

Gilgandra
Financial Services Limited

Financial Statements

as at

30 June 2008

Chairman's Annual Report

I am writing this report with the Olympic Games coverage in the background. The Beijing Games television coverage is giving our Community Bank® a wonderful opportunity to move further forward as part of Bendigo Bank's marketing program. We could not possibly buy this national advertising as an individual Community Bank® Company and we must make the most of this opportunity.

We have progressed well during the past 12 months and we are averaging our budget predictions. Our New Directors Lorraine Burrell, Mike Bowman and Mick Johnson have taken on their responsibilities well. This year, David Sawley is not seeking re-nomination and we will miss greatly his financial knowledge. David has worked hard in his role as Chairman of the Finance Committee and has also been the Vice Chairman of the board of Gilgandra Financial Services Limited. David has been working with five other organisations and has decided to reduce this commitment by two – one of which is this organisation. David, thank you very much for your contribution to enable the establishment of our Community Bank® branch. Lara Garbutt resigned as Treasurer and we thank her very much for her role as Treasurer during the start of our community based business. Kim O'Donnell is now filling this position with much enthusiasm.

During the past 12 months we have

- Won the "New Business" award in the Gilgandra Windmill awards
- Enjoyed and appreciated working with Rob Chittick, our Regional Manager
- Represented Our Bank with the Bendigo Bank mascot, Piggy, at the Cooee Festival Street Parade
- Ran a radio Promotion on 2DU and WARFM followed by an information leaflet mail drop
- Erected a roadside advertising sign on the Dubbo Road
- Celebrated our first year of operation.
- Made many donations and sponsorships towards education in our district

In April I attended the State Conference of Community Bank® branches and this was a rewarding experience. Representatives of Community Bank® companies and branches gave presentations of their experiences in setting up, opening and eventually reaching break even and profitable status. Under the circumstances we are progressing very well with some branches taking up to four years to record a regular monthly profit and ultimately annual profit. We now have the use of a 3m x 3m portable marquee to be used at community events in our district.

Our ability to make donations and to support organisations and the purchase of equipment is made possible by our branch meeting business targets set by Bendigo Bank. This money is given to us monthly and we are thankful for this as it allows us to demonstrate to the community that we are committed in returning benefits to them, even though it is only very early days in terms of our business.

Other things that have been happening in the past 12 months include:-

- A small regular advertisement in the Gilgandra Weekly which started in April.
-

- Board members have addressed meetings in Gloucester and Warren regarding establishing a Community Bank® branch in their town.
- Kylie Lees has resigned from her Customer Service Officer position. Having advertised for her replacement, we were extremely pleased with the applicants and it was not an easy task for the interview panel.
- As a result, we have appointed Ashleigh Mudford and some of you will already have met her. She is fitting in extremely well. Nancye Freeth has been promoted to Customer Relationship Officer with Graham Barratt and Darren Jackson. I'm sure you'll agree that we have a great team working for us. Thank you to our staff, keep up the good work as you help us to move forward.
- Doug Batten attended the National Conference of Community Bank® branches and companies in Bendigo and has returned positive and very pleased with the Community Bank® network's ability to progress and be successful in their individual areas, right across Australia.
- We held a rural breakfast in October with 47 attendees, which was very pleasing. The speakers were John Walton, Bendigo Bank Rural Business Banking Manager with the Bank, Andrew Graham from Peacockes Solicitors speaking on family succession and Michael Birch addressing the group on the issue of rural depression. We followed this with a shareholders breakfast on the second morning of the Gilgandra Show and it too was well attended. Kim O'Donnell gave a financial presentation of our position. Later we held a tradesmen 's night with the Bendigo Bank Leasing Officer Brian Goode, Andrew Graham from Peacocke Solicitors, speaking on the setting up of companies, partnerships etc and their tax implications.
- A promotional evening was held at Collie Hotel and then we conducted the Self Managed Superannuation Fund Information Nights at the Gilgandra Bowling Club and Tooraweenah Hotel. Kevin Rankmore and Roger Estens from Ryan and Rankmore Accountants spoke about the aspects involved in these funds.

We would like any shareholders who have not taken the opportunity of talking to our branch staff to call into the branch to discover not only how easy it is to transfer your banking business but the resulting benefits not only for you, as an individual, but the community as a whole

In finishing, I would like to sincerely thank my fellow Board members for their input and continuing support to ensure our Community Bank® branch's ongoing success.



Max Zell
Chairman

Gilgandra & District Community Bank® Branch

Manager's Annual Report 2008

Gilgandra & District Community Bank® Branch is fast approaching two years in business and is continuing to grow as a result of the ongoing support of the community.

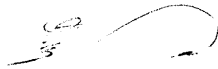
During the past 12 months we have seen continued strong growth in deposits and a steady growth in lending. However, it could be said that this deposit growth could be a result of the falling sharemarket and lending is expected to improve with two inches of rain.

Although our branch is yet to turn the corner as far as profitability is concerned, we continue to support our local community as best we can. Due to the generosity of the Board of Directors we have been able to support a number of community activities such as the Cooee Festival, Gilgandra, Coonamble, Dubbo, Binnaway, Baradine, Coonabarabran, Gulargambone and Tooraweenah Shows, Gilgandra Gift, Gilgandra Rugby League and Gulargambone Rugby Union. The company has also contributed \$500 towards the Tooraweenah Arthur Butler Memorial Fly-In. It should also be noted that Bendigo Bank itself has contributed towards the above community events with contributions of approximately \$8,000.

To increase awareness of our services we have embarked on a radio advertising campaign in the Gilgandra District and Dubbo and a mail-out to the district's professional organisation such as accountants and solicitors within a 200 kilometre radius. This will not only advise of our local banking services but also the support Gilgandra & Districts Branch receives from the Bendigo Bank by way of an Agri-Business Manager, Business Banking Manager and our Regional Manager, Robert Chittick, who many of you have had the pleasure of meeting.

Our staff is dedicated to providing outstanding service as they are acutely aware that the success of this branch is in their hands, which as a result, determines their long-term future in the branch. As a result, they would like me to remind everyone that Bendigo Bank offers a full range of banking services including investment accounts and lending facilities for both personal & business, insurance products (including Health and CTP insurance) and agri-business facilities.

I wish to thank those shareholders and customers who have supported our branch to date and look forward to your continued support and the support of our future customers.



Graham Barratt
Manager

Gilgandra Financial Services Limited

ABN 27 120 289 741

Directors' Report

Your Directors submit the financial report of the company for the financial year ended 30 June 2008.

Directors

The names and details of the company's directors who held office during or since the end of the financial year:

Maxwell Ian Zell

Chairman

Age: 62

Farmer

Involvement in various farming organisations, various office positions held in the Curban Farmers Cooperative Ltd, Chairman of the Gilgandra Marketing Cooperative Ltd, previous board member of the NSW Wheat and Barley Research Committee, trustee of the Plant Breeding Institute at Narrabi, Chairman of NETCO and director of Sunprime Seeds. Prior Deputy President, President and Mayor of Gilgandra Shire.

Interests in shares: 10,351

Kim Louise O'Donnell

Treasurer

Age: 40

Solicitor

Background in local government and in the banking industry, active member of various community groups.

Interests in shares: 1

Christopher Martin Chapman

Director

Age: 34

General manager of Gilgandra Services Club

14 years in the hospitality industry, President of the Club Managers (Mid State Zone), Chairman of the Local Liquor Accord and Manager of the Gilgandra self storage units.

Interests in shares: 501

David Garth Sawley

Director

Age: 55

Farmer

20 years experience as self employed businessman in the accommodation and farming sectors, 15 years in the banking industry. Director of a lamb marketing co-op for the past 10 years.

Interests in shares: 2,001

Dorothy Lorraine Burrell

Director (*Appointed 30 October 2007*)

Age: 62

Motelier

President of CWA, Board Member of Disability Services and Meals on Wheels volunteer.

Interests in shares: 1,000

Lorraine Margaret Hutchison

Secretary

Age: 40

Home duties/Casual Librarian

Owned and operated a retail business with husband as well as being a qualified TAFE teacher in the field of fashion. Casual Librarian and Workplace Assessor.

Interests in shares: 5,001

Douglas Richard Batten

Director

Age: 54

Company director, commodity trader

16 years experience as a director of a industry based credit union after 20 years with Australia Post and Telecom in administrative positions.

Interests in shares: 5,001

Donald Kingsley Kennaugh

Director

Age: 67

Semi retired

42 years at Telstra as Principal Technical Officer - Power and Alarms Western Districts. Past president of Gilgandra Rotary Club and is a Paul Harris Fellow. Also awarded 'Senior Citizen of the Year' for 2006.

Interests in shares: 10,001

Michael Charles Bowman

Director (*Appointed 30 October 2007*)

Age: 55

Grazier

Runs own family farm business. Involved with Tooraweenah community groups.

Interests in shares: 10,000

Michael Allan Johnson

Director (*Appointed 30 October 2007*)

Age: 37

Butcher

Board Member of Gilgandra Golf Club

Interests in shares: 1,500

Gilgandra Financial Services Limited

ABN 27 120 289 741

Directors' Report

Directors (continued)

John Alexander Campbell

Director (Retired 30 October 2007)

Age: 58

School bus operator

15 years of operating own transport business followed by sharefarming for a number of years.

Interests in shares: 10,001

Arthur Edward Noonan

Director (Retired 30 October 2007)

Age: 57

Motor dealer

15 years experience as business manager at Holden dealership, 11 years as current Holden franchisee.

Lions club member for 22 years, Treasurer for 8 years.

Interests in shares: 10,001

Directors were in office for this entire year unless otherwise stated.

No Directors have material interests in contracts or proposed contracts with the company.

Company Secretary

The company secretary is Lorraine Margaret Hutchison, who was appointed to the position of secretary on 20 June 2006. Lorraine is a Tafe Teacher, Workplace Assessor and casual Librarian. She has also developed state teaching standards and assessments for various Tafe courses. These courses have then gone on further to be nationally accredited. Lorraine and her husband Garth owned and operated their own retail business in Gilgandra for 20 years.

Principal activities

The principal activities of the company during the course of the financial year were in facilitating community banking services under management rights to operate a franchised branch of Bendigo Bank Limited.

There has been no significant changes in the nature of these activities during the year.

Operating Results

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2008	Year ended 30 June 2007
\$	\$
(183,963)	(227,673)

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since the end of the financial year that have 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 years.

Gilgandra Financial Services Limited
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Directors' Report

Likely Developments

The company will continue its policy of facilitating banking services to the community.

Environmental Regulation

The company is not subject to any significant environmental regulation.

Directors' Benefits

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, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as Directors or Manager of the company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an auditor of the company or a related body corporate.

Directors Meetings

The number of Directors meetings attended by each of the Directors of the company during the year were:

	Number of Board Meetings <u>eligible to attend</u>	<u>Number attended</u>
Maxwell Ian Zell	14	13
Lorraine Margaret Hutchison	14	12
Kim Louise O'Donnell	14	13
Douglas Richard Batten	14	11
Christopher Martin Chapman	14	11
Donald Kingsley Kennaugh	14	12
David Garth Sawley	14	10
Michael Charles Bowman (<i>Appointed 30 October 2007</i>)	8	8
Dorothy Lorraine Burrell (<i>Appointed 30 October 2007</i>)	8	5
Michael Johnson (<i>Appointed 30 October 2007</i>)	8	6
John Alexander Campbell (<i>Retired 30 October 2007</i>)	6	3
Arthur Edward Noonan (<i>Retired 30 October 2007</i>)	6	4

Gilgandra Financial Services Limited
ABN 27 120 289 741
Directors' Report

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;

none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

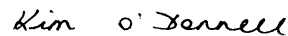
Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the Board of Directors at Gilgandra, New South Wales on 2 September 2008.



Maxwell Ian Zell, Chairman



Kim Louise O'Donnell, Treasurer



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**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
to the directors of Gilgandra Financial Services Limited**

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

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

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 2nd day of September 2008

Gilgandra Financial Services Limited
ABN 27 120 289 741
Income Statement
for the year ended 30 June 2008

	<u>Notes</u>	2008 \$	2007 \$
Revenues from ordinary activities	3	120,471	33,979
Salaries and employee benefits expense		(169,172)	(242,438)
Advertising and promotion expenses		(10,161)	(1,961)
Occupancy and associated costs		(33,026)	(27,990)
Systems costs		(24,712)	(13,714)
Depreciation and amortisation expense	4	(17,584)	(15,340)
General administration expenses		(49,779)	(55,843)
		<hr/>	<hr/>
Loss before income tax credit		(183,963)	(323,307)
Income tax credit	5	-	95,634
		<hr/>	<hr/>
Loss for the period		(183,963)	(227,673)
		<hr/>	<hr/>
Loss attributable to members of the entity		(183,963)	(227,673)
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (cents per share)		<u>c</u>	<u>c</u>
- basic for profit for the year	19	(29.24)	(44.47)

The accompanying notes form part of these financial statements

Gilgandra Financial Services Limited
ABN 27 120 289 741
Balance Sheet
as at 30 June 2008

	<u>Notes</u>	2008 \$	2007 \$
ASSETS			
Current Assets			
Cash assets	6	-	86,531
Trade and other receivables	7	12,297	5,609
Total Current Assets		<u>12,297</u>	<u>92,140</u>
Non-Current Assets			
Property, plant and equipment	8	171,570	187,154
Intangible assets	9	6,667	8,667
Deferred tax assets	10	95,634	95,634
Total Non-Current Assets		<u>273,871</u>	<u>291,455</u>
Total Assets		<u>286,168</u>	<u>383,595</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	11	11,023	8,832
Borrowings	6	74,884	-
Provisions	12	9,611	9,247
Total Current Liabilities		<u>95,518</u>	<u>18,079</u>
Non-Current Liabilities			
Provisions	12	1,988	-
Total Non-Current Liabilities		<u>1,988</u>	<u>-</u>
Total Liabilities		<u>97,506</u>	<u>18,079</u>
Net Assets		<u>188,662</u>	<u>365,516</u>
Equity			
Issued capital	14	600,298	593,189
Accumulated losses	15	(411,636)	(227,673)
Total Equity		<u>188,662</u>	<u>365,516</u>

The accompanying notes form part of these financial statements

Gilgandra Financial Services Limited
ABN 27 120 289 741
Statement of changes in equity
for the year ended 30 June 2008

	2008	2007
	\$	\$
Total equity at the beginning of the period	365,516	-
Net loss for the period	(183,963)	(227,673)
Net income/expense recognised directly in equity	-	-
Dividends provided for or paid	-	-
Shares issued during period	7,109	623,450
Costs of issuing shares	-	(30,261)
Total equity at the end of the period	<u>188,662</u>	<u>365,516</u>

The accompanying notes form part of these financial statements

Gilgandra Financial Services Limited
ABN 27 120 289 741
Statement of Cashflows
for the year ended 30 June 2008

	<u>Notes</u>	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers		119,460	19,857
Payments to suppliers and employees		(288,663)	(323,780)
Interest received		1,424	8,512
Interest paid		(745)	(86)
Net cash outflow from operating activities	15	<u>(168,524)</u>	<u>(295,497)</u>
Cash Flows From Investing Activities			
Payment for intangible assets		-	(10,000)
Payments for property, plant and equipment		-	(201,161)
Net cash outflow from investing activities		<u>-</u>	<u>(211,161)</u>
Cash Flows From Financing Activities			
Proceeds from issue of shares		7,109	623,450
Payment of share issue costs		-	(30,261)
Net cash inflow from financing activities		<u>7,109</u>	<u>593,189</u>
Net increase in cash held		(161,415)	86,531
Cash at the beginning of the financial year		86,531	-
Cash at the end of the financial year	6(a)	<u><u>(74,884)</u></u>	<u><u>86,531</u></u>

The accompanying notes form part of these financial statements

Gilgandra Financial Services Limited
ABN 27 120 289 741
Notes to the Financial Statements
for the year ended 30 June 2008

1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operation cash flows.

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Gilgandra Financial Services Limited
ABN 27 120 289 741
Notes to the Financial Statements
for the year ended 30 June 2008

1. Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Employee entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

The cost of the company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.