

annual report 2011



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

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Chairman's report

For year ending 30 June 2011

It is with great satisfaction that another successful year for Neerim District Financial Services Limited enables me to present this positive report on the operations of your Company for the financial year ending 30 June 2011.

The deposit growth, the growth of loan facilities and the increase in the number of accounts held has enabled the achievement of a year-end profit of \$160,637 (after provision for income tax).

This outstanding result has enabled your Company to continue its contribution to the financial and social well-being of our local communities.

It allowed the Board of Directors to declare a dividend of 12 cents per share, fully franked, payable to all shareholders as at 24 October 2010.

As shareholders have benefited from the success of your Company, so too has the local community through the donations and sponsorships afforded to local groups during the year. The year completed saw the Company put \$120,614 back into the community - an outstanding result.

The notion of any organisation contributing more than \$800,000 to local groups since its formation is testimony to the strength of Bendigo and Adelaide Bank Ltd's **Community Bank**[®] model and the commitment and judgments made by the staff and Directors of Neerim District Financial Services Limited - a truly outstanding achievement.

Your Directors appreciate that this result has been brought about by the support afforded to our Company by our shareholders and customers, for which we are ever grateful and truly mindful.

It is with pleasure, therefore, that I can advise that the strong financial performance of your Company in past years and the profits retained as a result, has enabled it to proceed with planning for a new banking premises to serve and to grow our existing customer base. Your Board commits to providing shareholders and customers with progressive updates throughout the development process.

Of course, all of these achievements would not have been possible without the dedication and commitment of the staff at our branch and the professionalism of your Board of Directors.

It would be remiss of me, however, if I failed to record the appreciation of your Board to Tim and his staff for their excellent customer service and outstanding results for the year.

Following the resignation of the previous Manager, Tim undertook the management of the branch. It is a credit to his ability and dedication to the cause that he has been able to maintain standards, manage and grow the business.

Tim has been ably assisted by Maureen, Karen, Jenny, Donna and Brigitte who have earned the respect of the customer base with their cheerful manner and strong customer focus. I thank Tim and all the staff, for their ongoing commitment to providing exemplary customer service.

I acknowledge the contribution made to the Company by your Board of Directors.

You can be assured that shareholder interests and value are at the forefront of all Board deliberations and decisions on matters affecting the Company.

Chairman's report continued

I thank our Company Secretary, Tony Allen, for his assistance and guidance towards ensuring that all our Board and compliance responsibilities are fulfilled.

Finally, the success of our Company would not be possible without the ongoing support of our shareholders and customers, and for this I am truly grateful. Our future success depends on your continued support and I would encourage you to proclaim the virtues of your **Community Bank**[®] branch to as many of your family, friends and acquaintances as is possible.

In this way, our growth can be assured and with that growth, comes our ability to continue to reward shareholders with appropriate levels of dividend and to support local community organisations with significant levels of sponsorship support.

Thank you for your ongoing support of your Board of Directors. I can assure you that it will remain committed to maintaining the highest standard of corporate governance, protecting and growing the assets of your Company in the most responsible manner.

A handwritten signature in black ink that reads "Paul Bright". The signature is written in a cursive style with a large, stylized "B" and a long horizontal stroke extending to the right.

Paul Bright
Chairman

Manager's report

For year ending 30 June 2011

It is with great pleasure that I present the following report for the financial year ending 30 June 2011 on behalf of Neerim District **Community Bank**[®] Branch.

What an incredible 12 months it's been. Our **Community Bank**[®] branch has achieved excellent results.

- Our funds under management have increased significantly over the 12 month period to \$90.65 million.
- Our lending base has reached \$48.8 million (increased by \$8.5 million).
- Our deposit base has reached \$41.8 million (increased by \$4.9 million).

This significant growth has resulted in a strong net profit.

These results can only be achieved with the support and success of our customers and community.

Our customers are to be commended for their ongoing support of our **Community Bank**[®] branch. Without this support, our branch would not have been able to contribute to our community's prosperity in the way it has.

From a shareholders / customers point of view, it is important that you endeavor to do as much banking as possible with our **Community Bank**[®] branch to ensure that our activity levels remain high and to foster the growth of banking business. I also encourage you to talk with your family, friends and peers, who may not be using our branch and let them know of the benefits of doing business with our local branch. No other organisation can provide all your financial needs by delivering a full suite of financial services and banking products and at the same time, retain capital in the community - "your capital".

I would like to thank my staff for their dedication, enthusiasm and commitment. Their support is truly valued and appreciated. A special thank you to Maureen Johnston who acted as Manager prior to my appointment in October 2010. Maureen's commitment was certainly demonstrated during this time.

Thank you to the Company's Board of Directors who work diligently on a volunteer basis to make sure that the business remains strong and that it can provide benefits to our local communities.

Thank you to everyone in our community.

My staff and I, look forward to another successful and rewarding year ahead.



Tim Gilmore
Branch Manager

Directors' report

For the financial year ended 30 June 2011

The Directors present their report on the Company for the financial year ending 30 June 2011.

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

Mr Paul Bright

Mr Bright is 43 years of age. Appointed Director 2 March 2000. Chairperson 2000 - 2010. He is a business advisory contractor of WHK, a large accounting firm in the town of Warragul. He has lived in the district for the over 20 years.

Mr James Cunliffe

Mr Cunliffe is 75 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 57 years of age. Appointed as an inaugural Director 2 March 2000 and has remained as a committed, enthusiastic Director for the past 11 years. During this time he has served as both a deputy Chairperson and chairperson, has serviced on the Finance, Marketing and Human Resources committees. He is the only Director with extensive banking experience, having worked for the State Bank of Victoria / Commonwealth Bank of Australia for 20 years. His other long term community involvements are as a committee member of the Neerim District Soldiers' Memorial Hospital for 12 years and with Neerim / Noojee Ambulance Auxiliary for 13 Years. Chris currently works as an Ambulance Paramedic for Ambulance Victoria.

Mr Greg Howson

Mr Howson is 56 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, the Neerim District Agricultural Show Society and both the Secondary and Primary School management committees. He resigned as a Director 23 May 2011.

Mr Kenneth Kercheval

Mr Kercheval is 61 years of age, married with four adult children. Appointed Director 21 October 2010. He worked in the hospitality and forestry industries for more than 34 years before establishing his own bus charter and tour business based in Jindivick. His service to the local community has included two terms as President of the Neerim District Lions Club, District Lions Chairman and a member if the Drouin West CFA, West Gippsland Uncle Bobs Club and Jindivick Primary School Council.

Mrs Susan Allen

Mrs Allen is 58 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.

Directors' report continued

Mr Robert Evans

Mr Evans is 63 years of age and is married with four children. Appointed a Director 27 November 2008. He has been a local resident for six 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.

Ms Tracel Devereux

Ms Devereux is 54 years of age and has been the Chief Executive Office for Alpha Autism Inc since 2003. She has been a local resident of the Neerim District for the past 27 years and a Director of Neerim District Financial Services Ltd since 2009. Previous Directorships include the West Gippsland Healthcare Group and Statewide Autism Services Inc. Previous local community roles include the Neerim District Regional Primary School and the Co - operating Parishes of Neerim District.

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 \$160,637 (2009-2010 \$111,715).
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, 13 meetings of Directors were held. Attendances by each Director were as follows:

	Directors' meetings		
	Board member since	Number eligible to attend	Number attended
Susan Allan	2004	13	12
Paul Bright *	2000	7	2
James Cunliffe	2000	13	8
Robert Evans	2008	13	10
Gregory Howson **	2004	11	8
Christopher Jensen	2000	13	13
Tracel Devereux	2009	13	12
Kenneth Kercheval ***	2010	10	9

* Leave of Absence from 1 July 2010 to 1 February 2011

** Resigned 23 May 2011

*** Appointed 21 October 2010

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:

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 2011 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 30th day of August 2011

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.

Signed in accordance with a resolution of the Board of Directors



Paul Bright
Chairperson

Date: 30 August 2011

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue			
Income from operations		870,699	771,768
Interest received		21,085	16,682
Dividends received		1,099	816
		892,883	789,266
Expenses			
Borrowing costs		230	150
Employee benefit expenses		329,741	310,654
Depreciation		21,387	12,996
Amortisation of franchise fee		10,000	10,000
General administration		140,842	119,234
Leasing costs		8,476	10,071
Audit services		1,400	1,225
Advertising and promotion		89,970	61,508
Occupancy costs		21,177	16,881
		623,223	542,719
Profit (loss) from ordinary activities before income tax & market development			
		269,660	246,547
Market development		36,364	82,955
Income tax relating to ordinary activities	4	72,659	51,877
Net profit (loss) after income tax		160,637	111,715
Earnings per share (cents per share)			
- Basic for the period (cents)		42.38	29.47
- Diluted for the period (cents)		42.38	29.47

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash assets	6	470,431	440,541
Receivables		80,812	73,065
Other		10,898	15,133
Total current assets		562,141	528,738
Non - current assets			
Intangibles	14	40,000	50,000
Plant and equipment	2	76,073	58,893
Deferred tax asset	4	6,113	6,177
Other financial assets	3	20,240	19,592
Other assets		2,400	-
Total non - current assets		144,826	134,662
Total assets		706,967	663,400
Current liabilities			
Payables		47,390	136,119
Provisions	5	50,939	43,165
Interest - bearing liabilities		17,874	18,211
Total current liabilities		116,203	197,496
Non - current liabilities			
Provisions	5	3,497	1,858
Deferred tax liability	4	2,947	4,457
Interest - bearing liabilities		9,577	-
Total non - current liabilities		16,021	6,315
Total liabilities		132,224	203,811
Net assets		574,743	459,589
Members funds			
Contributed equity		379,025	379,025
Accumulated profits / (losses)	10	195,718	80,564
Total members' funds		574,743	459,589

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flow from operating activities			
Receipts from customers		951,009	862,122
Payments to suppliers and employees		(710,568)	(586,388)
Interest received		23,571	8,213
Amounts paid to ato		(38,775)	(43,095)
Income taxes paid		(64,178)	(26,997)
Net cash provided by operating activities	7	161,059	213,855
Cash flow from investing activities			
Dividends received		450	375
Franchise fee		(50,000)	-
Share liability		(550)	(500)
Payment for property, plant and equipment		(40,967)	(3,880)
Net cash used in investing activities		(91,067)	(4,005)
Cash flow from financing activities			
Repayment of borrowings		(26,123)	(27,001)
Proceeds from borrowings		32,532	-
Borrowing costs		(1,028)	-
Payment of dividends on ordinary shares	11	(45,483)	(45,483)
Net cash used in financing activities		(40,102)	(72,484)
Net increase/(decrease) in cash held		29,890	137,366
Cash and cash equivalents at the beginning of the financial year		440,541	303,175
Cash and cash equivalents at the end of the financial year	6	470,431	440,541

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity for the year ended 30 June 2011

	Contributed equity \$	Retained earnings \$	Total equity \$
Balance at 1 July 2009	379,025	14,332	393,357
Net profit / loss for the period		111,715	111,715
Dividends provided for or paid		(45,483)	(45,483)
Balance at 30 June 2010	379,025	80,564	459,589
Balance at 1 July 2010	379,025	80,564	459,589
Net profit / loss for the period		160,637	160,637
Dividends provided for or paid		(45,483)	(45,483)
Balance at 30 June 2011	379,025	195,718	574,743

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation to the current financial year.

(h) 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)

(i) 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.

(j) 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 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.

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.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

(k) 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.

	2011	2010
	\$	\$

Note 2. Plant and equipment

Plant and equipment at cost	168,000	129,433
Less provision for depreciation	(91,927)	(70,540)
	76,073	58,893
Reconciliations of written - down value of plant & equipment		
Balance at beginning of year	58,893	68,009
Additions	38,567	3,880
Depreciation expense	(21,387)	(12,996)
Balance at end of year	76,073	58,893

Note 3. Other financial assets

Bendigo Bank shares	20,240	19,592
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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%	69,989	49,077
Adjust for tax effect:		
Non - deductible permanent differences		
Set up costs	3,000	3,000
Donations	-	150
Timing differences deductible when incurred		
Provision for holiday pay, LSL and accrued expenses	(64)	(578)
Prepayments	764	(67)
Accrued interest	745	(2,540)

Notes to the financial statements continued

	2011	2010
	\$	\$
Note 4. Income tax expense (continued)		
Deductible permanent differences		
Other	(329)	(245)
	74,105	48,797
Movement in deferred tax asset	64	472
Movement in deferred tax liability	(1,510)	2,608
Income tax expense	72,659	51,877
Deferred tax asset		
Accrued expenses	1,575	1,485
Provision for holiday pay	3,489	4,135
Provision for long service leave	1,049	557
	6,113	6,177
Movement in deferred tax asset charged to statement of comprehensive income		
	(64)	(472)
Deferred tax liability		
Accrued interest	2,040	2,785
Prepaid Insurance	908	1,672
	2,947	4,457
Movement in deferred tax liability charged to statement of comprehensive income		
	(1,510)	2,608

Note 5. Provisions

Current

Income tax payable	39,310	29,383
Annual leave	11,629	13,782
	50,939	43,165

Non - current

Long service leave	3,497	1,858
Average number of employees	5	5

Notes to the financial statements continued

	2011 \$	2010 \$
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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	470,431	440,541
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Note 7. Cash flow information

Reconciliation of cash flow from operation with operating profit / loss

Operating profit / (loss)	160,637	111,715
Dividend reinvestment plan	(648)	(441)
Dividends received	(451)	(375)
Non - Cash flows in operating results		
Depreciation	21,387	12,996
Amortisation	10,000	10,000
Borrowing costs written off	230	150
Hire purchase charges	2,246	1,439
Changes in assets and liabilities		
(Increase) / decrease in receivables	(5,263)	4,862
(Increase) / decrease in prepayments	2,547	(223)
Increase / (decrease) in creditors	(37,594)	46,899
Increase / (decrease) in provisions	(514)	1,953
Increase / (decrease) in income tax payable	9,926	21,800
(Increase) / Decrease in deferred tax assets	64	472
Increase / (Decrease) in deferred tax liabilities	(1,509)	2,608
Net cash provided by operating activities	161,059	213,855

Notes to the financial statements continued

	2011 \$	2010 \$
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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.	17,793	18,109
Mr P Bright is a business advisory contractor in this entity.		
Catering services provided by Swaffields Store.	-	780
Mr G Howson is a principal in this entity.		
Catering services provided by The Steely Dan Group Pty Ltd.	7,760	4,250
M G Howson is a principal in this entity.		
Secretarial services provided by Anthony Allen & Associates	12,000	2,000
Mr A Allen is the spouse of Mrs Susan Allen (Director)		
Transport services provided by Jindivick charters and tours	1,375	-
Mr K Kercheval is the principal in this entity		

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	80,564	14,332
Net profit after income tax	160,637	111,715
Less dividends paid	(45,483)	(45,483)
Accumulated profit (loss) at the end of the financial year	195,718	80,564

Note 11. Dividends paid on ordinary shares

Franked dividends (12 cents per share) (2010: 12 cents per share)	45,483	45,483
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Notes to the financial statements continued

	2011	2010
	\$	\$
Note 12. Franking credit balance		
Franking account balance as at end of the financial year	133,959	89,273

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	(10,000)	-
	40,000	50,000

Note 15. Leasing commitments

Finance lease commitments payable

Not later than one year	19,679	18,952
Later than one year but not later than five years	9,839	-

Note 16. Earnings per share

Earnings used in calculating basic and diluted earnings per share	160,637	111,715
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	
	2011	2010	2011	2010	Within 1 year		1 to 5 years		2011	2010
	%	%	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets										
Cash at bank	5.86	6.01	470,431	440,541						
Receivables									80,812	73,065
Total financial assets			470,431	440,541	-	-			80,812	73,065
Financial liabilities										
Payables									47,390	136,119
Hire purchase	6.2	6.2			19,679	18,952	9,839			
Total financial liabilities					19,679	18,952	9,839		47,390	136,119

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.

Statement of comprehensive income

	2010 financial report \$	Reinstatement \$	Note	2010 restated comparative \$
Revenue				
Income from operations	771,768	-		771,768
Interest received	16,682	-		16,682
Dividends received	816	-		816
Expenses				
Borrowing costs	150	-		150
Employee benefit expenses	310,654	-		310,654
Depreciation	12,996	-		12,996
Amortisation of franchise fee	10,000	-		10,000
General administration	119,234	-		119,234
Leasing costs	10,071	-		10,071
Audit services	1,225	-		1,226
Advertising and promotion	61,508	-		61,508
Occupancy costs	1,881	-		1,881
	527,719	-		527,720
Profit (loss) from ordinary activities before income tax & market development	249,547			(527,720)
Market development	82,955	-		82,955
Income tax relating to ordinary activities	48,797	3,080	1	51,877
Net profit (loss) after income tax	114,794	(3,079)		111,715
Earnings per share (cents per share)				
- basic for the period (cents)	30.29	(0.82)	1	29.47
- diluted for the period (cents)	30.29	(0.82)	1	29.47

Notes to the financial statements continued

Note 18. Disclosure of prior period comparative changes (continued)

Statement of financial position

	2010 financial report \$	Reinstatement \$	Note	2010 restated comparative \$
Current assets				
Cash assets	440,541	-		440,541
Receivables	73,065	-		73,065
Other	15,133	-		15,133
Total current assets	528,738			528,738
Non-current assets				
Intangibles	50,000	-		50,000
Plant and equipment	58,893	-		58,893
Deferred tax assets	-	6,177	1	6,177
Other financial assets	19,592	-		19,592
Total non-current assets	128,485	6,177		134,662
Total assets	657,223	6,177		663,400
Current liabilities				
Payables	136,119	-		136,119
Provisions	43,165	-		43,165
Interest bearing liabilities	18,211	-		18,211
Total current liabilities	197,496			197,496
Non-current liabilities				
Provisions	1,858	-		1,858
Deferred tax liabilities	-	4,457	1	4,457
Total non-current liabilities	1,858	4,457		6,315
Total liabilities	199,354	4,457		203,811
Net assets	457,869	1,720		459,589
Members funds				
Contributed equity	379,025	-		379,025
Accumulated profits / (losses)	78,844	1,720	1	80,564
Total members' funds	457,869	1,720		459,589

Notes to the financial statements continued

Note 18. Disclosure of prior period comparative changes (continued)

Statement of changes in equity

	2010 Financial report		
	Contributed equity \$	Retained earnings \$	Total equity \$
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

	2010 restated comparative				
	Contributed equity \$	Retained earnings \$	Note	Total equity \$	Note
Balance at 1 July 2009	379,025	14,332	1	393,357	1
Net profit/(loss) for the period	-	111,715	1	111,715	1
Dividends provided for or paid	-	(45,483)		(45,483)	
Balance at 30 June 2010	379,025	80,564	1	459,589	1

1. Recognition of deferred tax assets and deferred tax liabilities.

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 2011 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.

A handwritten signature in black ink that reads "Paul Bright". The signature is written in a cursive style with a large, looped initial "B".

Paul Bright
Chairperson

Date: 30 August 2011

Independent audit report

TAYLOR PARTNERS PTY. LTD.
CHARTERED ACCOUNTANTS

A.C.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 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 2011. 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 2011 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: 30th August, 2011

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
Shop 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.
(BMPAR11052) (08/11)

