Gilgandra
Financial Services Limited

Annual Report

as at

30 June 2013

On behalf of the Board of Directors I am very pleased to report on the progress of our **Community Bank®** branch for the2012/2013 financial year. This past year has certainly been an exciting and eventful time for our **Community Bank®** branch and it is very pleasing for me to be able to share some good news in my first report to you as Chairman.

But first I would like to pay tribute to long serving Chairman Max Zell who retired following our 2012 Annual General Meeting (AGM) bringing to an end more than six years of dedicated service to our **Community Bank®** branch. Along with Max, long serving Treasurer, Kim O'Donnell and Director Narelle Rodway have also retired. This capable trio was replaced by new Directors Sandra Lawford as Secretary, Sue McAnally-Elwin as Treasurer, myself as Chairman and new Director Jessie Stewart who joined our Board during June and was officially appointed in July. In paying tribute to Max, along with Kim and Narelle, I would also like to acknowledge the hard work and dedication of all Directors, past and present, whose commitment to the **Community Bank®** concept has contributed to the positive results we are now beginning to see.

During November 2012 our **Community Bank®** branch first reached the milestone of $50 million of total banking business and as of the end of June we now have more than 1,100 customers with over $51 million in total banking business and growing. We finished the financial year with a small trading loss of $5,692 representing a considerable improvement on our previous year's results. Like all banks our performance continues to suffer from the aftermath of the Global Financial Crisis and the resultant impact of "margin squeeze" on our business. Your Board of Directors has put in place a Strategic Plan which is designed to continue to grow our business into the future and we have set some challenging but achievable growth targets aimed at moving our business into profit.

I would like to acknowledge the contribution of our talented and enthusiastic branch team of Nancye, Darren and Tracey led by our very capable Branch Manager, Robyn. Welcome to Tracey Riley who joined our branch team in December. I congratulate Robyn and our branch team on winning Bendigo Bank's regional 'Branch of the Month' award for five of the last six months, as well as numerous other awards culminating in winning Bendigo Bank's 'Regional Branch of the Year' award for 2013. Well done team!

I would like to especially pay tribute to the work of our Branch Manager, Robyn Floyd for to the contribution she has made to our **Community Bank®**Branch. Robyn is a talented team leader and an experienced banker who has a determination to meet the challenges set by the Board and to build a profitable banking business. Many of the achievements of the past year result from Robyn's dedication to the **Community Bank®** concept.

During the past year Robyn was granted an increased lending delegation and is now able to provide same day approval for most consumer loans (home and personal loans) to qualified applicants. We are the only local branch able to offer same day approvals, this at a time when other banks are scaling back their local operations and service.

With the assistance of our banking partners, Bendigo and Adelaide Bank, we have been able to provide financial support to numerous local organisations and projects totaling $130,000 over the past six years. A major project this year is our partnership with Gilgandra Shire Council and Gilgandra Toyota along with other participating local businesses in support of the 2013 Christmas Shop Local promotion. Your Board is currently assessing funding requests for assistance in our current round of community grants.

These results have been achieved by the combined efforts of our friendly and professional branch team lead by Robyn, a dedicated and hardworking team of Directors, as well as the growing number of local residents, businesses and organisations who support the concept of keeping banking profits local.

It is imperative that we continue to build on this positive trend to enable us to pay down our current overdraft before we can reward our shareholders with a return on your investment. You can play your part by giving our staff the opportunity to quote on all your banking and insurance business. So please call to discuss your banking arrangements with Robyn and the staff and give them the opportunity of quoting for your total banking business.

Support your **Community Bank®** branch that supports our local community!

Doug Clouten
Chairman

GILGANDRA FINANCIAL SERVICES LIMITED
MANAGER'S REPORT

For year ending 30 June 2013

I would like to extend my profound gratitude to all my staff, Nancye, Darren and our newest staff member Tracey, along with our Board, shareholders, customers and our community partners who have been so supportive of the branch and myself through out the year.

As the Branch Manager I feel great pride in joining you to celebrate the wonderful year that we have had. As Chairman Doug Clouten has said we have achieved some great results in the branch and none of this would have been achievable without the help of you, our customers. It has been two years now that I have had the pleasure of being your Branch Manager and I have had the pleasure of building some wonderful relationships.

With your support we can keep building on the strong foundations we have and build our town to be resilient in the difficult financial times.

The past year has seen our branch grow and achieve a milestone growth of $9,742,000. This has given us Total footings of $51.083 million.

We would hope to achieve a target of $60 million in total business by the end of the current financial year. This is only going to become a reality with the continued support of our customers and the community. Please if you know anyone who is seeking some assistance with there current or new financial needs ask them to pop along and see us at the branch. We will endeavour to assist and help them. We take great pride in our commitment to our customers.

Robyn Floyd
Branch Manager

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

Directors

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

Douglas James Clouten
Chairman
Occupation: Retired
Most recently owned and operated motels for 15 years. Formerly was employed by one of the big four banks for approximately 30 years in various capacities including administration, audit, branch operations and management. During much of this period was a property investor, operated a retail butchery and a grazing operation.
Interest in shares: 6,500

Douglas Richard Batten
Director
Occupation: Retired
17 years experience as a director of a industry based credit union after 20 years with Australia Post and Telecom in administrative positions. Current Mayor of Gilgandra Shire Council.
Interests in shares: 5,000

Donald Kingsley Kennaugh
Director
Occupation: Semi Retired Farmer
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. Awarded 'Senior Citizen of the Year' for 2006. Member of various Council sub-committees.
Interests in shares: 10,000

Julie Prout
Director
Occupation: Executive Assistant
Diploma Frontline Management, Cert IV of Assessment & Workplace Training, 30 years of administration experience. Current involvement with Gilgandra Rugby League Football Club and 'Old Boys'. Previous committee involvement with Gilgandra Preschool, Public School and High School, Community
Interests in shares: 2,000

Robyn Edna Cook
Director
Occupation: Accountant
Bachelor of Business Studies, involved with junior cricket and SES.
Interests in shares: Nil

Brian Francis Mockler
Director
Occupation: Solicitor/Grazier
Practising solicitor for 33 years, self employed as consultant solicitor and grazier. Director of Central West LHPA, active member on community organisation at Tooraweenah Lions Club, Show Society, Driver Reviver and management committees.
Interests in shares: 500

Tracey Jane Stevenson
Director
Occupation: Employment Consultant
Certificate IV in Business Employment Services, Statement of Attainment for Occupational Health & Safety, Statement of Attainment of Alcohol & Other Drugs. Volunteer for Meals on Wheels, Cooee Heritage Centre and GRLFC.
Interests in shares: 1,000

Suzanne Mae McAnally-Elwin
Director *(Appointed 23 October 2012)*
Occupation: Office Manager
Suzanne has exerience in the financial industry, office administration, as well as bookkeeping.
Interest in shares: Nil

Sandra Florence Lawford
Director *(Appointed 23 October 2012)*
Occupation: Administration Officer Real Estate
Sandra has served 30 years in various administration/financial roles in three local government councils. She has also been an Admin Officer for two years with Gilgandra Real Estate. Sandra has Cert IV Human Resource Management, Cert IV Workplace Training & Assessment, and Secretarial Certificate. She also is a Volunteer Tourist Information Officer.
Interest in shares: Nil

Maxwell Ian Zell
Chairman *(Resigned 23 October 2012)*
Occupation: Farmer
Involvement in various farming organisations, various office positions held in the Curban Farmers Cooperative Ltd, Director of the Gilgandra Marketing Cooperative Ltd, previous board member of the NSW Wheat and Barley Research Committee, trustee of the Plant Breeding Institute at Narrabri, Director 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 *(Resigned 23 October 2012)*
Occupation: Solicitor
Background in local government and in the banking industry, member of Coonabarabran Volunteer Rescue Association and active member of various community groups. 12 years since admitted as a solicitor and is now principal of own legal firm.
Interests in shares: 1

Narelle Heather Rodway
Director *(Resigned 8 October 2012)*
Occupation: General Manager
Associate Diploma of Vocational Instruction, Golden Key International Honours Society. 27 years of management experience. Member of Lions Club of Tooraweenah Inc for 15 years, twice served as President of Gilgandra District Education Foundation (9 years). NSW Justice of the Peace since 1993.
Interests in shares: 500

Jessie Elizabeth Stewart
Director *(Appointed 23 July 2013)*

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

Company Secretary

The company secretary is Sandra Florence Lawford. Sandra was appointed to the position of secretary on 24 February 2011 to replace Lorraine Hutchison. She has 29 years administration experience within local council and during this time has gained several certificates to complement her positions. She is currently employed at a local Real Estate firm and is a member of various community and sporting groups.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide 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 2013 $	Year ended 30 June 2012 $
(5,692)	(43,849)

Remuneration Report

The company Secretary and Treasurer received payments for reimbursements of expenses incurred and their time spent on company affairs, details of which are disclosed in notes 19 and 20 of the accompanying financial statements. No Director of the company receives remuneration for services as a company director or Committee member.

There are no Executives within the company whose remuneration is required to be disclosed.

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 statements.

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.

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.

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		Number of Marketing Meetings	
	eligible to attend	Number attended	eligible to attend	Number attended
Douglas James Clouten	13	12	4	3
Douglas Richard Batten	13	11	4	3
Donald Kingsley Kennaugh	13	11	4	1
Julie Prout	13	12	4	4
Robyn Edna Cook	13	11	4	1
Brian Francis Mockler	13	5	4	4
Tracey Jane Stevenson	13	10	4	1
Susanne McAnally-Elwin *(Appointed 23 October 2012)*	5	4	-	-
Sandra Florence Lawford *(Appointed 23 October 2012)*	6	4	4	4
Jessie Elizabeth Stewart *(Appointed 23 July 2013)*	-	-	-	-
Maxwell Ian Zell *(Resigned 23 October 2012)*	4	4	-	-
Kim Louise O'Donnell *(Resigned 23 October 2012)*	4	4	-	-
Narelle Heather Rodway *(Resigned 8 October 2012)*	4	4	-	-

The Board also has a sub-committee for Finance. The Finance sub-committee has formally elected Directors who meet on a required/as needed basis and present reports/recommendations to the subsequent Board meeting.

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 APES 110 Code of Ethics for Professional Accountants, 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 2013.

Douglas James Clouten, Chairman

Partners in success

Chartered Accountants

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 2013 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 2 September 2013

Gilgandra Financial Services Limited
ABN 27 120 289 741
Statement of Comprehensive Income
for the Year Ended 30 June 2013

	Notes	2013 $	2012 $
Revenues from ordinary activities	4	426,754	377,673
Employee benefits expense		(226,358)	(219,589)
Charitable donations, sponsorship, advertising and promotion		(32,355)	(33,369)
Occupancy and associated costs		(42,440)	(40,159)
Systems costs		(20,058)	(22,209)
Depreciation and amortisation expense	5	(22,993)	(19,064)
Finance costs	5	(18,749)	(22,060)
General administration expenses		(67,084)	(65,072)
Loss before income tax expense		**(3,283)**	**(43,849)**
Income tax expense	6	(2,409)	-
Loss after income tax expense		(5,692)	(43,849)
Total comprehensive income for the year		**(5,692)**	**(43,849)**
Earnings per share (cents per share)		c	c
- basic for profit for the year	21	(0.9)	(7)

The accompanying notes form part of these financial statements

Gilgandra Financial Services Limited
ABN 27 120 289 741
Balance Sheet
as at 30 June 2013

	Notes	2013 $	2012 $
ASSETS			
Current Assets			
Trade and other receivables	7	38,667	33,235
Total Current Assets		**38,667**	**33,235**
Non-Current Assets			
Property, plant and equipment	8	121,006	130,134
Intangible assets	9	46,215	60,079
Deferred tax assets	10	93,225	95,634
Total Non-Current Assets		**260,446**	**285,847**
Total Assets		**299,113**	**319,082**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	48,193	47,844
Borrowings	12	358,694	358,908
Provisions	13	20,663	10,541
Total Current Liabilities		**427,550**	**417,293**
Non-Current Liabilities			
Trade and other payables	11	-	26,076
Provisions	13	7,750	6,208
Total Non-Current Liabilities		**7,750**	**32,284**
Total Liabilities		**435,300**	**449,577**
Net Assets		**(136,187)**	**(130,495)**
Equity			
Issued capital	14	600,298	600,298
Accumulated losses	15	(736,485)	(730,793)
Total Equity		**(136,187)**	**(130,495)**

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 2013

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011	600,298	(686,944)	(86,646)
Total comprehensive income for the year	-	(43,849)	(43,849)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2012	600,298	(730,793)	(130,495)
Balance at 1 July 2012	600,298	(730,793)	(130,495)
Total comprehensive income for the year	-	(5,692)	(5,692)
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2013	600,298	(736,485)	(136,187)

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 2013

	Notes	2013 $	2012 $
Cash Flows From Operating Activities			
Receipts from customers		460,712	413,019
Payments to suppliers and employees		(441,749)	(430,821)
Interest paid		(18,749)	(20,207)
Net cash provided by/(used in) operating activities	16	214	(38,009)
Net increase/(decrease) in cash held		214	(38,009)
Cash and cash equivalents at the beginning of the financial year		(358,908)	(320,899)
Cash and cash equivalents at the end of the financial year	12(a)	(358,694)	(358,908)

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

<u>Compliance with IFRS</u>

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

<u>Critical accounting estimates</u>

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

<u>Historical cost convention</u>

The financial statements have been prepared under the historical cost convention 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.

<u>Comparative figures</u>

Where required by Australian Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

<u>Adoption of new and revised Accounting Standards</u>

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

<u>Economic dependency - Bendigo and Adelaide Bank Limited</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Gilgandra, New South Wales.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name “Bendigo Bank” and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

Note 1. Summary of Significant Accounting Policies *(continued)*

a) Basis of Preparation *(continued)*

Economic dependency - Bendigo and Adelaide Bank Limited *(continued)*

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

Going concern

The net liabilities of the company as at 30 June 2013 were $136,187 and the loss before tax made for the year was $3,283, bringing accumulated losses to $736,485.

In addition:	$
Total assets were	299,113
Total liabilities were	435,300
Operating cash flows were	214

There was a 93% decrease in the loss before tax recorded for the financial year ended 30 June 2013 when compared to the prior year.
The company meets its day to day working capital requirements through an overdraft facility that has a rolling renewal date, Bendigo & Adelaide Bank review the overdraft each three months. The overdraft has an approved limit of $450,000 and was drawn to $358,694 as at 30 June 2013. (See also note 12 to the financial statements). $18,749 of interest expense was incurred during the 2013 financial year.

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 1 to 4. The financial position of the company, its cash flows, liquidity position and borrowing facilities are described in the financial statements.

The current economic environment is difficult and while revenue continues to increase the company has again reported an operating loss for the year. The directors' consider that the outlook presents significant challenges in terms of banking business volume and pricing as well as for operating costs. Whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create material uncertainties over future trading results and cash flows.

Note 1. Summary of Significant Accounting Policies *(continued)*

a) Basis of Preparation *(continued)*

Going concern *(continued)*

The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current overdraft facility.

The company has held discussions with Bendigo and Adelaide Bank Limited about its future borrowing needs. It is likely that these discussions will not be completed for some time but no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms. The company has also obtained an undertaking of support from Bendigo and Adelaide Bank Limited that it will continue to support the company and its operations for the 2013/14 financial year. This support is provided on the basis that the company continues to fulfill its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

The directors have concluded that the combination of the circumstances above represents a material uncertainty that casts doubt upon the company's ability to continue as a going concern and that, therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Nevertheless, after making enquiries and considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. 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. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

Gilgandra FSL has been granted an exemption by Bendigo and Adelaide Bank Limited from the decrease in Trailer Product Commission, from 1 April 2013 until 31 March 2014.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

Note 1. Summary of Significant Accounting Policies *(continued)*

c) 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 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).

Deferred tax

Deferred tax is accounted for using the 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 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 statement of comprehensive income, 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.

d) 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.

e) Cash and Cash Equivalents

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.

Note 1. Summary of Significant Accounting Policies *(continued)*

f) Trade Receivables and Payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

g) Property, Plant and Equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40	years
- plant and equipment	2.5 - 40	years
- furniture and fittings	4 - 40	years

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment Terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

j) Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Note 1. Summary of Significant Accounting Policies *(continued)*

k) Financial Instruments *(continued)*

Classification and subsequent measurement

(i) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) *Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Financial liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

n) Contributed Equity

Ordinary shares are recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

o) Earnings Per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 1. Summary of Significant Accounting Policies *(continued)*

p) 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 from 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 taxation authority are classified as operating cash flows.

Note 2. Financial Risk Management

The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

(i) Market risk

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The company is not exposed to commodity price risk.

(iii) Credit risk

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

Note 2. Financial Risk Management *(continued)*

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

(i) the distribution limit is the greater of:
  (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
  (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and

(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2013 can be seen in the statement of comprehensive income.

There were no changes in the company's approach to capital management during the year.

Note 3. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

<u>Taxation</u>

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Note 3. Critical Accounting Estimates and Judgements *(continued)*

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Note 4. Revenue from Ordinary Activities

	2013 $	2012 $
Operating activities:		
- services commissions	426,754	377,673
- other revenue	-	-
Total revenue from operating activities	426,754	377,673
Non-operating activities:		
- interest received	-	-
Total revenue from non-operating activities	-	-
Total revenues from ordinary activities	426,754	377,673

Note 5. Expenses	**2013 $**	**2012 $**
Depreciation of non-current assets:		
- plant and equipment	2,564	2,572
- leasehold improvements	6,564	6,581
Amortisation of non-current assets:		
- franchise agreement	2,310	2,209
- franchise renewal fee	11,555	7,702
	22,993	19,064
Finance costs:		
- interest paid	18,749	22,060
Bad debts	1,322	224

Note 6. Income Tax Credit

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows:

Operating loss	(3,283)	(43,849)
Prima facie tax on loss from ordinary activities at 30%	(985)	(13,155)
Add tax effect of:		
- non-deductible expenses	-	107
- timing difference expenses	3,394	(401)
- other deductible expenses	-	-
Tax losses not brought to account	-	13,449
	2,409	-

Income tax losses:

Future income tax benefits arising form tax losses are not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.

Future income tax benefit carried forward but not bought to account is:	162,713	162,713

Note 7. Trade and Other Receivables

Trade receivables	34,516	29,090
Prepayments	4,151	4,145
	38,667	33,235

Note 8. Property, Plant and Equipment

	2013 $	2012 $
Plant and equipment		
At cost	53,009	53,009
Less accumulated depreciation	(31,200)	(28,636)
	21,809	24,373
Leasehold improvements		
At cost	130,098	130,098
Less accumulated depreciation	(30,901)	(24,337)
	99,197	105,761
Total written down amount	121,006	130,134

Movements in carrying amounts:

	2013 $	2012 $
Plant and equipment		
Carrying amount at beginning	24,373	26,945
Additions	-	-
Disposals	-	-
Less: depreciation expense	(2,564)	(2,572)
Carrying amount at end	21,809	24,373
Leasehold improvements		
Carrying amount at beginning	105,761	112,342
Additions	-	-
Disposals	-	-
Less: depreciation expense	(6,564)	(6,581)
Carrying amount at end	99,197	105,761
Total written down amount	121,006	130,134

Note 9. Intangible Assets

	2013 $	2012 $
Franchise fee		
At cost	21,554	21,554
Less: accumulated amortisation	(13,851)	(11,541)
	7,703	10,013
Renewal processing fee		
At cost	57,768	57,768
Less: accumulated amortisation	(19,256)	(7,702)
	38,512	50,066
Total written down amount	46,215	60,079

Note 10. Tax

	2013 $	2012 $
Deferred Tax Asset		
- Opening Balance	95,634	95,634
Future income tax benefits attributable to losses	-	-
Deferred tax on provisions	-	-
Recoup of prior year tax loss	(2,409)	-
- Closing Balance	93,225	95,634

Note 11. Trade and Other Payables

	2013 $	2012 $
Current:		
Trade creditors	44,235	43,790
Other creditors and accruals	3,958	4,054
	48,193	47,844
Non-Current:		
Trade creditors	-	26,076

Note 12. Borrowings

	2013 $	2012 $
Bank overdraft	358,694	358,908

The Business Solutions Non-Residential Secured Overdraft facility limit is $450,000, the interest rate is currently 5.104%, varying from time to time.

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 12(a). Reconciliation of cash

	2013 $	2012 $
Bank overdraft	358,694	358,908

Note 13. Provisions

	2013 $	2012 $
Current:		
Provision for annual leave	20,663	10,541
Non-Current:		
Provision for long service leave	7,750	6,208

Note 14. Contributed Equity

	2013 $	2012 $
630,559 Ordinary shares fully paid (2012: 630,559)	630,559	630,559
Less: equity raising expenses	(30,261)	(30,261)
	600,298	600,298

Note 14. Contributed Equity *(continued)*

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").
- Where the person is a shareholder, after the transfer of shares in the company to that person the number of shareholders in the company is (or would be) lower than the base number (the "base number test"). The base number is 314. As at the date of this report, the company had 359 shareholders.

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 15. Accumulated Losses

	2013 $	2012 $
Balance at the beginning of the financial year	(730,793)	(686,944)
Net loss from ordinary activities after income tax	(5,692)	(43,849)
Dividends paid or provided for	-	-
Balance at the end of the financial year	(736,485)	(730,793)

Note 16. Statement of Cashflows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

	2013 $	2012 $
Loss from ordinary activities after income tax	(5,692)	(43,849)
Non cash items:		
- depreciation	9,128	9,153
- amortisation	13,865	9,911
Changes in assets and liabilities:		
- increase in receivables	(5,432)	(1,692)
- (increase)/decrease in other assets	2,409	-
- decrease in payables	(25,728)	(11,048)
- increase/(decrease) in provisions	11,664	(484)
Net cashflows used in operating activities	214	(38,009)

Note 17. Leases

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

	2013 $	2012 $
Payable - minimum lease payments		
- not later than 12 months	20,935	20,130
- between 12 months and 5 years	50,593	68,778
- greater than 5 years	-	-
	71,528	88,908

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. Lease expires on 28 November 2016 with no more renewal options available.

Note 18. Auditor's Remuneration

	2013 $	2012 $
Amounts received or due and receivable by the auditor of the company for:		
- audit and review services	3,850	3,400
- non audit services	2,184	2,016
	6,034	5,416

Note 19. Director and Related Party Disclosures

The names of directors who have held office during the financial year are:

Douglas James Clouten

Douglas Richard Batten

Donald Kingsley Kennaugh

Julie Prout

Robyn Edna Cook

Brian Francis Mockler

Tracey Jane Stevenson

Susanne McAnally-Elwin *(Appointed 23 October 2012)*

Sandra Florence Lawford *(Appointed 23 October 2012)*

Jessie Elizabeth Stewart *(Appointed 23 July 2013)*

Maxwell Ian Zell *(Resigned 23 October 2012)*

Kim Louise O'Donnell *(Resigned 23 October 2012)*

Narelle Heather Rodway *(Resigned 8 October 2012)*

Treasurer, Kim O'Donnell received a fee for services for her performance of the Treasurer's role, until her resignation in October 2012. The payment is for reimbursement of time and personal expenses incurred, she received $668 (2012: $2,000). Sue McAnally-Elwin took over the position of treasurer 23 October 2012, and was paid for reimbursement of time and personal expenses incurred, she received $1,593.60.

Secretary Sandra Lawford received a fee for administration services performed in the role of secretary. She received $2,000 (2012: $2,000).

No other director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Directors' Shareholdings	**2013**	**2012**
Douglas James Clouten	6,500	6,500
Douglas Richard Batten	5,000	5,001
Donald Kingsley Kennaugh	10,000	10,001
Julie Prout	2,000	2,000
Robyn Edna Cook	-	-
Brian Francis Mockler	500	500
Tracey Jane Stevenson	1,000	1,000
Susanne McAnally-Elwin *(Appointed 23 October 2012)*	-	-
Sandra Florence Lawford *(Appointed 23 October 2012)*	-	-
Jessie Elizabeth Stewart *(Appointed 23 July 2013)*	-	-
Maxwell Ian Zell *(Resigned 23 October 2012)*	10,351	10,351
Kim Louise O'Donnell *(Resigned 23 October 2012)*	1	1
Narelle Heather Rodway *(Resigned 8 October 2012)*	500	500

There was no movement in directors' shareholdings during the year.

Note 20. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

The company Secretary received remuneration for services performed to the value of $2,000 (2012: $2,000).

There are no other Executives within the company whose remuneration is required to be disclosed.

Note 21. Earnings Per Share	**2013** **$**	**2012** **$**
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(5,692)	(43,849)
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	630,559	630,559

Note 22. Events Occurring After the Balance Sheet Date

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 23. Contingent Liabilities

There were no contingent liabilities at the date of this report to affect the financial statements.

Note 24. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Gilgandra and surrounding districts of New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 25. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office	Principal Place of Business
57 Miller Street	57 Miller Street
Gilgandra NSW	Gilgandra NSW

Note 26. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. The company does not have any unrecognised financial instruments at the year end.

Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest Rate Risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		Over 5 years		Non interest bearing		Weighted average effective interest rate	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 %	2012 %
Financial Assets												
Receivables	-	-	-	-	-	-	-	-	34,516	29,090	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	358,694	358,908	-	-	-	-	-	-	-	-	5.16	6.51
Payables	-	-	-	-	-	-	-	-	44,235	69,867	N/A	N/A

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

In accordance with a resolution of the directors of Gilgandra Financial Services Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.

Douglas James Clouten, Chairman

Signed on the 2nd of September 2013.

Partners in success

Chartered Accountants

Independent auditor's report to the members of Gilgandra Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Gilgandra Financial Services Limited, which comprises the balance sheet as at 30 June 2013, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These auditing standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

1) The financial report of Gilgandra Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2013 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of $3,283 during the year ended 30 June 2013, and as of that date, the company's liabilities exceeded its total assets by to $136,187. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Gilgandra Financial Services Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 2 September 2013