

Annual Report 2020

Neerim District Financial
Services Limited

Community Bank
Neerim District

ABN 46 091 832 923



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Chairman's report

For year ending 30 June 2020



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

I am pleased to report a return to after-tax profit of \$96,798 for the financial year ending 30 June 2020. This is the result of the commendable performance of our Community Bank 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 second half of the past year has been a challenging one for our community and our branch. We have faced increased cleaning, infrastructure costs and new processes to meet the needs of the pandemic and yet our staff have kept the branch open and operating.

More than ever it is so important for members of our local community to make banking with our Community Bank 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. We face challenging months ahead but we are confident in our model and the support we already get from the broader community.

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 \$100,000 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 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. During the course of the last year we re-signed our franchise agreement with the Bendigo and Adelaide Bank Limited for a further seven years.

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 utilised to the maximum benefit for the local community. We welcome the addition of a new Director to the Board, Sabina Wakefield who brings great 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 4.25 cents per share. This dividend is fully-franked and is available to all shareholders on our register as at 8 December 2020. Dividend payment will be made in January 2021.

A handwritten signature in black ink, appearing to read 'Tim Kubale', written over a white background.

Tim Kubale
Chairman

Manager's report

For year ending 30 June 2020



It is with pleasure that I present my sixth financial report as Branch Manager for the year ending 30 June 2020 on behalf of the Community Bank Neerim District.

The last 12 months has seen another successful year with the branch increasing its balance sheet by \$3.103 million to finish the year with an overall balance of \$146.613 million of funds under management. This is a very solid result given the competitive and challenging market in which we operate and of course the demands placed on us throughout the pandemic restrictions.

Our lending book grew by \$1.257 million to \$65.477 million, deposits grew by \$4.061 million to \$74.679 million, while other business sits at \$6.456 million a reduction of \$2.215 million as a result of the sale of the Bendigo's financial planning business to Bridges during this financial year.

Overall, I am very proud of our team and the results achieved for the 2019/20 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 20 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 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 especially given the unusual challenges we have faced since the beginning of 2020.

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 long horizontal stroke, positioned above the printed name.

Brendan O'Brien
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2020

In the 20-plus years since the opening of the very first Community Bank branch, it's fair to say we haven't seen a year quite like 2020.

After many years of drought, the 2019 calendar year ended with bushfires burning across several states. A number of our Community Bank companies were faced with an unprecedented natural disaster that impacted lives, homes, businesses and schools in local communities.

As fires took hold, Bendigo and Adelaide Bank's head office phones started to ring, emails came in from all over the world and our customers, and non-customers, headed into our branches to donate to an appeal that we were still in the process of setting up.

Our reputation as Australia's most trusted bank and the goodwill established by 321 Community Bank branches across the country meant that people instinctively knew that Bendigo, and our Community Bank partners, would be there to help. An appeal was established and donations were received in branch and online from 135,000 donors from all around the world. More than \$45 million was donated.

Just as the fires had been extinguished and the Bank's foundation was working with government, not-for-profit organisations and impacted communities to distribute donations, the global COVID-19 pandemic arrived.

The impact of this pandemic was, and continues to be, more than about health. The impacts are far-reaching and banking is not immune. Your support as a shareholder, and a customer, of your local Community Bank company has never been so important.

You should be proud of your investment in your local Community Bank company. As the Australian workforce had to adjust its way of working, your Community Bank branch staff were classified as essential workers and turned up for work every day throughout the pandemic to serve your local customers.

Your Community Bank company, led by your local Directors, were committed to supporting local economies. Often it was the little things like purchasing coffees and meals from local cafes, not only for their branch staff but for other essential workers (teachers, nurses, hospital support staff, ambulance and police officers and aged care workers). This not only supported essential workers also supported many local businesses when they needed it the most.

What we've discovered in 2020 is that in times of crisis, Australia's Community Bank network has unofficially become Australia's 'second responder'. Local organisations and clubs look to their local Community Bank companies not only for financial assistance, but to take the lead in connecting groups and leading the community through a crisis.

So, what does this all mean? For Bendigo and Adelaide Bank, it reinforces the fact that you are a shareholder of a unique and caring company – run by locals to benefit not only your community but those in need.

As Australia's 5th largest bank with more than 1.9 million customers we are proud to partner with your community.

If 2020 has shown us anything, it's that we're stronger for the partnerships we have with the communities we operate in.

On behalf of Bendigo and Adelaide Bank, we thank all of our Community Bank company Directors and shareholders and your branch staff and customers for your continued support throughout the year.



Mark Cunneen
Head of Community Support
Bendigo and Adelaide Bank

Directors' report

For the financial year ended 30 June 2020

The Directors present their report on the company for the financial year ending 30 June 2020.

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



Mr Timothy Peter Kubale

Chairman / Director

Age: 48

Appointed Director: 25 February 2014

Occupation: Builder

Experience and expertise: Tim Kubale 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: HR Committee



Ms Rebecca Ladds

Director*

Age: 48

Appointed Director: 23 July 2018

Occupation: Administration

Experience and expertise: 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 was the Community Engagement Officer for Neerim District Financial Services Limited.

Board Committees: Community Investment and Marketing Committee



Mrs Susan Mary Allen

Director*

Age: 67

Appointed Director: 16 November 2004

Occupation: Retired

Experience and expertise: Mrs Susan Allen was appointed to the Board in 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 30 years and has been actively involved in numerous community groups in that time.

Board Committees: Executive Committee, Finance Committee

Directors' report (continued)

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



Mr Peter Bain

Director

Age: 48

Appointed Director: 27 October 2011

Occupation: Retail Business Owner

Experience and 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: 68

Appointed Director: 25 October 2012

Occupation: Primary School Principal

Experience and expertise: Principal of the Neerim South Primary School. Jennie has been employed by the Department of Education and early Childhood Development since 1974. Jennifer has been a Principal for more than 24 years having previously served as Principal at Hallora and Longwarry Primary Schools.

Board Committees: HR and Governance Committee



Dr Benton Ross Smith

Director

Age: 47

Appointed Director: 1 December 2015

Occupation: Veterinary Surgeon

Experience and 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: HR and Governance Committee



Mr Adam Sheehan

Director*

Age: 46

Appointed Director: 18 April 2017

Occupation: Business entrepreneur

Experience and 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 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.

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 Bruce MacDougall

Director

Age: 58

Appointed Director: 1 June 2019

Occupation: Company Secretary and Executive Officer

Experience and expertise: Bruce is a CPA 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 that they have had for nine years.

Board Committees: Finance Committee, Marketing Committee



Mr Matt Cumming

Director

Age: 43

Appointed Director: 28 November 2017

Occupation: Self - employed Builder

Experience and expertise: Matt 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 and currently club president. Matt has had his own building business for over twenty years. Matt is passionate about community and its future.

Board Committees: Investment and Marketing Committee



Ms Alison Cleary

Director

Age: 46

Appointed Director: 27 August 2019

Occupation: Customer Experience Manager

Experience and expertise: Alison has lived in Neerim South for over 20 years with her partner and two teenage daughters. Alison has been involved in many community groups over the years including Kinder, Tennis Club and Basketball Club. She brings to the Board over 17 years experience at a major financial institution. She contributes significantly to the wonderful outcomes that the Neerim District community enjoys.

Board Committees: Investment and Marketing Committee

* Resigned during the financial year

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 \$96,798 (2019: \$63,120)
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.

Directors' report (continued)

6. The impact of the Coronavirus (COVID-19) pandemic is ongoing and while the results for the company have been financially positive up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided. No other matter or circumstance has arisen since 30 June 2020 that has significantly affected or may significantly affect the company's operations, the results of those operations or the company's state of affairs 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 Community Bank Neerim District. There is no requirement to own BEN shares and there is no qualification period to qualify to utilize the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders.
12. No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the company with a Director, a firm of which a Director is a member, or an company 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, 10 meetings of Directors were held. Attendances by each Director were as follows:

	Directors meetings		
	Board member since	Number eligible to attend	Number attended
T. Kubale	2014	10	9
S. Allen **	2004	6	6
A. Sheehan ***	2017	3	3
M. Cumming	2017	10	4
P. Bain	2011	10	9
B Smith	2015	10	7
B. MacDougall	2019	10	10
J. Prout	2012	10	6
A. Cleary *	2019	10	10
R. Ladds ****	2018	7	6

Directors' report (continued)

13. During the financial year, 10 meetings of Directors were held. Attendances by each Director were as follows: (continued)

Notes to meetings table

- * Alison Cleary was appointed as a Director on 27 August 2019
- ** Susan Allen resigned as a Director on 31 January 2020
- *** Adam Sheehan resigned as a Director on 29 October 2019
- **** Rebecca Ladds resigned as a Director on 26 March 2020

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: 30 October 2020

Auditor's independence declaration



Accountants and Advisors

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been:

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

KIDMANS PARTNERS AUDIT PTY LTD

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

John Petridis
Director

Melbourne, 30 October 2020

Kidmans Partners Audit Pty Ltd

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Victoria, Australia 3103

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Liability limited by a scheme approved under Professional Standards Legislation.

Financial statements

Statement of Comprehensive Income for the year ended 30 June 2020

	Note	2020 \$	2019 \$
Revenue			
Income from operations		936,984	962,284
Interest received		-	216
Dividends received		1,271	1,262
Trust distributions received		72,370	64,358
Government income		36,021	-
		1,046,646	1,028,120
Expenses			
Borrowing costs		171	171
Employee benefit expenses		463,500	421,931
Depreciation		112,466	6,658
Amortisation		10,360	10,360
General administration		185,154	177,454
Leasing costs		14,236	12,910
Audit services		6,090	2,860
Advertising and promotion		66,336	68,532
Occupancy costs		3,950	113,217
		862,263	814,093
Profit before income tax & Community Enterprise Foundation™		184,383	214,027
Community Enterprise Foundation™		63,637	127,273
Income tax	5	23,948	23,634
Net profit after income tax		96,798	63,120
Earnings per share (cents per share)			
- basic for the period (cents)		25.54	16.65
- diluted for the period (cents)		25.54	16.65

The accompanying notes form part of this financial report

Financial statements (continued)

Statement of Financial Position as at 30 June 2020

	Note	2020 \$	2019 \$
Current assets			
Cash assets	7	47,415	310,643
Receivables		85,842	79,950
Other		58,235	134,627
Total current assets		191,492	525,220
Non - current assets			
Intangibles	16	-	10,360
Plant and equipment	2	36,051	39,543
Deferred tax asset	5	17,447	16,301
Right of use asset	3	349,723	
Other financial assets	4	923,259	637,351
Total non - current assets		1,326,480	703,555
Total assets		1,517,972	1,228,775
Current liabilities			
Payables		42,404	174,789
Provisions	6	16,946	22,090
Lease Liability	18	109,091	
Interest - bearing liabilities		7,466	7,174
Total current liabilities		175,907	204,053
Non - current liabilities			
Provisions	6	43,270	41,599
Deferred tax liability	5	1,922	1,770
Lease Liability	18	247,948	-
Interest - bearing liabilities		7,110	14,576
Total non - current liabilities		300,250	57,945
Total liabilities		476,157	261,998
Net assets		1,041,815	966,777
Members funds			
Contributed equity		379,025	379,025
Accumulated profits	12	662,790	587,752
Total members' funds		1,041,815	966,777

The accompanying notes form part of this financial report

Financial statements (continued)

Statement of Cash Flows for the year ended 30 June 2020

	Note	2020 \$	2019 \$
Cashflow from operating activities			
Receipts from customers		1,061,573	1,062,254
Payments to suppliers and employees		(1,079,751)	(807,792)
Interest received		-	229
Amounts paid to ATO		(55,323)	(61,321)
Income taxes paid		(29,071)	(29,732)
Net cash provided by operating activities	8	(102,572)	163,638
Cash flow from investing activities			
Payment for property, plant and equipment		(9,282)	(28,951)
Proceeds from sale of non - current assets		-	8,636
Trust Distribution received		72,370	64,358
Net cash used in investing activities		63,088	44,043
Cash flow from financing activities			
Repayment of borrowings		(7,886)	(215,353)
Borrowing costs		-	(456)
Proceeds from borrowings		(197,007)	167,978
Payment of dividends on ordinary shares	13	(18,851)	(20,846)
Net cash used in financing activities		(223,744)	(68,677)
Net increase/(decrease) in cash held		(263,228)	139,004
Cash at the beginning of the financial year		310,643	171,639
Cash and cash equivalents at the end of the financial year	7	47,415	310,643

The accompanying notes form part of this financial report

Financial statements (continued)

Statement of Changes in Equity for the year ended 30 June 2020

	Issued capital \$	Retained earnings \$	Total equity \$
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)
At 30 June 2019	379,025	587,752	966,777
At 1 July 2019	379,025	587,752	966,777
Opening adjustment for adoption of AASB 16		(2,909)	(2,909)
Net profit/ for the period	-	96,798	96,798
Dividends provided for or paid	-	(18,851)	(18,851)
At 30 June 2020	379,025	662,790	1,041,815

The accompanying notes form part of this financial report

Notes to the financial statements

For year ended 30 June 2020

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 company has adopted all the amendments to Australian Accounting Standards issued by the Australian Accounting Standards Board, which are relevant to and effective for the company's financial statements for the annual year beginning 1 July 2019.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach as at 1 July 2019 and as such the comparatives have not been restated. Refer note 17.

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 company. The company has decided not to early adopt any new or amended pronouncements.

(b) Significant accounting judgement, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgement and estimated will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) Pandemic

Judgement has been exercised in considering the impacts that the coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic).

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(b) Significant accounting judgement, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Employee benefits provision

As discussed in note 1, 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.

(c) Plant and Equipment - Estimation of useful lives of assets

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%

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charges will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

(d) Provision for impairment

The company 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 (refer note 1(b)).

(e) 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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(e) Current and non-current classification (continued)

All other liabilities are classified as non-current.

(f) 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.

(g) Revenue

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services with the customer. For each contract with a customer the company: 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

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)

(h) 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.

(i) 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.

(j) Leases

(i) Prior to 1 July 2019

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

Finance Leases

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

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

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(j) Leases (continued)

(ii) From 1 July 2019

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(k) 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.

(l) 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 utilised:

- 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 utilised.

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.

Notes to the financial statements (continued)

Note 1. Statement of significant accounting policies (continued)

(l) Income Tax (continued)

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.

(n) 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.

(o) 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.

Note 2. Plant and equipment

	Note	2020 \$	2019 \$
Plant and equipment at cost		105,883	101,993
Less: Accumulated depreciation		(69,832)	(62,450)
		36,051	39,543
Reconciliations of written - down value of plant & equipment			
Balance at beginning of year		39,543	25,691
Additions		9,282	28,952
Disposals		-	(8,637)
Loss on sale of assets		(229)	195
Depreciation expense		(12,545)	(6,658)
Balance at end of year		36,051	39,543

Note 3. Right-of-use asset

Land and buildings - right-of-use		499,604	-
Less: Accumulated depreciation		(149,881)	-
		349,723	-

Note 4. Other financial assets

Bendigo Bank Shares - at fair value		19,221	17,951
Neerim District Property Developments Units - at cost	10	619,400	619,400
Loan - Neerim District Property Developments Unit Trust		284,637	-
		923,259	637,351

Notes to the financial statements (continued)

	2020 \$	2019 \$
Note 5. 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%	33,205	23,857
Adjust for tax effect:		
Timing differences deductible when incurred		
Provision for holiday pay, LSL and accrued expenses	977	4,167
Prepayments	(151)	(476)
Timing differences assessable when received		
Accrued interest	-	4
Deductible permanent differences		
Other	817	(392)
Cashflow Boost	(9,906)	
	24,942	27,161
Movement in deferred tax asset	(1,146)	(3,999)
Movement in deferred tax liability	151	472
Income tax expense	23,948	23,634
Deferred tax asset		
Accrued expenses	1,087	585
Accrued Superannuation	779	315
Provision for holiday pay	3,682	3,962
Provision for long service leave	11,899	11,439
	17,447	16,301
Movement in deferred tax asset charged to statement of comprehensive income	(1,146)	3,999
Deferred tax liability		
Prepaid insurance	1,922	1,770
	1,922	1,770
Movement in deferred tax liability charged to statement of comprehensive income	151	472

Note 6. Provisions

Current

Income tax payable	3,555	7,684
Annual leave	13,391	14,406
	16,946	22,090

Non - Current

Long service leave	43,270	41,599
Average number of employees	7	9

Notes to the financial statements (continued)

Note 7. 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:

	2020 \$	2019 \$
Cash at Bank	47,415	310,643

Note 8. Cash flow information

Reconciliation of cash flow from operation with operating profit / loss

Operating profit	96,798	63,120
Dividend reinvestment plan	(1,271)	(1,262)
Trust distribution received	(72,370)	(64,358)
Profit /Loss on sale of property, plant and equipment	229	(195)
Non - Cash flows in operating results		
- Depreciation	12,545	6,658
- Amortisation	10,360	10,360
- Borrowing costs written off	171	171
- Hire purchase charges	712	72
- Adjustment due to accounting for AASB16	4,407	-
Changes in Assets and Liabilities		
(Increase) / Decrease in receivables	(5,893)	2,339
(Increase) / Decrease in prepayments	(550)	(1,729)
Increase / (Decrease) in creditors	(143,244)	139,699
Increase / (Decrease) in provisions	656	14,861
Increase / (Decrease) in income tax payable	(4,128)	(2,572)
(Increase) / Decrease in deferred tax assets	(1,146)	3,999
Increase / (Decrease) in deferred tax liabilities	151	472
Net cash provided by operating activities	(102,572)	163,638

Note 9. 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.

	2020 \$	2019 \$
Director - Related Entities		
Supplies provided by Neerim South Supermarket.	6,983	5,881
Mr P Bain is a Director in this company.		
Secretarial services provided by Mr Bruce MacDougall.	18,198	19,927
Secretarial services provided by Ms Rebecca Ladds	14,110	20,484

Neerim District Financial Services Ltd 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 Community Bank Neerim District. 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.

Notes to the financial statements (continued)

Note 10. 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.

	2020 \$	2019 \$
Units held in Neerim District Property Developments Unit Trust	619,400	619,400

Note 11. Segment reporting

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

Note 12. Accumulated profits

	2020 \$	2019 \$
Accumulated profit at the beginning of the financial year	587,752	545,478
Opening adjustment for adoption of AASB16	(2,909)	-
Net profit after income tax	96,798	63,120
Less dividends paid	(18,851)	(20,846)
Accumulated profit at the end of the financial year	662,790	587,752

Note 13. Dividends paid on ordinary shares

Franked dividends (5 cents per share) (2019: 10 cents per share)	18,851	20,846
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Note 14. Franking credit balance

Franking account balance as at end of the financial year	350,224	328,303
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Note 15. 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 16. Intangibles

Franchise Fee at cost	51,800	51,800
Less Amortisation	(51,800)	(41,440)
	-	10,360

Note 17. Leasing commitments

Finance lease commitments payable		
Not later than one year	7,466	7,174
Later than one year but not later than five years	7,110	14,576
	14,576	21,750

Notes to the financial statements (continued)

Note 18. New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not be restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	2020 \$	2019 \$
Operating lease commitments as at 1 July 2019 (AASB 117)	545,455	-
Operating lease commitments discount based on the weighted average incremental borrowing rate of 3% (AASB 16)	(45,851)	-
Accumulated depreciation (AASB 16)	(149,881)	-
Right - of - use assets (AASB 16)	349,723	-
Lease liabilities - current (AASB 16)	109,091	-
Lease liabilities - non - current (AASB 16)	247,948	-

Note 19. Earnings per share

Earnings used in calculating basic and diluted earnings per share	96,798	63,120
Weighted average number of shares for basic and diluted earnings per share	379,025	379,025

Note 20. 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:

	Ave rate	Floating interest rate		Fixed interest rate				Non-interest bearing	
		2020	2019	Within 1 year		1 To 5 years		2020	2019
				2020	2019	2020	2019		
Financial assets									
Cash at bank	2.0%	47,415	310,643						
Receivables								85,842	79,950
Total financial assets		47,415	310,643					85,842	79,950
Financial liabilities									
Payables								31,547	174,789
Lease liability								357,039	-
Hire purchase	4.0%			7,466	7,174	7,110	14,576		
Total financial liabilities				7,466	7,174	7,110	14,576	388,586	174,789

Notes to the financial statements (continued)

Note 20. Financial instruments (continued)

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 21. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while the results for the company have been financially positive up to 30 June 2020, it is not practicable to estimate the potential impact, positive impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependant on measures imposed by the Australian Government, such as maintaining, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected or may significantly affect the company's operation, results or 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 2020 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: 30 October 2020

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 2020, 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 2020 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 2020 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.

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**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

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

John Petridis
Director

Dated: 30 October 2020

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