



# Annual Report 2019

Neerim District Financial Services  
Limited

Neerim District **Community Bank** Branch

ABN 46 091 832 923

# Contents

---

<b>Chairman's report</b>	<b>2</b>
<b>Manager's report</b>	<b>3</b>
<b>Bendigo and Adelaide Bank report</b>	<b>4</b>
<b>Directors' report</b>	<b>5</b>
<b>Auditor's independence declaration</b>	<b>10</b>
<b>Financial statements</b>	<b>11</b>
<b>Notes to the financial statements</b>	<b>15</b>
<b>Directors' declaration</b>	<b>25</b>
<b>Independent audit report</b>	<b>26</b>
<b>Funds statement</b>	<b>28</b>

# Chairman's report

---

For year ending 30 June 2019



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

I am pleased to report a return to after-tax profit of \$63,120 for the financial year ending 30 June 2019. This is the result of the commendable performance of our **Community Bank** branch and the revenues it generates by the business of its loyal customer base many of whom are of course shareholders.

Whilst our branch staff continue to provide a high quality service to our customers, the current financial services environment, post the Royal Commission into banking, increases the degree of difficulty in growing the bank's business.

This environment makes it all the more critical that members of our local community make banking with our **Community Bank** branch their first consideration to ensure we are able to earn the revenue that funds the contributions we make back into the various local causes, for the benefit of the people of the Neerim District.

Our Branch Manager, Brendan O'Brien has continued to strive for the growth in our business and has again 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.

Brendan could not have achieved these results without the ongoing valuable support from our branch staff who continue to strive to maximise the satisfaction of our customers.

We take pride in the knowledge that, through the support we receive from our customers, we were able to facilitate the return of 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 the \$3 million milestone. Shareholders should continue to be proud of the contribution your company makes to this community.

We are thankful to the ongoing support of our business partner, Bendigo and Adelaide Bank Limited who continue to provide quality ongoing support and enable us to focus on delivering the best results we can.

I'd like to thank the efforts of Bruce and Bec in their respective Board support roles and look forward to their continued assistance.

I am also thankful for the efforts of your Board who continue to perform their governance duties with the utmost care and diligence. As a Board we endeavour to ensure the value of the funds that we have at our disposal are utilized to the maximum benefit for the local community.

We welcome the addition of two new Directors to the Board, Bruce MacDougall and Alison Cleary who both bring skillsets that will enhance the Board's overall capabilities.

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 5.0 cents per share.

This dividend is fully-franked and is available to all shareholders on our register as at 29 October 2019. Dividend payment will be made in December 2019.

**Tim Kubale**  
**Chairman**

# Manager's report

---

For year ending 30 June 2019



It is with pleasure that I present my fifth financial report as Branch Manager for the year ending 30 June 2019 on behalf of the Neerim District **Community Bank** Branch.

The last 12 months has seen another successful year with the branch increasing its balance sheet by \$10.914 million to finish the year with an overall balance of \$143.510 million of funds under management. This is a very solid result given the competitive and challenging market in which we operate.

Our lending book grew by \$3.365 million to \$64.220 million, deposits grew by \$6.006 million to \$67.277 million, and other business grew by \$1.541 million to \$8.671 million.

Overall, I am very proud of our team and the results achieved for the 2018/19 year both in overall growth and profitability. Results like these cannot be achieved without the support of our customers.


Most importantly results such as these over the last 19 years has meant we have been able to generate over \$3 million in profits which have been directly contributed back to the community via grants, sponsorships, scholarships and dividends.

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 success as we continue to enjoy and strengthen our relationships.

A special thank you and congratulations to the staff of Maureen, Karen, Donna and Jenny for their dedication, enthusiasm and commitment in providing the best possible service to our customers. Their support is truly valued and appreciated.

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

We look forward to another successful and rewarding year ahead.

A handwritten signature in black ink, consisting of several loops and a final horizontal stroke.

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

# Bendigo and Adelaide Bank report

---

For year ending 30 June 2019

As a Bank of 160-plus years, we're proud to hold the mantle of Australia's fifth biggest bank. In today's banking environment it's time to take full advantage of this opportunity and for even more people to experience banking with Bendigo Bank and our way of banking, and with our **Community Bank** partners.

In promoting our point of difference it's sometimes lost that although we're different, we're represented in more than 500 communities across Australia and offer a full suite of banking and financial products and services. In many ways we're also a leader in digital technology and meeting the needs of our growing online customer base, many of whom may never set foot in a traditional bank branch.

At the centre of our point of difference is the business model you chose to support as a shareholder that supports local communities. Whether you're a shareholder of our most recent **Community Bank** branch which opened in Smithton, Tasmania, in June 2019, or you're a long-time shareholder who, from more than 20 years ago, you all play an important role. Your support has enabled your branch, and this banking model, to prosper and grow. You're one of more than 75,000 **Community Bank** company shareholders across Australia who are the reason today, we're Australia's only bank truly committed to the communities it operates in.

And for that, we thank you. For the trust you've not only put in Bendigo and Adelaide Bank, but the faith you've put in your community and your **Community Bank** company local Board of Directors.

Bendigo and Adelaide Bank continues to rank at the top of industry and banking and finance sector awards. We have awards for our customer service, we have award winning products and we have a customer base that of 1.7 million-plus that not only trusts us with their money, but which respects our 'difference'.

As a Bank, we're working hard to ensure that those who are not banking with us, and not banking with your **Community Bank** branch, make the change. It really is a unique model and we see you, the shareholder, as playing a key role in helping us grow your local **Community Bank** business. All it takes is a referral to your local Branch Manager. They'll do the rest.

We find that our customer base is a very loyal group. It's getting people to make the change that's the challenge. In today's environment, we've never had a better chance to convince people to make the change and your support in achieving this is critical.

From Bendigo and Adelaide Bank, once again, thank you for your ongoing support of your **Community Bank** branch and your community.

We would also like to thank and acknowledge the amazing work of your branch staff and Directors in developing your business and supporting the communities that you live and work in.



**Mark Cunneen**  
**Head of Community Support**  
**Bendigo and Adelaide Bank**

# Directors' report

---

For the financial year ended 30 June 2019

The Directors present their report on the company for the financial year ending 30 June 2019.

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



**Mr Timothy Peter Kubale**

Chairman/Director

Age: 47

Appointed Director: 27 January 2014

Occupation: Builder

Experience and expertise: Timothy Kubale was appointed a Director on 27 January 2014. Tim is a builder by occupation and is the owner of a large construction company in Warragul – Kubale Constructions. Tim brings to the Board, management and business acumen. Tim is a local, residing on a property in Rokeby with his family.

Board Committees: Executive Committee, HR Committee, Finance Committee



**Mr Peter Bain**

Deputy Chair/Director

Age: 47

Appointed Director: 27 October 2011

Occupation: Retail Business Owner

Experience and expertise: Peter Bain was appointed as a Director in October 2011 and then as Deputy Chair in October 2018. Peter and his family moved to Neerim South in 2009 and own and run the local I.G.A Supermarket. Peter has over 25 years' experience in grocery retailing and has a keen interest in supporting community organisations. Peter is Chair of the Boards' Community Investment & Marketing Committee.

Board Committees: Community Investment and Marketing Committee, Finance Committee



**Mrs Susan Mary Allen**

Director

Age: 66

Appointed Director: 16 November 2004

Occupation: Retired

Experience and expertise: Mrs Susan Allen was appointed a Director on 16 November 2004, and has, over the years been Treasurer and Deputy Chairperson of the Board. Susan is retired and enjoys road tripping around with her husband in their caravan. Susan has resided in Neerim South almost 40 years and has been actively involved in numerous community groups in that time.



## Directors' report (continued)

---

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



**Mrs Jennifer Lynne Prout**

Director

Age: 67

Appointed Director: 25 October 2012

Occupation: Primary School Principal

Experience and expertise: Ms Jennie Prout was appointed a Director on 25 October 2012. Jennie is the Principal of the Neerim South Primary School. She has been employed by the Department of Education and Early Childhood Development since 1974. Jennie has been a school principal for more than 24 years at Hallora, Longwarry and Neerim South primary Schools respectively. Jennie also makes up part of the Boards' H.R & Governance Committee.

Board Committees: HR and Governance Committee



**Dr Benton Ross Smith**

Director

Age: 46

Appointed Director: 1 December 2015

Occupation: Veterinary Surgeon

Experience and expertise: Ben was appointed as a Director on 1 December 2015. Ben is a veterinary Surgeon and Principal at the West Gippsland Veterinary Clinic in Warragul. Ben has lived in the area for many years and currently resides in Lardner with his wife and two children. Ben has a keen interest in the community and business development. Ben is part of the Boards' H.R and Governance Committee.

Board Committees: HR and Governance Committee



**Mr Adam Sheehan**

Director

Age: 45

Appointed Director: 18 April 2017

Occupation: Business entrepreneur

Experience and expertise: Adam Sheehan is a business entrepreneur, having developed multiple businesses revolved around the snow season, on and off Mount Baw Baw over the past 20 years. Adam has grown up in Neerim South and is well known in the community. Adam joined the Board in December 2017. He is actively involved in the Neerim District Junior Football Club and Basketball Club. He is also renowned locally for his musical talents and performs regularly at local venues. Adam is part of the Boards Finance Committee.

Board Committees: Finance Committee

## Directors' report (continued)

---

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



**Mr Matt Cumming**

Director

Age: 42

Appointed Director: 28 November 2017

Occupation: Self-employed Builder

Experience and expertise: Matt Cumming was appointed as a Director in December 2017. Matt was born and bred in Neerim South and runs his own building company, Cumming Builders. Matt has been involved in the Neerim South Football Netball Club for many years as a player, committee member and currently as Club President. Matt is passionate about the community and its future. Matt is part of the Boards' Community Investment and Marketing Committee.

Board Committees: Investment and Marketing Committee



**Mrs Rebecca Ladds**

Director

Age: 47

Appointed Director: 23 July 2018

Occupation: Community engagement officer

Experience and expertise: Rebecca Ladds was appointed a Director in December 2018. Rebecca has lived in Neerim South with her husband and two sons for almost eight years and was secretary of the Neerim South Football Netball Club for six years. Rebecca has run several of her own businesses over the past 20 years and is now the Community Engagement Officer for Neerim District Financial Services. Rebecca is part of the Boards Community Investment & Marketing Committee.

Board Committees: Community Investment and Marketing Committee



**Mr Bruce MacDougall**

Director

Age: 57

Appointed Director: 1 June 2019

Occupation: Company secretary and Executive Officer

Experience and expertise: Bruce joined Neerim District Financial Services at the end of 2017 as Company Secretary and Executive Officer. Bruce is a C.P.A and comes to us with over 35 years' experience in the Financial Services Industry including many years as CFO of a number of financial institutions. Bruce was recently appointed as a Director and brings a wealth of knowledge to our business. Bruce and his wife reside in Neerim South on a farm they have had for nine years. Bruce is part of the Board's Community Investment & Marketing Committee.

Board Committees: Community Investment & Marketing Committee



## Directors' report (continued)

---

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



**Mrs Alison Cleary**

Director

Age: 45

Appointed Director: 27 August 2019

Occupation: Customer experience manager

Experience and expertise: Alison was appointed as a Director in August 2019. Alison has lived in Neerim South for over 20 years with her partner and has two teenage daughters. Alison has been involved in many community groups over the years, including the Kinder, Tennis Club and Basketball Club. Alison brings to the Board over 17 years' experience at a major financial institution. Alison is also a member of the Community Investment & Marketing Committee.

Board Committees: Community Investment & 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 \$63,120 (2018: \$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, 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	9	8
S. Allen	2004	9	6
A. Sheehan	2017	9	7
M. Cumming	2017	9	6
P. Bain	2011	9	8
B. Smith	2015	9	8
B. MacDougall **	2019	1	1
J. Prout	2012	9	6
R. Ladds *	2018	8	8

Notes to meetings table

\* Rebecca Ladds was appointed as a Director 23 July 2018

\*\* Bruce MacDougall was appointed as a Director 1 June 2019

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 Pty Ltd

Signed in accordance with a resolution of the Board of Directors



**Timothy Kubale**  
**Chairperson**

Date: 10 September 2019

# Auditor's independence declaration



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 2019, 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 2019 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 2019 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.

### 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.

Kidmans Partners Audit Pty Ltd

Suite 4, 255 Whitehorse Road, Balwyn,  
Victoria, Australia 3103

Postal Address: P.O. Box 718, Balwyn,  
Victoria, Australia 3103

T (613) 9836 2900 F (613) 9836 5233 ABN 46 143 986 841 [www.kidmanspartners.com.au](http://www.kidmanspartners.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# Financial statements

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
<b>Revenue</b>			
Income from operations		962,284	919,871
Interest received		216	1,551
Dividends received		1,262	1,168
Trust distributions received		64,358	58,447
		<b>1,028,120</b>	<b>981,037</b>
<b>Expenses</b>			
Borrowing costs		171	79
Employee benefit expenses		421,931	426,808
Depreciation		6,658	8,801
Amortisation of franchise fee		10,360	10,360
General administration		177,454	179,979
Leasing costs		12,910	14,502
Audit services		2,860	2,720
Advertising and promotion		68,532	80,038
Occupancy costs		113,217	113,063
		<b>814,093</b>	<b>836,350</b>
<b>Profit before income tax &amp; Community Enterprise Foundation™</b>		<b>214,027</b>	<b>144,687</b>
Community Enterprise Foundation™		127,273	50,000
Income tax	4	23,634	25,677
<b>Net profit after income tax</b>		<b>63,120</b>	<b>69,010</b>
<b>Earnings per share (cents per share)</b>			
- basic for the period (cents)		16.65	18.21
- diluted for the period (cents)		16.65	18.21

The accompanying notes form part of this financial report

## Financial statements (continued)

### Statement of Financial Position as at 30 June 2019

	Notes	2019 \$	2018 \$
<b>Current assets</b>			
Cash assets	6	310,643	171,639
Receivables		79,950	82,276
Other		134,627	63,974
<b>Total current assets</b>		<b>525,220</b>	<b>317,889</b>
<b>Non - current assets</b>			
Intangibles	15	10,360	20,720
Plant and equipment	2	39,543	25,691
Deferred tax asset	4	16,301	12,302
Other financial assets	3	637,351	636,089
<b>Total non - current assets</b>		<b>703,555</b>	<b>694,802</b>
<b>Total assets</b>		<b>1,228,775</b>	<b>1,012,691</b>
<b>Current liabilities</b>			
Payables		174,789	35,090
Provisions	5	22,090	17,350
Interest - bearing liabilities		7,174	402
<b>Total current liabilities</b>		<b>204,053</b>	<b>52,842</b>
<b>Non - current liabilities</b>			
Provisions	5	41,599	34,049
Deferred tax liability	4	1,770	1,298
Interest - bearing liabilities		14,576	
<b>Total non - current liabilities</b>		<b>57,945</b>	<b>35,347</b>
<b>Total liabilities</b>		<b>261,998</b>	<b>88,188</b>
<b>Net assets</b>		<b>966,777</b>	<b>924,503</b>
<b>Members funds</b>			
Contributed equity		379,025	379,025
Accumulated profits	11	587,752	545,478
<b>Total members' funds</b>		<b>966,777</b>	<b>924,503</b>

The accompanying notes form part of this financial report

# Financial statements (continued)

## Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
<b>Cashflow from operating activities</b>			
Receipts from customers		1,062,254	1,012,098
Payments to suppliers and employees		(807,792)	(905,597)
Interest received		229	2,215
Amounts paid to ato		(61,321)	(47,007)
Income taxes paid		(29,732)	(27,267)
<b>Net cash provided by operating activities</b>	<b>7</b>	<b>163,638</b>	<b>34,442</b>
<b>Cash flow from investing activities</b>			
Payment for property, plant and equipment		(28,951)	(545)
Proceeds from sale of non - current assets		8,636	-
Payment for additional units		-	(50,000)
Trust distribution received		64,358	58,447
<b>Net cash used in investing activities</b>		<b>44,043</b>	<b>7,902</b>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		(215,353)	(12,617)
Borrowing costs		(456)	-
Proceeds from borrowings		167,978	-
Payment of dividends on ordinary shares	12	(20,846)	(37,903)
<b>Net cash used in financing activities</b>		<b>(68,677)</b>	<b>(50,520)</b>
Net increase/(decrease) in cash held		139,004	(8,176)
Cash at the beginning of the financial year		171,639	179,815
<b>Cash and cash equivalents at the end of the financial year</b>	<b>6</b>	<b>310,643</b>	<b>171,639</b>

The accompanying notes form part of this financial report



## Financial statements (continued)

---

### Statement of Changes in Equity for the year ended 30 June 2019

	Note	Contributed equity \$	Retained earnings \$	Total equity \$
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)
<b>At 30 June 2018</b>		<b>379,025</b>	<b>545,478</b>	<b>924,503</b>
At 1 July 2018		379,025	545,478	924,503
Net profit/ for the period		-	63,120	63,120
Dividends provided for or paid		-	(20,846)	(20,846)
<b>At 30 June 2019</b>		<b>379,025</b>	<b>587,752</b>	<b>966,777</b>

The accompanying notes form part of this financial report

# Notes to the financial statements

---

For year ended 30 June 2019

## 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 2018.

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%

### **(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.

# Notes to the financial statements (continued)

---

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

### **(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**

Cash and cash equivalents includes cash on hand, deposits at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **(f) Revenue**

Revenue is recognised at an amount that reflects the consideration to which the Entity is expected to be entitled in exchange for transferring goods or services with the customer. For each contract with a customer the Entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

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

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 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.

### **(c) Cash**

For the purposes of the Statement of Cash Flows, 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)

### **(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.

# Notes to the financial statements (continued)

---

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

### **(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.

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.

### **(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.

## Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 2. Plant and equipment</b>		
Plant and equipment at cost	101,993	98,276
Less provision for depreciation	(62,450)	(72,585)
	<b>39,543</b>	<b>25,691</b>
Reconciliations of written - down value of plant & equipment		
Balance at beginning of year	25,691	33,947
Additions	28,952	545
Disposals	(8,637)	-
Loss on sale of assets	195	-
Depreciation expense	(6,658)	(8,801)
<b>Balance at end of year</b>	<b>39,543</b>	<b>25,691</b>

## Note 3. Other financial assets

Bendigo Bank Shares	17,951	16,689
Neerim District Property Developments Units	619,400	619,400
	<b>637,351</b>	<b>636,089</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%	23,857	26,039
Adjust for tax effect:		
Timing differences deductible when incurred		
Provision for holiday pay, LSL and accrued expenses	4,167	1,910
Prepayments	(476)	495
Timing differences assessable when received		
Accrued interest	4	183
Deductible permanent differences		
Other	(392)	(363)
	<b>27,161</b>	<b>28,264</b>
Movement in deferred tax asset	(3,999)	(1,910)
Movement in deferred tax liability	472	(677)
<b>Income tax expense</b>	<b>23,634</b>	<b>25,677</b>



## Notes to the financial statements (continued)

	2019 \$	2018 \$
Note 4. Income tax expense (continued)		
Deferred tax asset		
Accrued expenses	585	599
Accrued Superannuation	315	388
Provision for holiday pay	3,962	1,950
Provision for long service leave	11,439	9,365
	<b>16,301</b>	<b>12,302</b>
<b>Movement in deferred tax asset charged to statement of comprehensive income</b>	<b>3,999</b>	<b>1,909</b>
Deferred tax liability		
Accrued interest	-	3
Prepaid insurance	1,770	1,295
	<b>1,770</b>	<b>1,298</b>
<b>Movement in deferred tax liability charged to statement of comprehensive income</b>	<b>472</b>	<b>678</b>

## Note 5. Provisions

### Current

Income tax payable	7,684	10,256
Annual leave	14,406	7,094
	<b>22,090</b>	<b>17,350</b>

### Non - current

<b>Long service leave</b>	<b>41,599</b>	<b>34,049</b>
---------------------------	---------------	---------------

Average number of employees	9	9
-----------------------------	---	---

## 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>310,643</b>	<b>171,639</b>
---------------------	----------------	----------------

## Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 7. Cash flow information</b>		
Reconciliation of cash flow from operation with operating profit / loss		
Operating profit	63,120	69,010
Dividend reinvestment plan	(1,262)	(1,168)
Trust distribution received	(64,358)	(58,447)
Profit on sale of property, plant and equipment	(195)	-
Non - Cash flows in operating results		
- Depreciation	6,658	8,801
- Amortisation	10,360	10,360
- Borrowing costs written off	171	79
- Hire purchase charges	72	147
Changes in Assets and Liabilities		
(Increase) / Decrease in receivables	2,339	829
(Increase) / Decrease in prepayments	(1,729)	1,799
Increase / (Decrease) in creditors	139,699	332
Increase / (Decrease) in provisions	14,861	4,291
Increase / (Decrease) in income tax payable	(2,572)	996
(Increase) / Decrease in deferred tax assets	(3,999)	(1,909)
Increase / (Decrease) in deferred tax liabilities	472	(678)
<b>Net cash provided by operating activities</b>	<b>163,638</b>	<b>34,442</b>

## Note 8. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

### Director - Related Entities

Secretarial services provided by Anthony Allen & Associates.	-	21,360
--	---	--------

Mr A Allen is the spouse of Mrs Susan Allen (Director).

Supplies provided by Neerim South Supermarket.	5,881	5,432
--	-------	-------

Mr P Bain is the principal in this entity.

Secretarial services provided by Mr Bruce MacDougall.	19,927	-
---	--------	---

Secretarial services provided by Ms Rebecca Ladds	20,484	-
---	--------	---

## Notes to the financial statements (continued)

---

### Note 8. Related party transactions (continued)

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.

	2019 \$	2018 \$
--	------------	------------

### Note 9. Related party relationship

Neerim District Financial Services Limited 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.

Units held in Neerim District Property Developments Unit Trust	619,400	619,400
--	---------	---------

---

### 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	545,478	514,371
Net profit after income tax	63,120	69,010
Less dividends paid	(20,846)	(37,903)
<b>Accumulated profit at the end of the financial year</b>	<b>587,752</b>	<b>545,478</b>

---

### Note 12. Dividends paid on ordinary shares

Franked dividends (5.50 cents per share) (2018: 10 cents per share)	20,846	37,903
---	--------	--------

---

### Note 13. Franking credit balance

Franking account balance as at end of the financial year	328,303	306,478
--	---------	---------

---

### Note 14. Company details

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

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

## Notes to the financial statements (continued)

	2019 \$	2018 \$
<b>Note 15. Intangibles</b>		
Franchise Fee at cost	51,800	51,800
Less Amortisation	(41,440)	(31,080)
	<b>10,360</b>	<b>20,720</b>

## Note 16. Leasing commitments

Finance lease commitments payable		
Not later than one year	7,174	402
Later than one year but not later than five years	14,576	-

## Note 17. Earnings per share

Earnings used in calculating basic and diluted earnings per share	63,120	69,010
Weighted average number of shares for basic and diluted earnings per share	379,025	379,025

## Note 18. Financial instruments

	Ave Rate	Floating Interest Rate		Fixed Interest Rate				Non-Interest Bearing	
		2019	2018	Within 1 Year		1 to 5 Years		2019	2018
				2019	2018	2019	2018		
<b>Financial assets</b>									
Cash at bank	2.00%	310,643	171,639						
Receivables								79,950	82,276
<b>Total financial assets</b>		<b>310,643</b>	<b>171,639</b>					<b>79,950</b>	<b>82,276</b>
<b>Financial liabilities</b>									
Payables									
Hire purchase	3.99%			7,174	402	14,576	-		
<b>Total financial liabilities</b>				<b>7,174</b>	<b>402</b>	<b>14,576</b>	<b>-</b>	<b>-</b>	<b>-</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.

## Notes to the financial statements (continued)

---

### Note 18. Financial instruments (continued)

#### **(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 2019 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 2019 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: 10 September 2019



# 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 2019, 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 2019 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 2019 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.

### 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.

Kidmans Partners Audit Pty Ltd

Suite 4, 255 Whitehorse Road, Balwyn,  
Victoria, Australia 3103

Postal Address: P.O. Box 718, Balwyn,  
Victoria, Australia 3103

T (613) 9836 2900 F (613) 9836 5233 ABN 46 143 986 841 [www.kidmanspartners.com.au](http://www.kidmanspartners.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

# Independent audit report (continued)

---



Accountants and Advisors

---

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

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.

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



John Petridis  
Director

Dated: 23 September 2019

# Funds statement

As at 30 June 2019

	2019 \$
<b>Income</b>	
Trust distribution	64,358
Dividends received	1,262
Income from operations	961,399
Interest received	216
Other income	3,000
<b>Total income</b>	<b>1,030,235</b>
<b>Expenses</b>	
Agent commision	24
Advertising & promotion	68,310
Amortisation	10,360
Audit	2,860
Borrowing costs	171
Depreciation	6,658
Employee costs	414,907
General administration	154,016
Interest	26
Leasing costs	35,684
Occupancy costs	113,217
Workers compensation	10
Dividends paid	20,846
<b>Total expenses</b>	<b>827,089</b>
Net cash profit	203,145
<b>Addbacks</b>	
Advertising	68,310
Ammortisation	10,360
Trust distribution -	64,358
Borrowing costs	171
Depreciation	6,658
Mv repayments	1,322
<b>Total cash profit excluding advertising, CEF</b>	<b>225,609</b>

Neerim District **Community Bank** Branch  
143 – 145 Main Neerim Road, Neerim South VIC 3831  
Phone: 5628 1079 Fax: 5628 1089  
Email: [ndfs@ndfs.com.au](mailto:ndfs@ndfs.com.au)

Franchisee: Neerim District Financial Services Limited  
143 – 145 Main Neerim Road, Neerim South VIC 3831  
Phone: 5628 1079 Fax: 5628 1089  
ABN: 46 091 832 923  
Email: [ndfs@ndfs.com.au](mailto:ndfs@ndfs.com.au)

Annual Report 2019  
Neerim District Financial Services Limited

[www.bendigobank.com.au/neerim](http://www.bendigobank.com.au/neerim)  
[www.facebook.com/www.facebook.com/neerimdistrictcommunitybankbranch](https://www.facebook.com/www.facebook.com/neerimdistrictcommunitybankbranch)  
(BNPAR19019) (10/19)



[bendigobank.com.au](http://bendigobank.com.au)

