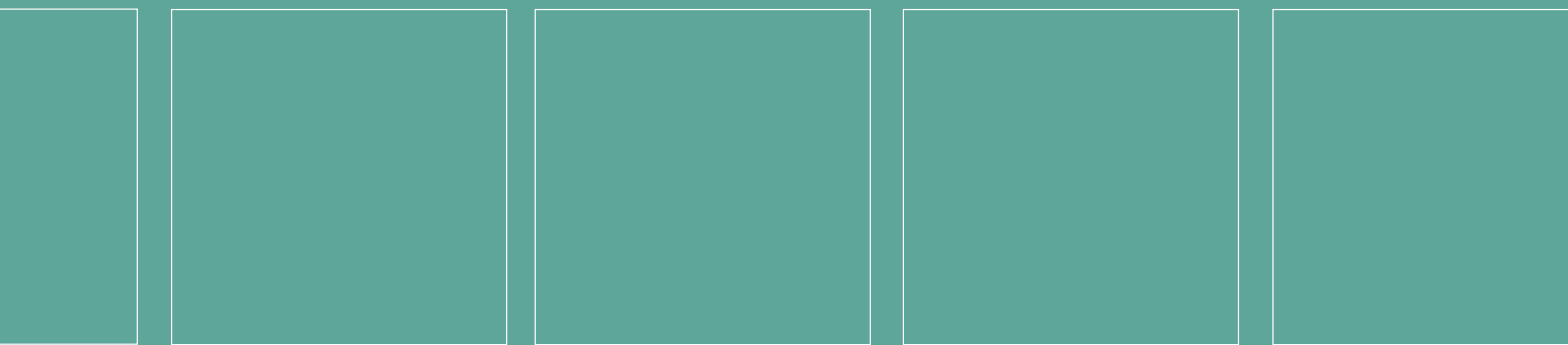


2008
annualreport



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Aims and Objectives

Adopted 2 March 2000

Aim

To assist the economic development of the Neerim District communities in the Baw Baw Shire through direct investment in long-term service provision and infrastructure projects, working in co-operation with the community, government and commercial enterprise.

Objectives

To provide a full banking service, focused on quality customer service, based on long-term banking relationships within the community.

Chairman's report

For year ending 30 June 2008

Dear Shareholders,

I am happy to report that despite the most challenging period in banking and finance since the late 1980's, we have met and exceeded budgeted book growth. This is an amazing effort from Alan, Maureen and all the staff at the branch. The share market collapse that began in November 2007 and has built in size ever since, has had an enormous effect on the distribution of funds between banks and other investment vehicles. Lending is generally regressed as confidence in the economy wanes and businesses decide to consolidate, rather than expand. Investment tends to turn away from the stock market and "managed investment funds", back to cash, bank deposits and real estate. Not only did we meet our budgeted growth target for the financial year, we also retained the balance of our banking book. This I have told you in the past is imperative if we are to earn the most money possible from our banking book.

Alan and the staff at the branch have done an exceptional job in lifting the banks ratings in terms of quality control and performance results. Russell Carrick, the Regional Manager for the Bendigo Bank Gippsland has attended several of our Board meetings in the last financial year and has passed on Bendigo Bank's appreciation for the hard work of everyone at the branch.

In terms of the numbers, here is a brief summary:

- Gross income has increased from \$590,984 to \$642,788
 - An increase of \$52,000 or 8.76%
- Employee costs have increased from \$225,893 to \$266,432
 - An increase of \$40,000 or 17.95%
 - Part of this is simply due to a change in accounting standards which now require us to show the potential Long Service Leave entitlements of all staff. This was approximately \$6,000 or 3%
 - The balance is due to cost of living increases in wages in general as well as the scaling up of staff qualifications to allow further expansion of the banking book
- General administration costs increased from \$108,896 to \$118,860
 - An increase of \$10,000 or 9.15%
 - This was due in part to the role of book keeper being now undertaken by WHK Armitage Downie, after the loss of Bob Southgate (Treasurer) to the Board. This equated to \$4000
 - The balance of the increase was due to general price increases for other services

Chairman's report continued

- Advertising and promotion has increased from \$30,280 to \$66,258
 - An increase of \$36,000 or 118%
 - This needs to be viewed in conjunction with an item further down the Profit & Loss Statement called "Market Development". Due to the change in the way the communities share of the profit was distributed, the mix of these two accounts should be viewed together
 - The combined value has decreased from \$175,000 to \$146,000
 - This is reflective of the Boards decision to start to retain some of the profit from the next few years so that we are clearly using the previous years profit for the shareholders and the community, rather than the current years profit.
 - The three major items that are included in the above figure are the Neerim District Music Festival, The Neerim District Soldiers Memorial Hospital and the Community Enterprise Foundation. These totaled in excess of \$60,000. The balance has been distributed across most community groups in the district including programs run at our schools and our sporting grounds. A special mention goes to the Powelltown community who repaid the branch's support of their sporting club by shifting their banking business to our branch
- The Net Profit before income tax and before the combined advertising and promotion has actually increased from \$197,342 to \$200,070
 - An increase of \$3,000 or 1.4%.
 - This may not sound like much, however given the complete upheaval that the banking and finance sector has been through of late, it is an excellent result. One of which both the Board and the staff are proud of!

One of the major initiatives that the Board has undertaken, in conjunction with Bendigo Bank and the State Government, is the "Youth Foundation Victoria – Neerim District". We have committed to supply funding of \$35,000 per annum for the next three years; this amount is matched and doubled by the State Government to \$70,000 per annum, giving total funding of \$105,000 per annum for three years. Berry Street has been appointed as the lead agency to oversee the employment of the youth worker and the ongoing supervision of the program.

We see this as an essential service to provide for the youth of the district in terms of their development and the access to resources that they would otherwise have to source from other parts of the community.

Once again my congratulations to the staff of our branch. They have had to be at the front line of the fall out from the Stock Market collapse and have regularly provided reassurance as well as quality products to assist our customers. Allen has now integrated himself fully into our community and the branch is seeing the benefits of this. Allen is a regular attendee of school functions, community groups and sporting events. Please feel free to speak to him about how Bendigo Bank can help you.

To our shareholders, thank you for your support of myself and the Board in the management of your Company and it's funds. The best way you could recognise the work that your Board does on your behalf, would be to become a member. We have several vacant positions for anyone interested in being a part of a profitable and dynamic Company. Financial services skills are not needed. The only thing you need to have

Chairman's report continued

is general life experiences and a desire to help your community grow and prosper in the most tangible way possible. I have often found that it is the person least likely to be on such a Board that has the most to bring to the table. Different points of view and experiences are the things that help the Board to accurately represent our community. I hope some of you will consider taking up a position as your input would be most welcome. To the existing Board I thank you for the effort that you have put in above and beyond the call due to the lack of numbers. Special thanks to our Company Secretary for the enormous workload that he carries and we are currently trying to employ some assistance for him.



Paul Bright CA
Chairman

Manager's report

For year ending 30 June 2008

The past year has proven to be a challenging year for many with the Reserve Bank of Australia lifting interest rates to fight inflation which stands at 4.5% for the year ending 30 June. This was further heightened with the sub prime crisis in the United States of America affecting the cost of funding for banks. This has resulted in higher interest rates being passed on to borrowers beyond the rates of increase by the Reserve Bank.

Having said that, it is worth noting that Bendigo Bank has no exposure to the US sub-prime market.

Higher interest rates dampen the demand for lending resulting in a year of holding as far as outstanding loan balances go. Whilst we approved loans of \$10.3 million and settled loans of \$9.6 million for the year, the loan book only grew by \$133,000.00. Discharges for the year were \$4.1 million so we have experienced a natural run off of around \$5.37 million.

Higher interest rates also result in higher rates for deposits which attracts funds in to the banking system. It is very pleasing to note that our deposit base grew by \$7.39 million being 550% above the budget! Other footings had negative growth of \$272,000.00 which was mainly due to the decreasing value of superannuation funds in our Funds Under Management portfolio.

Overall growth for the year was \$7.251 million being 93.05% of our budget. This is a much improved effort on the previous year and although slightly under budget it is very pleasing.

Community involvement

We have continued our support of the community with our Schools Program focusing on fitness and well being at primary level and driver education at secondary level. We intend to expand on the safety of our children by supporting more education programs and developing a road safety strategy through driver education.

Sponsorship of sporting clubs and other community groups and events continues to be a major focus with \$50,000 being spent in this area this year. We have introduced a sponsorship incentive scheme for many of the sporting clubs which rewards them with increased sponsorship for the referral of new business to the branch. One club has embraced this scheme and introduced more than \$2.4 million in new business to the branch. We are encouraged by this response and expect that further new business will be introduced.

Of course our commitment to the Youth Foundation which was announced at last years AGM is substantial with \$90,000.00 over a three year period being committed.

Manager's report continued

Grants

It is very pleasing to note that the Board approved \$44,806.00 to be distributed to community groups via the Grants Scheme this year. This takes our total distribution to \$349,000.00 over the past three years.

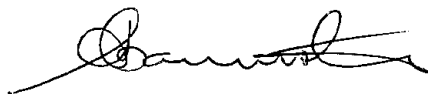
The Grant recipients this year were as follows:

• Neerim District Soldiers Memorial Hospital	\$ 30,000.00
• Neerim District Soldiers Memorial Hospital Ladies Guild	\$ 1,535.00
• Neerim Junction Mechanics Institute	\$ 1,350.00
• Neerim Memorial Hall Committee	\$ 4,921.00
• Noojee News	\$ 2,000.00
• Neerim District Scouts and Guide Hall	\$ 5,000.00

Conclusion

I would like to thank all of the staff for their continued efforts in making the branch a success and their continued commitment to providing excellent customer service.

We thank all of our customers who continue to support the **Community Bank**[®] branch and we look forward to meeting your financial needs throughout 2008-09.



Alan Bannister
Branch Manager

Directors' report

For year ending 30 June 2008

The Directors present their report on the Company for the financial year ending 30 June 2008.

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

Mr Christopher Adams

Mr Adams is 42 years of age. Appointed Director 2 March 2000. He has owned and operated various small businesses in the Neerim District for over 10 years. He is a community ambulance Officer with the Neerim South/Noojee Ambulance Service.

Mr Paul Bright

Mr Bright is 40 years of age. Appointed Director 2 March 2000. Appointed Chairperson 2 March 2000. He is a Principal of WHK Armitage Downie, a large accounting firm in the town of Warragul. He has lived in the district for the over 20 years.

Mr Neville Cousins

Mr Cousins is 56 years of age. Appointed Director 2 March 2000. Appointed Company Secretary 20 April 2000. He is a member of the Australian Society of Certified Practising Accountants and the Australian Institute of Management. He has lived in the district for over 10 years.

Mr James Cunliffe

Mr Cunliffe is 72 years of age. Appointed Director 2 March 2000. He is a retired earthmoving contractor, and he has been involved in many local organisations, including the Neerim District Soldiers' Memorial Hospital, the Neerim District Cemetery Trust, and the Neerim District Lions Club.

Mr Christopher Jensen

Mr Jensen is 54 years of age. Appointed Director 2 March 2000. He is an Ambulance Paramedic SAP for Rural Ambulance Victoria. He has extensive banking experience, having worked for the State Bank of Victoria / Commonwealth Bank of Australia for 20 years. He is a committee member of the Neerim District Soldiers' Memorial Hospital.

Mr Greg Howson

Mr Howson is 53 years of age. Appointed Director 16 November 2004. Has been a resident of the Neerim District for over 25 years. His service to the community includes the committees of the Neerim District Soldiers' Memorial Hospital, Neerim District Progress Association, the Neerim District Agricultural Show Society and both the Secondary and Primary School management committees. He has owned and operated various small businesses over the past 25 years, and currently operates Swaffields Store in Neerim South.

Directors' report continued

Mrs Susan Allen

Mrs Allen is 55 years of age. Appointed Director 16 November 2004. She is a Team Administrator at WHK Armitage Downie in Warragul. Previously worked in Education and Sports Administration. She has resided in the Neerim District for almost 30 years. She has been actively involved in the local community being an executive member of the Neerim-Neerim South Football/Netball Club, Neerim South Recreation Reserve Committee of Management, Warragul & District Cricket Association, West Gippsland Football League and the Latrobe Region of the VCFL.

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

2. The principal activity of the Company during the financial year was the management of a **Community Bank**[®] branch.
3. The net profit of the Company for the financial year was \$36,375 (2006-2007 \$10,223).
4. During the financial year the Company continued its trading activities. The results of those operations were in line with projections.
5. There was no significant change in the state of affairs of the Company during the financial year.
6. No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.
7. The Directors are not aware of any likely developments in the operation of the Company or of any change in the expected results of those operations in future financial years.
8. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an Officer or Auditor of the Company.
9. No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.
10. The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, or of a State or Territory.
11. 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.

Directors' report continued

12. Information relating to the Directors is as follows:-

Directors' meetings	Board member since	Number eligible to attend	Number attended
Christopher Adams	2000	13	7
Susan Allen	2004	13	12
Paul Bright	2000	13	7
Neville Cousins	2000	13	12
James Cunliffe	2000	13	7
Gregory Howson	2004	13	12
Christopher Jensen	2000	13	13
Ross Pierre-Humbert*	2004	7	6
Robert Southgate**	2000	1	0

* resigned 29 November 2007

** resigned 31 July 2007

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

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



Paul Bright
Chairperson

Date: 20 October 2008.

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenue			
Revenue from ordinary activities			
Income from operations		625,115	573,895
Interest received		16,824	16,277
Dividends received		849	812
		642,788	590,984
Expense			
Borrowing costs		0	87
Employee benefit expenses		266,432	225,893
Depreciation		11,997	8,932
Amortisation of franchise fee		10,000	10,000
General administration		116,620	108,896
Leasing costs		18,846	24,394
Audit services		1,164	1,130
Advertising and promotion		48,255	30,280
Occupancy costs		14,717	14,310
		488,031	423,922
Profit (loss) from ordinary activities before income tax and market development		154,757	167,062
Market development		97,276	144,745
Income tax relating to ordinary activities	4	21,106	12,094
Net profit (loss) after income tax		36,375	10,223

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash assets	6	305,882	300,709
Receivables		62,708	51,838
Provisions	5	24,432	0
Other		5,149	601
Total current assets		398,171	353,148
Non-current assets			
Intangibles	14	20,000	30,000
Plant and equipment	2	59,874	66,580
Other financial assets	3	18,532	17,973
Total non-current assets		98,406	114,553
Total assets		496,577	467,701
Current liabilities			
Payables		86,186	51,488
Provisions	5	0	6,748
Interest-bearing liabilities		3,894	3,593
Total current liabilities		90,080	61,829
Non-current liabilities			
Provisions		6,047	0
Interest-bearing liabilities		14,512	18,406
Total non-current liabilities		20,559	18,406
Total liabilities		110,639	80,235
Net assets		385,938	387,466
Members funds			
Contributed equity		379,025	379,025
Accumulated profits/(losses)	10	6,913	8,441
Total members' funds		385,938	387,466

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flow from operating activities			
Receipts from operations		685,923	629,209
Payments to suppliers and employees		(561,360)	(571,635)
Interest received		17,114	16,683
Amounts paid to the ato		(37,589)	(17,340)
Income tax paid		(52,128)	(45,587)
Net cash provided by operating activities	7	51,960	11,330
Cash flow from investing activities			
Sale of plant		-	909
Payment for property, plant and equipment		(5,291)	(30,790)
Net cash used in investing activities		(5,291)	(29,881)
Cash flow from financing activities			
Repayment of borrowings		(3,593)	(3,314)
Payment of dividends on ordinary shares	11	(37,903)	(37,902)
Net cash used in financing activities		(41,496)	(41,216)
Net increase (decrease) in cash held		5,173	(59,767)
Cash at beginning of year	6	300,709	360,476
Cash at the end of the financial year	6	305,882	300,709

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Contributed equity \$	Retained earnings \$	Total equity \$
At 1 July 2006	379,025	36,120	415,145
Profit (loss) for the period	-	10,223	10,223
Issue of share capital	-	-	-
Equity dividends	-	(37,902)	(37,902)
At 30 June 2007	379,025	8,441	387,466
At 1 July 2007	379,025	8,441	387,466
Profit (loss) for the period	-	36,375	36,375
Issue of share capital	-	-	-
Equity dividends	-	(37,903)	(37,903)
At 30 June 2008	379,025	6,913	385,938

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other Authoritative Pronouncements 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).

This is the first financial report prepared based on AIFRS. The adoption of AIFRS does not have any material impact on total equity or profit after tax as reported under previous Australian Accounting Standards (AGAAP), and there are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP

(b) Plant and equipment

Each class of property, plant and equipment are carried at cost less where applicable any accumulated depreciation.

The carrying amount of fixed assets is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of those assets. The recoverable amount is assessed on the basis of expected net cash flows which will be received from the assets, employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining the recoverable amounts.

The depreciable amount of all fixed assets are depreciated using the diminishing value method over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable asset are:-

Plant and equipment	10% - 100%
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Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(c) Cash

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

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

(d) Revenue

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

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Revenue is recognised net of the amount of goods and services tax (GST)

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of a cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST. Cashflows are included in the Cashflow Statement on a gross basis, and the GST component arising from investing and financing activities, which is recoverable from, or payable to the Australian Taxation Office, are classified as operating activities.

(f) Intangibles

The franchise fee is valued in the accounts at cost and is being amortised over a period of five years.

The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer recoverable is written off.

(g) Leases

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

Finance leases

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

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

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(h) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance 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.

Contributions are made by the Company to an employee superannuation fund and are charged as expenses when incurred.

(i) Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 balance date.

Notes to the financial statements continued

	2008 \$	2007 \$
Note 2. Plant and equipment		
Plant and equipment at cost	95,464	90,173
Leased plant & equipment at cost	26,011	26,011
Less provision for depreciation	(61,601)	(49,604)
	59,874	66,580
Reconciliations of written-down value of plant and equipment		
Balance at beginning of year	66,580	44,722
Additions	5,291	30,790
Depreciation expense	(11,997)	(8,932)
Balance at end of year	59,874	66,580

Note 3. Other financial assets

Bendigo Bank shares	18,532	17,973
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Note 4. Income tax expense

The prima facie tax payable on operating profit is reconciled to the income tax expense as follows:

Prima facie tax payable on operating profit at 30%	17,244	6,695
Adjust for tax effect:		
Non-deductible permanent differences		
Set-up costs	3,000	3,000
Entertainment	357	-
Timing differences deductible when incurred		
Provision for holiday pay, LSL & accrued expenses	2,031	1,833
Prepayments	(882)	-
Employee benefit expense	(662)	-
Leased assets	483	566
Deductible permanent differences		
Other	(465)	-
Income tax expense	21,106	12,094

Notes to the financial statements continued

	2008 \$	2007 \$
Note 5. Provisions		
Current		
Income tax payable	(33,293)	(1,670)
Annual leave	8,861	8,418
	(24,432)	6,748
Non-current		
Long service leave	6,047	-
Average number of employees	6	5

Note 6. Cash

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

Cash at bank	305,882	300,709
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Note 7. Cash flow information

Reconciliation of cash flow from operations with operating profit/(loss)

Operating profit/(loss)	36,375	10,223
Profit / (loss) on sale of plant	-	(909)
Dividend reinvestment plan	(559)	(467)
Non-cash flows in operating result		
- Depreciation	11,997	8,932
- Amortisation	10,000	10,000
- Borrowing costs written off	-	87

Notes to the financial statements continued

	2008 \$	2007 \$
Note 7. Cash flow information (continued)		
Changes in assets and liabilities		
(Increase)/decrease in receivables	(13,077)	172
(Increase)/decrease in prepayments	(2,942)	-
(Increase)/decrease in future income tax benefit	601	(567)
Increase/(decrease) in creditors	34,698	10,465
Increase/(decrease) in provisions	6,490	6,321
Increase/(decrease) in income tax payable	(31,623)	(32,927)
Net cash provided by operating activities	51,960	11,330

Note 8. Related party transactions

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

Director - related entities

Accounting services provided by WHK Armitage Downie.

Mr P. Bright is a principal in this entity. 13,755 10,659

Catering services provided by King's Arms Family Hotel-Motel.

Mr C. Adams is a principal in this entity. 2,582 2,423

Catering services provided by Swaffields Store.

Mr G Howson is a principle in this entity 139 -

Note 9. Segment reporting

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

Notes to the financial statements continued

	2008 \$	2007 \$
10. Accumulated profits (losses)		
Accumulated profits at the beginning of the financial year	8,441	36,120
Net profit after income tax	36,375	10,223
Less dividends paid	(37,903)	(37,902)
Accumulated profit (loss) at the end of the financial year	6,913	8,441

Note 11. Dividends paid on ordinary shares

Franked dividends (10 cents per share)

(2007:10 cents per share)

37,903

37,902

Note 12. Franking credit balance

Franking account balance as at end of the financial year

114,129

77,533

Note 13. Company details

The registered office of the Company is
Shop 3 / 115 Main Street, Neerim South.

The principal place of business is
Shop 3 / 115 Main Street, Neerim South.

Note 14. Intangibles

Franchise fee at cost	50,000	50,000
Less amortisation	(30,000)	(20,000)
	20,000	30,000

Notes to the financial statements continued

	2008 \$	2007 \$
Note 15. Leasing commitments		
Finance lease commitments payable		
Not later than one year	5,206	5,206
Later than one year but not later than five years	16,048	21,254
Minimum lease payments	21,254	26,460
Less future finance charges	(2,848)	(4,461)
Total lease liability	18,406	21,999

Note 16. 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:

	Effective interest rate		Floating interest rate		Fixed interest rate				Non-interest bearing	
					Within 1 year		1 To 5 years			
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets										
Cash at bank	7.05	6.03	305,882	300,709						
Receivables									62,708	51,838
Total financial assets			305,882	300,709					62,708	51,838
Financial liabilities										
Payables									86,186	51,488
Hire purchase	8.09	8.09			3,894	3,593	14,512	18,406		
Total financial liabilities					3,894	3,593	14,512	18,406	86,186	51,488

(b) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and Notes to the Financial Statements.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

Notes to the financial statements continued

Note 16. Financial instruments (continued)

(c) Net fair value

For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in a standardised form. Financial assets where the carrying amount exceeds net fair values have been written down as the Company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and Notes to the Financial Statements.

Director's 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 2008 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.



Paul Bright
Chairperson

Date: 20 October 2008.

Independent audit report

TAYLOR PARTNERS PTY. LTD.
CHARTERED ACCOUNTANTS AC.N 006 597 235

R. MALE F.C.A.
G. JAMES C.A.

OUR REFERENCE

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
NEERIM DISTRICT FINANCIAL SERVICES

SCOPE

We have audited the financial report of Neerim District Financial Services Limited set out in the Income Statement, Balance Sheet, Cash Flow Statement and Notes to the Financial Statements for the year ended 30 June 2008. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Neerim District Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

TAYLOR PARTNERS
CHARTERED ACCOUNTANTS



R. MALE FCA
PARTNER

Date: 20th October, 2008

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Franchisee: Neerim District Financial Services Limited
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