,441
Other		63,974	58,730
Total current assets		317,889	320,985
Non - current assets			
Intangibles	15	20,720	31,080
Plant and equipment	2	25,691	33,947
Deferred tax asset	4	12,302	10,393
Other financial assets	3	636,089	584,920
Total non - current assets		694,802	660,340
Total assets		1,012,691	981,325
Current liabilities			
Payables		35,089	34,757
Provisions	5	17,350	17,743
Interest - bearing liabilities		402	4,682
Total current liabilities		52,841	57,182
Non - current liabilities			
Provisions	5	34,049	28,369
Deferred tax liability	4	1,298	1,976
Interest - bearing liabilities		-	402
Total non - current liabilities		35,347	30,747
Total liabilities		88,188	87,929
Net assets		924,503	893,396
Members funds			
Contributed equity		379,025	379,025
Accumulated profits	11	545,478	514,371
Total members' funds		924,503	893,396

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cashflow from operating activities			
Receipts from customers		1,012,098	1,001,707
Payments to suppliers and employees		(905,597)	(934,828)
Interest received		2,215	2,546
Amounts paid to ATO		(47,007)	(54,724)
Income taxes paid		(27,267)	(14,666)
Net cash provided by operating activities	7	34,442	35
Cash flow from investing activities			
Payment for property, plant and equipment		(545)	(5,418)
Payment for additional units		(50,000)	-
Trust distribution received		58,447	15,436
Net cash used in investing activities		7,902	10,018
Cash flow from financing activities			
Repayment of borrowings		(12,617)	(4,829)
Payment of dividends on ordinary shares	12	(37,903)	(37,903)
Net cash used in financing activities		(50,520)	(42,732)
Net increase/(decrease) in cash held		(8,176)	(32,679)
Cash at the beginning of the financial year		179,815	212,493
Cash and cash equivalents at the end of the financial year	6	171,639	179,815

The accompanying notes form part of these financial statements.

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2018

	Note	Contributed equity \$	Retained earnings \$	Total equity \$
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)
At 30 June 2017		379,025	514,370	893,396
At 1 July 2017		379,025	514,370	893,396
Net profit/for the period		-	69,010	69,010
Dividends provided for or paid		-	(37,903)	(37,903)
At 30 June 2018		379,025	545,478	924,503

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2018

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.

(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%

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(c) 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.

(d) 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.

(e) Cash

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

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

(f) 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)

(g) 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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(h) 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.

(i) Leases

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

Finance leases

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

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

(j) 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.

(k) 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
- 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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(k) Income tax (continued)

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 recognised 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 realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

(l) 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.

(m) Other financial assets

Other financial assets including Bendigo Bank shares and units held in the Neerim District Property Developments Unit Trust are held at cost value.

	2018 \$	2017 \$
Note 2. Plant and equipment		
Plant and equipment at cost	98,276	97,731
Less provision for depreciation	(72,585)	(63,784)
	25,691	33,947
Reconciliations of written - down value of plant & equipment		
Balance at beginning of year	33,947	40,426
Additions	545	5,418
Disposals	-	-
Profit on sale of assets	-	-
Depreciation expense	(8,801)	(11,897)
Balance at end of year	25,691	33,947

Notes to the financial statements (continued)

	2018 \$	2017 \$
Note 3. Other financial assets		
Bendigo Bank Shares	16,689	15,520
Neerim District Property Developments Units	619,400	569,400
	636,089	584,920

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%	26,039	23,607
Adjust for tax effect:		
Timing differences deductible when incurred		
Provision for holiday pay, LSL and accrued expenses	1,910	(131)
Prepayments	495	35
Timing differences assessable when received		
Accrued interest	183	(85)
Deductible permanent differences		
Other	(363)	(336)
	28,264	23,090
Movement in deferred tax asset	(1,910)	1,052
Movement in deferred tax liability	(677)	(125)
Income tax expense	25,677	24,018
Deferred tax asset		
Accrued expenses	599	206
Accrued superannuation	388	52
Provision for holiday pay	1,950	2,333
Provision for long service leave	9,365	7,801
	12,302	10,393
Movement in deferred tax asset charged to statement of comprehensive income	1,909	(1,052)
Deferred tax liability		
Accrued interest	3	186
Prepaid insurance	1,295	1,789
	1,298	1,976
Movement in deferred tax liability charged to statement of comprehensive income	678	124

Notes to the financial statements (continued)

	2018 \$	2017 \$
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Note 5. Provisions

Current

Income tax payable	10,256	9,260
Annual leave	7,094	8,483
	17,350	17,743

Non - current

Long service leave	34,049	28,369
Average number of employees	9	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:

Cash at Bank	171,639	179,814
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Note 7. Cash flow information

Reconciliation of cash flow from operation with operating profit / loss

Operating profit	69,010	61,827
Dividend reinvestment plan	(1,168)	(1,084)
Dividends received	-	-
Trust distribution received	(58,447)	(51,298)
Profit on sale of property, plant and equipment		-
Non - Cash flows in operating results		
- Depreciation	8,801	11,897
- Amortisation	10,360	10,360
- Borrowing costs written off	79	73
- Hire purchase charges	147	408
Changes in Assets and Liabilities		
Increase / (Decrease) in receivables	829	6,022
Decrease in prepayments	1,799	127
Increase / Decrease in creditors	332	(48,281)
Increase / Decrease in provisions	4,291	632
Increase / (Decrease) in income tax payable	996	8,424
Increase / (Decrease) in deferred tax assets	(1,909)	1,052
Decrease in deferred tax liabilities	(678)	(124)
Net cash provided by operating activities	34,442	35

Notes to the financial statements (continued)

	2018 \$	2017 \$
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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

Secretarial services provided by Anthony Allen & Associates.	21,360	31,728
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Mr A Allen is the spouse of Mrs Susan Allen (Director).

Supplies provided by Neerim South Supermarket.	5,432	2,186
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Mr P Bain is the principal in this entity.

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

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.

	2018 \$	2017 \$
Units held in Neerim District Property Developments Unit Trust	619,400	569,400

Note 10. Segment reporting

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

Note 11. Accumulated profits

Accumulated profit at the beginning of the financial year	514,371	490,446
Net profit after income tax	69,010	61,827
Less dividends paid	(37,903)	(37,903)
Accumulated profit at the end of the financial year	545,478	514,371

Notes to the financial statements (continued)

	2018 \$	2017 \$
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Note 12. Dividends paid on ordinary shares

Franked dividends (10 cents per share) (2017: 10 cents per share)	37,903	37,903
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Note 13. Franking credit balance

Franking account balance as at end of the financial year	306,478	294,237
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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	(31,080)	(20,720)
	20,720	31,080

Note 16. Leasing commitments

Finance lease commitments payable

Not later than one year	402	4,682
Later than one year but not later than five years	-	402

Note 17. Earnings per share

Earnings used in calculating basic and diluted earnings per share	69,010	61,827
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	
	2018	2017	Within 1 Year		1 to 5 Years		2018	2017
			2018	2017	2018	2017		
Financial assets								
Cash at bank	171,639	179,815						
Receivables							82,276	82,441
Total financial assets	171,639	179,815					82,276	82,441
Financial liabilities								
Payables								
Hire purchase			402	4,682	-	402		
Total financial liabilities			402	4,682	-	402	-	-

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.

Note 19. Events after the reporting period

There are no other matter or circumstance that have arisen since 30 June 2018 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

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 2018 and of the performance for the year ended on that date of the company;
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Timothy Kubale
Chairperson

Date: 14 August 2018

Independent audit report



Accountants and Advisors

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

Opinion

We have audited the financial report of Neerim District Financial Services Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2018 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEERIM DISTRICT FINANCIAL SERVICES LIMITED (CONTINUED)

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Company determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NEERIM DISTRICT FINANCIAL SERVICES LIMITED (CONTINUED)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Kidmans Partners Audit Pty Ltd
ABN: 46 143 986 841

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

John Petridis
Director

Dated 18th September 2018

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