

annual report 2010



Neerim District Financial

Services Limited

ABN 46 091 832 923

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

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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 2010

It is with pleasure that I present the annual report of the Neerim District Financial Services Limited for the 2009/2010 financial year.

Despite the external global pressures that are still being exerted on the financial services industry, it is pleasing that we still delivered a sound financial position and managed to increase our return of funds back into the local community.

This year saw the community benefit from the amount of \$47,500 directly returned in grants under our Community Enterprise Foundation™ sponsored program but also the **Community Bank**® branch returns money by way of marketing support to many sporting and community groups.

I think it timely to remind all shareholders that the return of funds to the community can only be achieved by the positive support and advocacy of the **Community Bank**® branch. While we now have an excellent base and 10 years of sound banking experience we should not be complacent, banking is very competitive, but it is not just about interest rates but about our level of customer service and more importantly what we return to your community.

Please do not hesitate to refer prospective customers to the Manager or staff.

I wish to congratulate the staff for their commitment and endeavour in providing a friendly and professional face to the public in the provision of our customers' day to day banking needs.

Both Alan and Maureen are to be thanked for their extra community involvement in attending many functions and meetings to promote the services of the **Community Bank**® branch.

I would like to thank Alan and wish him the best as he moves into the challenging role of inaugural Branch Manager at the new Mirboo North **Community Bank**® Branch.

To the staff of the regional office of Bendigo and Adelaide Bank Ltd, I would like to thank them for their assistance this year. Our relationship is an important one and is a relationship which I have seen strengthened over this period, not only in their involvement in our monthly Board meetings but in assisting with our staff and Board training.

To your Board members, I congratulate and thank them in their commitment to ensuring not only we maintain good corporate governance, but are active in the development of marketing strategies and distribution of funds back into the community.

This Board, although small in number, is very committed to the success of the bank branch and there is more in their involvement than just attending the monthly Board meeting.

Chairman's report continued

To Susan and Tony Allen I would like to thank them for opening their house to allow our Board meetings to be held there each month.

The coming year is going to be very exciting with a new Branch Manager to be appointed very soon and the economy looks as if it is in recovery mode.

I commend the financial report to you.

A handwritten signature in black ink, appearing to read 'Chris Jensen', written in a cursive style.

Chris Jensen

Acting chair

Manager's report

For year ending 30 June 2010

Like most of us over the past 12 months we have had to adapt to the changes the global financial crisis thrust upon us. We continued to meet our customer's needs, and although we didn't meet our lending growth expectations we maintained our overall footings.

As I was writing this report I reflected on the year that has just past and the memorable moments weren't about how many loans we wrote or deposits we opened, it was about doing all of these things and how it helped our customers during the important moments in their lives.

Events like buying a new home, welcoming the newest addition to the family, helping a family through the death of a loved one, preparing for new employment, buying a new car, helping rebuild after a fire, retirement and many more significant moments in our lives.

These things that are important to our customers are what shape our **Community Bank**[®] branch and we take delight in helping our customers through these events. This fits perfectly with the Bendigo Bank ethos of, 'successful customers and successful communities lead to a successful bank, in that order'.

I believe these things are what stand us apart from other financial institutions and assisting customers in the most significant moments in their life is what our staff do the best.

Whilst we reflect on the year that has past we are reminded of the foresight and commitment of the community to band together and fight to bring banking services back to their district.

We hope that those who had the vision stood proudly with us when we celebrated our 10 year anniversary and proudly announced that we had put \$750,000 back into our communities over this period.

These funds have been utilised by the wider community in sporting activities, support services, health, education and youth activities to name a few. These achievements have only been possible by the continued support of the community banking with us.

Over the 10 years we have had staff come and go and this is evident again this year with some of our staff taking up other opportunities whilst we welcomed new faces and skills to our branch.

I would like to take this opportunity to particularly thank Jenny and Donna for their commitment and hard work they have put in over the past couple of months. Their support and willingness to take on new tasks has been very much appreciated and all of this is done with a smile and warm greeting for our customers.

Manager's report continued

I would also like to acknowledge the input by the staff who contributed to our past year in Alan, Karlee, Ashleigh and particularly Lynne who although she has taken up a new role in Lakeside **Community Bank**® Branch continues to support us in a relief capacity when she can.

We look forward to the challenges of the new year and to welcoming a new Manager to the helm, whom I'm sure will bring along new ideas and skills to continue the successes of the past ten years.



Maureen Johnston
Acting Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2010

Now in its 13th year, the **Community Bank**[®] network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new **Community Bank**[®] branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than \$16.3 billion.

Our **Community Bank**[®] customers have been served by more than 1150 staff that are supported by almost 1700 volunteer Directors.

And these Directors are endorsed by around 63,000 shareholders who have received more than \$14.7 million in dividends, a reward for their belief in the **Community Bank**[®] concept.

All of this support has enabled the **Community Bank**[®] network to return more than \$40.3 million to assist local community groups and projects since the first **Community Bank**[®] branch opened in 1998.

These figures add up to a strong **Community Bank**[®] network, a franchise of the Bendigo and Adelaide Bank Ltd, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our **Community Bank**[®] network continues to develop.

In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

The Pymont **Community Bank**[®] Branch saw us make an inroad into the competitive but lucrative Sydney banking market. And over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the **Community Bank**[®] network generates for its local communities.

Bendigo and Adelaide Bank Ltd report continued

There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the **Community Bank**[®] network.



Russell Jenkins

Executive Customer and Community

Directors' report

For the financial year ended 30 June 2010

The Directors present their report on the Company for the financial year ending 30 June 2010.

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

Mr Paul Bright

Mr Bright is 42 years of age. Appointed Director 2 March 2000. Appointed Chairperson 2 March 2000. He is a Principal of WHK, 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 58 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. He resigned 19 November 2009.

Mr James Cunliffe

Mr Cunliffe is 74 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 56 years of age. Appointed Director 2 March 2000. He was appointed Acting Chairperson in June 2010. He is an Ambulance Paramedic 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 55 years of age. Appointed Director 16 November 2004. He 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.

Mrs Susan Allen

Mrs Allen is 57 years of age. Appointed Director 16 November 2004. She is a Team Administrator at WHK 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.

Mr Robert Evans

Mr Evans is 62 years of age and is married with four children. Appointed a Director 27 November 2008. He has been a local resident for five years. He is now retired and is actively involved in the local community. Currently Mr Evans is the Vice President of the Neerim District Agricultural and Horticultural Society and a member of the Neerim District Jolly Walkers group.

Directors' report continued

Ms Tracel Devereux

Ms Devereux is 53 years of age. Appointed a Director on 24 February 2009. She has been a local resident for 25 years. Currently Ms Devereux is the Chief Executive Officer of the Alpha – Autism Inc and was a Director of West Gippsland Healthcare Group, and was Chairperson of West Gippsland Healthcare Group Ethics Committee and a member of the Historic Motorcycle Racing Association of Victoria.

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 management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.
3. The net profit of the Company for the financial year was \$114,794 (2008-2009 \$40,523).
4. During the financial year the Company continued its trading activities. The results of those operations were in line with operations.
5. There was no significant change in the state of affairs of the Company during the financial year.
6. No matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.
7. The Directors are not aware of any likely developments in the operation of the Company or of any change in the expected results of those operations in future financial years.
8. No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an Officer or Auditor of the Company.
9. No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company of all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

10. The Company's operation are not regulated by any significant environmental regulation under a law of the Commonwealth, or of a State or Territory.
11. 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. During the Financial year, 11 meetings of Directors were held. Attendances by each Director were as follows:

	Board member since	Directors' meetings Number eligible to attend	Number attended
Susan Allan	2004	11	9
Paul Bright **	2000	9	4
Neville Cousins*	2000	5	3
James Cunliffe	2000	11	8
Robert Evans	2008	11	9
Gregory Howson	2004	11	11
Christopher Jensen ***	2000	11	9
Tracel Devereux	2009	11	7

* Resigned 19/11/2009

** Leave of absence (From May 2010)

*** Acting Chairperson (From June 2010)

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

Auditor's Independence Declaration

The Directors received the following declaration from the Auditor of the Company:

Taylor Partners.

Signed in accordance with a resolution of the Board of Directors



Christopher Jensen
Acting Chairperson

Auditor's independence declaration

TAYLOR PARTNERS PTY. LTD.
CHARTERED ACCOUNTANTS

A.C.N 006 597 235

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

OUR REFERENCE

**Auditors Independence Declaration
Under Section 307C of the Corporations Act 2001**

**To the Directors of
Neerim District Financial Services Limited**

I declare that, to the best of my knowledge and belief, in relation to the audit of Neerim District Financial Services Limited for the year ended 30 June 2010 there have been;

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



R L Male FCA

Taylor Partners Pty Ltd
220 Chesterville Road, Moorabin, Vic

Dated this 13th day of September 2010

220 Chesterville Road, (PO Box 1429) Moorabbin, Vic. 3189
Website: www.taylorpartners.com.au Email: admin@taylorpartners.com.au
Telephone: (03) 9553 3223 Facsimile: (03) 9553 2548
Liability Limited by a Scheme approved under Professional Standards Legislation.

Financial statements

Statement of comprehensive income For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue			
Income from operations		771,768	713,486
Interest received		16,682	20,291
Dividends received		816	1,569
		789,266	735,346
Expenses			
Borrowing costs		150	9
Employee benefit expenses		310,654	286,674
Depreciation		12,996	11,877
Amortisation of franchise fee		10,000	10,000
General administration		119,234	119,950
Leasing costs		10,071	10,222
Audit services		1,225	1,281
Advertising and promotion		61,508	56,255
Occupancy costs		16,881	15,343
		542,719	511,611
Profit (loss) from ordinary activities before income tax & market development			
		246,547	223,735
Market development		82,955	158,090
Income tax relating to ordinary activities		48,797	25,122
Net profit (loss) after income tax		114,794	40,523
Earnings per share (cents per share)			
- basic for the period (cents)		30.29	10.69
- diluted for the period (cents)		30.29	10.69

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position As at 30 June 2010

	Note	2010 \$	2009 \$
Current assets			
Cash assets		440,541	303,175
Receivables		73,065	86,395
Other		15,133	6,591
Total current assets		528,738	396,161
Non - current assets			
Intangibles		50,000	10,000
Plant and equipment		58,893	68,009
Other financial assets	3	19,592	19,150
Total non - current assets		128,485	97,159
Total assets		657,223	493,320
Current liabilities			
Payables		136,119	39,747
Provisions		43,165	19,070
Interest - bearing liabilities		18,211	25,533
Total current liabilities		197,496	84,350
Non - current liabilities			
Provisions		1,858	2,201
Interest - bearing liabilities		-	18,211
Total non - current liabilities		1,858	20,412
Total liabilities		199,354	104,762
Net assets		457,869	388,558
Members funds			
Contributed equity		379,025	379,025
Accumulated profits / (losses)		78,844	9,533
Total members' funds		457,869	388,558

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows For the year ended 30 June 2010

	Note	2010 \$	2009 \$
Cashflow from operating activities			
Receipts from customers		862,122	781,333
Payments to suppliers and employees		(586,388)	(724,471)
Interest received		8,213	19,477
Amounts paid to ato		(43,095)	(42,504)
Income taxes paid		(26,997)	15,755
Net cash provided by operating activities	7	213,855	49,590
Cash flow from investing activities			
Dividends received		375	951
Share liability		(500)	1,050
Payment for property, plant and equipment		(3,880)	(10,513)
Net cash used in investing activities		(4,005)	(8,512)
Cash flow from financing activities			
Repayment of borrowings		(27,001)	(5,447)
Borrowing costs		-	(435)
Payment of dividends on ordinary shares		(45,483)	(37,903)
Net cash used in financing activities		(72,484)	(43,785)
Net increase/(decrease) in cash held		137,366	(2,707)
Cash and cash equivalents at the beginning of the financial year	6	303,175	305,882
Cash and cash equivalents at the end of the financial year	6	440,541	303,175

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity For the year ended June 2010

	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at 1 July 2008	379,025	6,913	385,938
Net profit / loss for the period	-	40,523	40,523
Dividends provided for or paid	-	(37,903)	(37,903)
Balance at 30 June 2009	379,025	9,533	388,558
Balance at 1 July 2009	379,025	9,533	388,558
Net profit / loss for the period	-	114,794	114,794
Dividends provided for or paid	-	(45,483)	(45,483)
Balance at 30 June 2010	379,025	78,844	457,869

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

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%

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) 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 within recognition of the liability.

(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.

(l) 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 utilised:

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

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(I) Income tax (continued)

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

	2010 \$	2009 \$
Note 2. Plant and equipment		
Plant and equipment at cost	129,433	125,553
Less provision for depreciation	(70,540)	(57,544)
	58,893	68,009
Reconciliations of written - down value of plant & equipment		
Balance at beginning of year	68,009	59,873
Additions	3,880	30,089
Disposals	-	(10,076)
Depreciation expense	(12,996)	(11,877)
Balance at end of year	58,893	68,009

Note 3. Other financial assets

Bendigo Bank shares	19,592	19,150
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Notes to the financial statements continued

	2010 \$	2009 \$
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%	49,077	19,693
Adjust for tax effect:		
Non - deductible permanent differences		
Set - up costs	3,000	3,000
Entertainment	-	366
Donations	150	-
Timing differences deductible when incurred		
Provision for holiday pay, LSL and accrued expenses	(578)	231
Prepayments	(67)	(723)
Accrued interest	(2,540)	(244)
Lease assets	-	3,270
Deductible permanent differences		
Other	(245)	(471)
Income tax expense	48,797	25,122

Note 5. Provisions

Current

Income tax payable	29,383	7,583
Annual leave	13,782	11,487
	43,165	19,070

Non - current

Long service leave	1,858	2,201
Average number of employees	5	5

Notes to the financial statements continued

	2010 \$	2009 \$
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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	440,541	303,175
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Note 7. Cash flow information

Reconciliation of cash flow from operation with operating profit / loss

Operating profit / (loss)	114,794	40,523
(Profit) / loss on sale of plant	-	1,895
Dividend reinvestment plan	(441)	(618)
Dividends received	(375)	(951)
Non - Cash flows in operating results		
- Depreciation	12,996	11,877
- Amortisation	10,000	10,000
- Borrowing costs written off	150	9
- Hire purchase charges	1,439	150
Changes in Assets and Liabilities		
(Increase) / decrease in receivables	4,862	(6,308)
(Increase) / decrease in prepayments	(223)	(2,408)
Increase / (decrease) in creditors	46,900	(44,235)
Increase / (decrease) in provisions	1,953	(1,220)
Increase / (decrease) in income tax payable	21,800	40,876
Net cash provided by operating activities	213,855	49,590

Notes to the financial statements continued

	2010 \$	2009 \$
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Note 8. Related party transactions

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

parties unless otherwise stated.

Director - related entities

Accounting services provided by WHK.	18,109	17,660
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Mr P Bright is a principal in this entity.

Catering services provided by Swaffields Store.	780	1,306
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Mr G Howson is a principal in this entity.

Catering services provided by The Steely Dan Group Pty Ltd.	4,250	-
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M G Howson is a principal in this entity.

Secretarial services provided by Anthony Allen & Associates	2,000	-
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Mr A Allen is the spouse of Mrs Susan Allen (Director).

Note 9. Segment reporting

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

Note 10. Accumulated profits / (losses)

Accumulated profit at the beginning of the financial year	9,533	6,913
Net profit after income tax	114,794	40,523
Less dividends paid	(45,483)	(37,903)
Accumulated profit (loss) at the end of the financial year	78,844	9,533

Note 11. Dividends paid on ordinary shares

Franked dividends (12 cents per share) (2009: 10 cents per share)	45,483	37,903
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Notes to the financial statements continued

	2010 \$	2009 \$
Note 12. Franking credit balance		
Franking account balance as at end of the financial year	89,273	81,768

Note 13. Company details

The registered office of the Company is
Shop 3 / 115 Main Street, Neerim South VIC 3831.

The principal place of business is
Shop 3 / 115 Main Street, Neerim South VIC 3831.

Note 14. Intangibles

Franchise fee at cost	50,000	50,000
Less amortisation	-	(40,000)
	50,000	10,000

Note 15. Leasing commitments

Finance lease commitments payable		
Not later than one year	18,952	27,377
Later than one year but not later than five years	-	18,952
Minimum lease payments	-	46,329
Less future finance charges	-	(2,585)
Total lease liability	-	43,744

Note 16. Earnings per share

Earnings used in calculating basic and diluted earnings per share	114,794	40,523
Weighted average number of shares for basic and diluted earnings per share	379,025	379,025

Notes to the financial statements continued

Note 17. 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	
	2010	2009	2010	2009	Within 1 year		1 to 5 years		2010	2009
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets										
Cash at bank	6.01	3.30	440,541	303,175						
Receivables									73,065	86,395
Total financial assets			440,541	303,175					73,065	86,395
Financial liabilities										
Payables									136,119	39,747
Hire purchase	6.20	6.20			18,952	27,377		18,952		
Total financial liabilities					18,952	27,377		18,952	136,119	39,747

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.

(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.

Notes to the financial statements continued

Note 18. Disclosure of prior period comparative changes

Prior period comparative figures have been adjusted as disclosed below.

	2009 financial report \$	Reinstatement \$	Note	2009 restated comparative \$
Revenue				
Income from operations	713,486	-		713,486
Interest received	20,291	-		20,291
Dividends received	1,569	-		1,569
	735,346	-		735,346
Expenses				
Borrowing costs	9	-		9
Employee benefit expenses	286,674	-		286,674
Depreciation	11,877	-		11,877
Amortisation of franchise fee	10,000	-		10,000
General administration	112,511	7,439	1	119,950
Leasing costs	17,661	(7,439)	1	10,222
Audit services	1,281	-		1,281
Advertising and promotion	56,255	-		56,255
Occupancy costs	15,343	-		15,343
	511,611	-		511,611
Profit (loss) from ordinary activities before income tax & market development	223,735			223,735
Market development	158,090	-		158,090
Income tax relating to ordinary activities	25,122	-		25,122
Net profit (loss) after income tax	40,523	-		40,523

1. Restatement of IT support costs to general administration.

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 2010 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.



Christopher Jensen
Acting Chairperson

Date: 2 September 2010

Independent audit report

TAYLOR PARTNERS PTY. LTD.
CHARTERED ACCOUNTANTS A.C.N. 008 597 235

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 Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and Notes to the Financial Statements for the year ended 30 June 2010. 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 the company's operations and 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 2010 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: 13th September, 2010

220 Chesterville Road, (PO Box 1429) Moorabbin, Vic. 3189
Website: www.taylorpartners.com.au Email: admin@taylorpartners.com.au
Telephone: (03) 9553 3223 Facsimile: (03) 9553 2548
Liability Limited by a Scheme approved under Professional Standards Legislation.



Neerim District **Community Bank**[®] Branch
3/115 Main Road, Neerim South VIC 3831
Phone: (03) 5628 1079 Fax: (03) 5628 1089

Franchisee: Neerim District Financial Services Limited
Shop 3, 115 Main Road, Neerim South VIC 3831
Phone: (03) 5628 1717 Fax: (03) 5628 1734
ABN: 46 091 832 923

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited,
The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879.
(BMPAR10042) (08/10)