



2021 Annual Report



Neerim District Financial Services Limited

ABN 46 091 832 923

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Chairman's report

For year ending 30 June 2021



As another memorable year draws to a close, I am pleased to report Community Bank Neerim District in Neerim South had a good year. We continue to support groups across the district to make significant contributions to the community they live in.

2021 was the 21st anniversary of Community Bank Neerim District – we have successfully operated with terrific staff delivering an important service to bank customers and local businesses alike. The importance of a local bank is significant in retaining confidence and keeping people shopping locally. It is recognised that people who are forced to leave a district to do their banking tend to shop where they bank.

Low interest rates are good for some in the community and for others such as self-funded retirees they make life more challenging. At Community Bank Neerim District, we face reduced income levels because of low interest rates and their subsequent effect on consumer activity. The Board of Neerim District Financial Services Limited are regularly reviewing our business model to ensure we remain at the forefront of delivering to our community and can deal with what is a changing and challenging financial environment.

I congratulate our staff on delivering an essential service to our customers during the COVID-19 restrictions we all faced in 2020 and 2021. They have kept the branch open and functioning with their usual happy and professional demeanour. 2022 will be a different year again and we look forward to delivering to you, an essential local service and as a result helping our community grow and develop.

We urge you to tell your friends about banking locally and the benefits to the community you live in.

A handwritten signature in black ink, appearing to read 'Bruce MacDougall'. The signature is fluid and cursive, with a long, sweeping tail.

Bruce MacDougall
Chairman

Manager's report

For year ending 30 June 2021



Once again it is my pleasure to present my seventh financial report as Branch Manager for the year ending 30 June 2021 on behalf of Community Bank Neerim District.

This year has seen many hurdles and successes with the branch increasing its balance sheet by \$5.585 million to finish the year with an overall balance of \$152.198 million of funds under management. A 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 reduced by \$1.303 million and our deposits grew by \$7.288 million, while other business sits at \$4.353 million.

Behind these results achieved for the 2020/21 year are a great team of dedicated staff and results like these cannot be achieved without the support of our customers.

Our growth over the last 21 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.

A huge thank you to all those customers and shareholders who choose to bank locally and help achieve such positive outcomes for our community. Please tell our story to your family and friends, and remind them that just by banking with us, you make a difference in the communities in which we live.

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 2021.

Recognition and thanks must also go to our 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 2021

On behalf of Bendigo and Adelaide Bank, thank you! As a shareholder of your local Community Bank company, you are playing an important role in supporting your community.

It has been a tumultuous year for every community across Australia, and across the world. For our business, recognition that banking is an essential service has meant that we've kept the doors open, albeit with conditions that none of us could ever imagine having to work with.

Face masks, perspex screens, signed documents to cross state borders, checking in customers with QR codes and ensuring hand sanitiser stations are filled aren't what you would expect as a bank employee.

Then there's the fact that while communities have been, and continue to go in and out of lockdown, digital and online banking has become the norm.

So, what does that mean for Bendigo Bank and the Community Bank that you are invested in both as a shareholder, and a customer?

What we're seeing is that your Community Bank is still as important, if not more so, than when you first invested as a shareholder. If the pandemic has taught us anything, it has taught us the importance of place, of our local community, our local economy, our community-based organisations, the importance of social connection and the importance of your local Community Enterprise – your Community Bank in providing, leadership, support, and assistance in these difficult times.

As we continue to adapt to this rapidly changing world one thing that continues to be important to us all is supporting each other and our strong sense of community.

Your continued support as a shareholder is essential to the success of your local community. Thank you for continuing to back your Community Bank company and your community.



Collin Brady

Head of Community Development

Directors' report

For the financial year ended 30 June 2021

The Directors present their report on the Company for the financial year ending 30 June 2021.

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



Mr Bruce MacDougall

Chairman / Director

Age: 59

Appointed Director: 01 June 2019

Occupation: Company secretary and Executive Officer

Experience & Expertise: 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 that they have had for 9 years.



Mr Timothy Peter Kubale

Director

Age: 49

Appointed Director: 25 February 2014

Occupation: Builder

Experience & 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:

Executive Committee

HR Committee

Finance Committee



Mr Peter Bain

Director

Age: 49

Appointed Director: 27 October 2011

Occupation: Retail Business Owner

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

Board Committees:

Community Investment and Marketing Committee

Finance Committee



Dr Benton Ross Smith

Director

Age: 48

Appointed Director: 1 December 2015

Occupation: Veterinary Surgeon

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

Board Committees:

HR and Governance Committee

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: 69

Appointed Director: 25 October 2012

Occupation: Primary School Principal

Experience & Expertise: Principal of the Neerim South Primary School. Jennie has been employed by the Department of Education and Early Childhood Department since 1974. Ms. Prout has been a principal for more than 24 years having previously served as Principal at Hallora and Longwarry Schools.

Board Committees:

Finance Committee



Ms Alison Cleary

Director

Age: 47

Appointed Director: 27 August 2019

Occupation: Customer Experience Manager

Experience & 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



Ms Sabina Wakefield

Director

Age: 61

Appointed Director: 01 October 2020

Occupation: Lawyer

Experience & Expertise: Sabina Wakefield is a lawyer who combines years of experience with deep local engagement and community participation. Sabina studied law at ANU and then began her working life at Maurice Blackburn in Melbourne, later moving to the Victorian Department of Public Prosecution. She moved to Neerim South in 1993 and soon after started work at M Davine and Co. Sabina became involved in multiple local sporting and community groups. After establishing Wakefield and Co legal practice in Warragul, she joined forces with Anthony Vogrig in 2003 to create a new and dynamic legal team that quickly became the largest legal practice in West Gippsland. After 26 years of local practice Sabina has gained a committed local following. Sabina retired as a Partner of the firm on 30 June 2020 and continues to work regularly within the firm as a Consultant.

1. 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 Ltd.

3. The net profit after income tax of the Company for the financial year was \$104,034 (2020: \$96,798)

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. 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 2021, 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 2021 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.

Directors' report (continued)

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 shareholders.

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

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

13. During the financial year, 8 meetings of Directors were held. Attendances by each Director were as follows:-

| | Board Member Since | Directors Meetings | |
|-------------------|--------------------|---------------------------|-----------------|
| | | Number Eligible To Attend | Number Attended |
| B. MacDougall *** | 2019 | 8 | 8 |
| T. Kubale | 2014 | 8 | 7 |
| M. Cumming ** | 2017 | 8 | 0 |
| P. Bain | 2011 | 8 | 6 |
| B Smith | 2015 | 8 | 7 |
| J. Prout | 2012 | 8 | 8 |
| A. Cleary | 2019 | 8 | 8 |
| S. Wakefield * | 2021 | 5 | 4 |

Notes to Meetings Table

* Sabina Wakefield was appointed as a director on 01st October 2020

** Matt Cumming resigned as a director on 11th February 2021

*** Bruce MacDougall was appointed as the chairman on 02nd February 2021

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

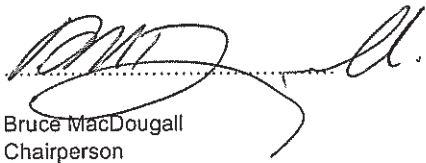
Directors' report (continued)

Auditor's Independence Declaration

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

Kidmans Partners Pty Ltd

Signed in accordance with a resolution of the Board of Directors



Bruce MacDougall
Chairperson

Date:

10/11/21

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 2021 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, 10 November 2021

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

Liability limited by a scheme approved under Professional Standards Legislation.

Financial statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2021 \$ | 2020 \$ |
|---|------|-----------------------|----------------------|
| REVENUE | | | |
| Income from operations | | 890,264 | 936,984 |
| Dividends received | | 821 | 1,271 |
| Trust distributions received | | 78,502 | 72,370 |
| Government income | | 49,541 | 36,021 |
| | | <u>1,019,127</u> | <u>1,046,646</u> |
| EXPENSES | | | |
| Borrowing costs | | 101 | 171 |
| Employee benefit expenses | | 479,276 | 463,500 |
| Depreciation | | 9,047 | 12,545 |
| Amortisation | | 112,989 | 110,281 |
| General administration | | 217,065 | 185,154 |
| Leasing costs | | 15,130 | 14,236 |
| Audit services | | 3,425 | 6,090 |
| Advertising and promotion | | 52,451 | 66,337 |
| Occupancy costs | | 5,146 | 3,950 |
| | | <u>894,629</u> | <u>862,263</u> |
| PROFIT BEFORE INCOME TAX & COMMUNITY ENTERPRISE FOUNDATION | | 124,498 | 184,383 |
| Community enterprise foundation | | - | 63,636 |
| Income tax | 4 | <u>20,464</u> | <u>23,948</u> |
| NET PROFIT AFTER INCOME TAX | | <u>104,034</u> | <u>96,798</u> |
| Earnings per share (cents per share) | | | |
| - basic for the period (cents) | | 27.45 | 25.54 |
| - diluted for the period (cents) | | 27.45 | 25.54 |

The accompanying notes form part of this financial report

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

| | Note | 2021 \$ | 2020 \$ |
|--|------|------------------|------------------|
| CURRENT ASSETS | | | |
| Cash assets | 6 | 51,580 | 47,415 |
| Receivables | | 75,388 | 85,842 |
| Other | | 284,907 | 58,235 |
| TOTAL CURRENT ASSETS | | 411,875 | 191,492 |
| NON - CURRENT ASSETS | | | |
| Intangibles | 15 | 52,272 | - |
| Plant and equipment | 2 | 27,004 | 36,051 |
| Deferred tax asset | 4 | 17,585 | 17,447 |
| Right to use asset | 17 | 249,802 | 349,723 |
| Other financial assets | 3 | 813,833 | 923,259 |
| TOTAL NON - CURRENT ASSETS | | 1,160,496 | 1,326,480 |
| TOTAL ASSETS | | 1,572,371 | 1,517,972 |
| CURRENT LIABILITIES | | | |
| Payables | | 54,700 | 42,404 |
| Provisions | 5 | 53,277 | 16,946 |
| Lease Liability | 17 | 109,091 | 109,091 |
| Interest - bearing liabilities | | 7,110 | 7,466 |
| Franchise Fee Payable | | 13,068 | - |
| TOTAL CURRENT LIABILITIES | | 237,245 | 175,907 |
| NON - CURRENT LIBAILITIES | | | |
| Provisions | 5 | 11,053 | 43,270 |
| Deferred tax liability | 4 | 1,526 | 1,922 |
| Lease Liability | 17 | 149,568 | 247,948 |
| Interest - bearing liabilities | | - | 7,110 |
| Franchise Fee Payable | | 43,237 | - |
| TOTAL NON - CURRENT LIABILITIES | | 205,384 | 300,250 |
| TOTAL LIABILITIES | | 442,630 | 476,157 |
| NET ASSETS | | 1,129,741 | 1,041,815 |
| MEMBERS FUNDS | | | |
| Contributed equity | | 379,025 | 379,025 |
| Accumulated profits | 11 | 750,716 | 662,790 |
| TOTAL MEMBERS' FUNDS | | 1,129,741 | 1,041,815 |

The accompanying notes form part of this financial report

**STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

| | Note | 2021 \$ | 2020 \$ |
|---|----------|-------------------------|-------------------------|
| CASHFLOW FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | | 1,039,282 | 1,061,573 |
| Payments to suppliers and employees | | (904,765) | (1,079,751) |
| Interest received | | - | - |
| Amounts paid to ATO | | (26,084) | (55,323) |
| Income taxes paid | | (21,239) | (29,071) |
| Net cash provided by operating activities | 7 | <u>87,194</u> | <u>(102,572)</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Payment for property, plant and equipment | | - | (9,282) |
| Payment franchise fee | | (9,035) | - |
| Trust Distribution received | | 78,502 | 72,370 |
| Loan | | (50,000) | - |
| Net cash used in investing activities | | <u>19,467</u> | <u>63,088</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Repayment of borrowings | | (7,886) | (7,886) |
| Borrowing costs | | - | - |
| Proceeds from borrowings | | (78,502) | (197,007) |
| Payment of dividends on ordinary shares | 12 | (16,109) | (18,851) |
| Net cash used in financing activities | | <u>(102,496)</u> | <u>(223,744)</u> |
| Net increase/(decrease) in cash held | | 4,164 | (263,228) |
| Cash at the beginning of the financial year | | 47,415 | 310,643 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR | 6 | <u>51,580</u> | <u>47,415</u> |

The accompanying notes form part of this financial report

Financial statements (continued)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

| | Note | Contributed Equity \$ | Retained Earnings \$ | Total Equity \$ |
|---|------|-----------------------------|----------------------------|-------------------------|
| At 1 July 2019 | | 379,025 | 587,753 | 966,778 |
| Opening adjustment for adoption of AASB 1 | | - | (2,909) | (2,909) |
| Net profit/ for the period | | | 96,798 | |
| Dividends provided for or paid | | <u>-</u> | <u>(18,851)</u> | <u>(18,851)</u> |
| At 30 June 2020 | | <u>379,025</u> | <u>662,791</u> | <u>1,041,816</u> |
| | | | | |
| At 1 July 2020 | | 379,025 | 662,791 | 1,041,816 |
| Net profit/ for the period | | - | 104,034 | 104,034 |
| Dividends provided for or paid | | <u>-</u> | <u>(16,109)</u> | <u>(16,109)</u> |
| At 30 June 2021 | | <u>379,025</u> | <u>750,716</u> | <u>1,129,741</u> |

The accompanying notes form part of this financial report

Notes to the financial statements

For the year ended 30 June 2021

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 2020.

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) 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)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(d) 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.

(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.

All other liabilities are classified as non-current.

Notes to the financial statements (continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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)

(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

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)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 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.

Notes to the financial statements (continued)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income Tax (continued)

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.

(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.

| | 2021 \$ | 2020 \$ |
|--|------------------|------------------|
| 2. PLANT AND EQUIPMENT | | |
| Plant and equipment at cost | 105,883 | 105,883 |
| Less provision for depreciation | <u>(78,879)</u> | <u>(69,832)</u> |
| | 27,004 | 36,051 |
| Reconciliations of written - down value of plant & equipment | | |
| Balance at beginning of year | 36,051 | 39,543 |
| Additions | - | 9,282 |
| Disposals | - | - |
| Loss on sale of assets | - | (229) |
| Depreciation expense | <u>(9,047)</u> | <u>(12,545)</u> |
| Balance at end of year | <u>27,004</u> | <u>36,051</u> |
| 3. RIGHT-OF USE ASSET | | |
| Land and buildings - right-of-use | 499,604 | 499,604 |
| Less: Accumulated depreciation | <u>(249,802)</u> | <u>(149,881)</u> |
| | <u>249,802</u> | <u>349,723</u> |
| 3. OTHER FINANCIAL ASSETS | | |
| Bendigo Bank Shares | 19,796 | 19,221 |
| Neerim District Property Developments Units | 619,400 | 619,400 |
| Loan - Neerim District Property Developments Unit Trust | <u>174,637</u> | <u>124,637</u> |
| | 813,833 | 763,259 |

The investment is reported to state it is the company's intention to revalue its unit holdings as at 30 June 2022.

Notes to the financial statements (continued)

| | 2021 \$ | 2020 \$ |
|---|---------------|----------------|
| 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 26% | 32,370 | 33,205 |
| Adjust for tax effect: | | |
| Timing differences deductible when incurred | | |
| Provision for holiday pay, LSL and accrued expenses | 1,218 | 977 |
| Prepayments | 291 | 151 |
| Timing differences assessable when received | | |
| Accrued interest | - | - |
| Deductible permanent differences | | |
| Other | - | 817 |
| Cashflow Boost | (12,881) | (9,906) |
| | 20,997 | 24,942 |
| Movement in deferred tax asset | (138) | (1,146) |
| Movement in deferred tax liability | (395) | 151 |
| Income tax expense | <u>20,464</u> | <u>23,948</u> |
| Deferred tax asset | | |
| Accrued expenses | 775 | 1,087 |
| Accrued Superannuation | 946 | 779 |
| Provision for holiday pay | 2,539 | 3,682 |
| Provision for long service leave | 13,325 | 11,899 |
| | <u>17,585</u> | <u>17,447</u> |
| Movement in deferred tax asset charged to statement of comprehensive income | <u>(138)</u> | <u>(1,146)</u> |
| Deferred tax liability | | |
| Prepaid insurance | 1,526 | 1,922 |
| | <u>1,526</u> | <u>1,922</u> |
| Movement in deferred tax liability charged to statement of comprehensive income | <u>(395)</u> | <u>151</u> |

Notes to the financial statements (continued)

| | 2021 \$ | 2020 \$ |
|-----------------------------|---------------|---------------|
| 5. PROVISIONS | | |
| Current | | |
| Income tax payable | 3,313 | 3,555 |
| Annual leave | 9,767 | 13,391 |
| Long Service Leave | 40,196 | |
| | <u>53,277</u> | <u>16,946</u> |
| Non - Current | | |
| Long service leave | 11,053 | 43,270 |
| Average number of employees | 7 | 7 |

Currently eligible employee benefits are reported as current liabilities even though no eligible employee has expressed any plans to take some or all of that leave within the next year.

6. CASH

Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | | |
|--------------|---------------|---------------|
| Cash at Bank | <u>51,580</u> | <u>47,415</u> |
|--------------|---------------|---------------|

7. CASH FLOW INFORMATION

Reconciliation of cash flow from operation with operating profit / loss

| | | |
|---|---------------|------------------|
| Operating profit | 104,034 | 96,798 |
| Dividend reinvestment plan | (821) | (1,271) |
| Trust distribution received | (78,502) | (72,370) |
| Profit /Loss on sale of property, plant and equipment | - | 229 |
| Non - Cash flows in | | |
| - Depreciation | 9,047 | 12,545 |
| - Amortisation | 13,068 | 10,360 |
| - Borrowing costs written off | 101 | 171 |
| - Hire purchase charges | 420 | 712 |
| - Adjustment due to accounting for AASB16 | - | 4,407 |
| Changes in Assets and Liabilities | | |
| (Increase) / Decrease in receivables | 10,455 | (5,893) |
| (Increase) / Decrease in prepayments | 1,118 | (550) |
| Increase / (Decrease) in creditors | 24,693 | (143,244) |
| Increase / (Decrease) in provisions | 4,356 | 656 |
| Increase / (Decrease) in income tax payable | (242) | (4,128) |
| (Increase) / Decrease in deferred tax assets | (138) | (1,146) |
| Increase / (Decrease) in deferred tax liabilities | (395) | 151 |
| Net cash provided by operating activities | <u>87,194</u> | <u>(102,572)</u> |

Notes to the financial statements (continued)

8. RELATED PARTY TRANSACTIONS

2021
\$

2020
\$

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

Supplies provided by Neerim South Supermarket.
Mr P Bain is a director in this entity.

2,786

6,983

Secretarial services provided by Mr Bruce MacDougall.

-

18,198

Secretarial services provided by Ms Rebecca Ladds

-

14,110

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 Neerim District Community Bank®. There is no requirements to own BEN shares and there is no qualification period to qualify to utilise the benefits. The package mirrors the benefits currently available to Bendigo and Adelaide Bank shareholders.

9. RELATED PARTY RELATIONSHIP

Neerim District Financial Services Ltd is the sole unitholder in Neerim District Property Developments Unit Trust. The purpose of Neerim District Property Developments Unit Trust is to own the land and building for the bank branch.

Units held in Neerim District Property Developments Unit Trust

619,400

619,400

Notes to the financial statements (continued)

| | 2021 \$ | 2020 \$ |
|--|-----------------|-----------------|
| 10. SEGMENT REPORTING | | |
| The company operates in the service sector where it conducts a Community Bank in the Neerim South area of Gippsland in Victoria. | | |
| 11. ACCUMULATED PROFITS | | |
| Accumulated profit at the beginning of the financial year | 662,790 | 587,752 |
| Opening adjustment for adoption of AASB16 | - | (2,909) |
| Net profit after income tax | 104,034 | 96,798 |
| Less dividends paid | <u>(16,109)</u> | <u>(18,851)</u> |
| Accumulated profit at the end of the financial year | <u>750,716</u> | <u>662,790</u> |
| 12. DIVIDENDS PAID ON ORDINARY SHARES | | |
| Franked dividends (2021: 4 cents per share) (2020: 5 cents per share) | 16,109 | 18,851 |
| 13. FRANKING CREDIT BALANCE | | |
| Franking account balance as at end of the financial year | 358,929 | 350,224 |
| 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. | | |
| 15. INTANGIBLES | | |
| Franchise Fee at cost | 65,340 | 51,800 |
| Less Amortisation | <u>(13,068)</u> | <u>(51,800)</u> |
| | 52,272 | - |
| 16. LEASING COMMITMENTS | | |
| Finance lease commitments payable | | |
| Not later than one year | 7,110 | 7,466 |
| Later than one year but not later than five years | <u>-</u> | <u>7,110</u> |
| | 7,110 | 14,576 |

Notes to the financial statements (continued)

| | 2021 | 2020 |
|--|------|------|
| | \$ | \$ |

16. LEASE LIABILITIES

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 the 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 methods. 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.

17. 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:

| | | |
|---|------------------|------------------|
| | \$ | \$ |
| Operating lease commitments as at 1 July 2019 (AASB 117) | 545,455 | 545,455 |
| Operating lease commitments discount based on the weighted average incremental borrowing rate of 3% (AASB 16) | (45,851) | (45,851) |
| Accumulated depreciation a (AASB 16) | <u>(249,802)</u> | <u>(149,881)</u> |
| Right - of - use assets (AASB 16) | <u>249,802</u> | <u>349,723</u> |
| Lease liabilities - current (AASB 16) | 109,091 | 109,091 |
| Lease liabilities - non - current (AASB 16) | 149,568 | 247,948 |

18. EARNINGS PER SHARE

| | | |
|--|---------|---------|
| Earnings used in calculating basic and diluted earnings per share | 104,034 | 96,798 |
| Weighted average number of shares for basic and diluted earnings per share | 379,025 | 379,025 |

Notes to the financial statements (continued)

19. 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 | | Fixed Interest Rate | | | | Non-Interest Bearing | |
|------------------------------------|-------------|-------------------|---------------|---------------------|--------------|--------------|--------------|----------------------|----------------|
| | | 2021 | 2020 | Within 1 Year | | 1 to 5 Years | | 2021 | 2020 |
| | | | | 2021 | 2020 | 2021 | 2020 | | |
| Financial Assets | | | | | | | | | |
| Cash at bank | 2.00% | 51,580 | 47,415 | | | | | | |
| Receivables | | | | | | | | 75,388 | 85,842 |
| Total Financial Assets | | <u>51,580</u> | <u>47,415</u> | | | | | <u>75,388</u> | <u>85,842</u> |
| Financial Liabilities | | | | | | | | | |
| Payables | | | | | | | | 54,150 | 42,404 |
| Lease Liability | | | | | | | | 258,659 | 357,039 |
| Hire Purchase | 3.99% | | | 7,110 | 7,466 | - | 7,110 | | |
| Total Financial Liabilities | | | | <u>7,110</u> | <u>7,466</u> | <u>-</u> | <u>7,110</u> | <u>312,809</u> | <u>399,443</u> |

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

20. EVENTS AFTER THE REPORTING

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 2021, 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 2021 that has significantly affected or may significantly affect the company's operation, results or state of affairs in future financial years.

Directors' declaration

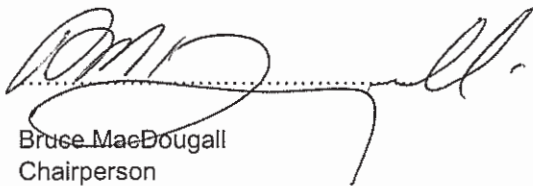
The directors of the company declare that:

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 2021 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.



Bruce MacDougall
Chairperson

Date:

10/11/21

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 2021, 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 2021 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 2021 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

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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 rectangular background.

John Petridis
Director

Dated: 10 November 2021

Community Bank · Neerim District

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Web: bendigobank.com.au/neerim



[/communitybankneerimdistrict](https://www.facebook.com/communitybankneerimdistrict)

Franchisee:

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(BNPAR21024) (12/21)

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