

2008 annual report



Contents

Chairman's report	2
Manager's report	3
Directors' report	4-8
Financial statements	9-12
Notes to the financial statements	13-27
Directors' declaration	28
Independent audit report	29-30
BSX report	31-32

Chairman's report

For year ending 30 June 2008


It is my privilege to make this report at the Annual General Meeting of Gympie & District Financial Services Limited for the year ended 30 June 2008. After our third full year of trading Gympie & District **Community Bank**[®] Branch is continuing to enjoy very steady growth for the financial year.

You will notice new faces on our Board with past Chairman Ray Bird and Secretary Vicki Shapcott moving on. Will Bauer has taken on the role of Secretary and I plan to continue the great work that our inaugural Chairman Ray has put in since the launch of our branch.

Much has been made of our community contributions during the past year. You have no doubt seen our smiling faces in the paper donating, sponsoring and partnering with many deserving community organisations. While that is the reason our **Community Bank**[®] branch was formed, and why we, your Directors, volunteer so much of our time, these payments require an explanation.

Since our inception as a Company, Bendigo Bank has paid into a Market Development Fund, at no cost to our branch, Company or shareholders. As our branch business reaches specific milestones, Bendigo Bank makes a payment into our fund. It is from this fund that we have been able to financially support so many local organisations and projects. Of course, as our branch continues to mature, so too will the level of sponsorship and grants we will return to our community. Just one more point of difference and reason why we are partnered with Bendigo Bank.

As we head into our fourth year and ever-increasing profit, we look forward to our continued hard work paying dividends both for our shareholders and our community. This would not be possible without the support of Branch Manager Michael Thornley and his wonderful staff, my fellow Directors, our customers and shareholders who have supported our **Community Bank**[®] branch with their time, effort and banking business.

A handwritten signature in black ink, appearing to read 'Beven Webb', written over a light grey rectangular background.

Beven Webb
Chairman

Manager's report

For year ending 30 June 2008

I am pleased to advise that from a total business footing of approximately \$25 million as at 30 June 2007, our total lending and deposit business has grown to an amount in excess of \$32 million. Congratulations must go to our hardworking staff Andrea, Lezette, Cassandra and Brett for their enormous contribution in achieving this result in what have been difficult economic times in both Australia and internationally.

In addition, our growth has also been assisted by the expertise of the Business Banking team of Paul Hampson and Simon Knight and our Financial Planner Peter Bourke, available to you all through our **Community Bank**[®] branch.

The abovementioned results are also reflected in our total account numbers which have increased from 1,764 to 2,137 during the 2007-2008 Financial Year. Yet, in order for our Company to continue to grow and evolve, we require our shareholders to support 'their' bank and to continue to be roving ambassadors within our community.

Our branch staff recently conducted a survey of the number of shareholders that have a facility with us. The results were a little disappointing in that many of you have only brought over a small portion or indeed none of your Banking & Insurance business to us.

Therefore, once again I urge you support 'your' Bank and encourage your friends and family to call into Gympie & District **Community Bank**[®] Branch at 68 Mary Street and open an account or make an appointment to discuss your banking, lending, investment or insurance needs. Remember, we are open for business from 9am to 5pm Monday to Friday and 9am to noon on Saturdays.

We must work together to achieve our desired results for continued success not only for ourselves but also for the greater community.



Michael Thornley
Branch Manager

Directors' report

For year ending 30 June 2008

Your Directors present their report on the Company for the 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 are:

Raymond John Bird

Chairman
Retired Manufacturing Business Operator
(resigned 30 June 2008)

Rens John Poels

Treasurer
Retired Computer Engineer

Michael Ellis Thornley

Director
Community Bank Branch Manager
(resigned 26 July 2007)

Vicki Shapcott

Company Secretary
Community Development Officer

Lesley Anne O'Hern

Director
Teacher and Primary Producer

Elaine Gwen Thompson

Director
Shop Owner

Beven Roy Webb

Director
Furniture Retailer
(Appointed Chairman from 30 June 2008)

Christopher James Hodges

Director
Business Owner

David James Weller

Director
Event Co-ordinator

Rae Allison Gâté

Director
Secretary/Events Manager

William Bauer

Director
Retired Civil Engineer
(appointed 27 February 2008)

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

Other than stated below, no Directors have material interests in contracts or proposed contracts with the Company.

Directors' report continued

Principal activities

The principal activities of the Company during the course of the financial year were in providing community banking 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 \$64,328 (2007: \$111,169).

Dividends

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.

Significant events after the balance date

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 periods.

Likely developments

The Company will continue its policy of providing banking services to the community.

Directors' benefits

Other than detailed below 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.

Directors' report continued

Executive remuneration

	Primary Benefits Salary & Fees \$	Post Employment Superannuation \$	Other \$	Total \$
Michael Ellis Thornley (Branch Manager)				
Year ended 30 June 2008	62,688	5,480	156	68,324
Year ended 30 June 2007	55,777	5,019	147	60,943

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 Managers 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 meetings held: 13

Number of meetings attended:

Raymond John Bird (resigned 30 June 2008)	11
Rens John Poels	13
Michael Ellis Thornley (resigned 26 July 2007)	1 *
Vicki Shapcott	11
Elaine Gwen Thompson	13
Lesley Anne O'Hern	12
Christopher James Hodges	12
David James Weller	3
Rae Allison Gâté	9
Beven Roy Webb	11
William Bauer (appointed 27 February 2008)	6

* Michael attended other meetings as an observer as part of his Branch Manager role.

Directors' report continued

Company Secretary

Vicki Shapcott has been the Company Secretary of Gympie & District Financial Services Ltd since its inception. Her qualifications include a BA in Australian and Comparative Studies and a Graduate Diploma in Library Science. Her experience includes small business ownership, four years in banking, ten years in local government and five years in community development.

Corporate Governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of several sub-committees. Members of these committee are Audit Committee - Members Treasurer Rens Poels, Vicki Shapcott and Ray Bird.
Business Development, Marketing and Sponsorship Committee - Members Michael Thornley, Chris Hodges and Beven Webb.
Governance Committee - Members Chairman Ray Bird, Secretary Vicki Shapcott and Treasure Rens Poels.
Human Resources Committee - Members Will Bauer, Beven Webb and Michael Thornley.
Public Relations - Members Lesley O'Hern, Elaine Thomson and David Weller.
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) All Directors have completed basic Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Richmond Sinnott & Delahunty Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

12 September 2008

The Directors
Gympie & District Financial Services Limited
PO Box 1173
GYMPIE QLD 4570

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Gympie & District Financial Services Limited for the year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Gympie on 12 September 2008.

Rens Poels, Director

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenue from ordinary activities	2	293,757	228,336
Employee benefits expense	3	(207,823)	(197,417)
Charitable donations and sponsorship		(292)	(1,003)
Depreciation and amortisation expense	3	(44,463)	(44,723)
Finance costs	3	(39)	(2)
Other expenses from ordinary activities		(128,416)	(137,628)
Loss before income tax benefit		(87,276)	(152,437)
Income tax benefit	4	22,908	41,268
Loss after income tax benefit		(64,368)	(111,169)
Earnings per share (cents per share)			
- basic for loss for the year	20	(8.05)	(13.90)
- diluted for loss for the year	20	(8.05)	(13.90)

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash assets	6	100	30,420
Receivables	7	22,196	17,677
Total current assets		22,296	48,097
Non-current assets			
Property, plant and equipment	8	172,951	192,624
Deferred income tax asset	4	165,732	142,824
Intangible assets	9	32,826	57,616
Total non-current assets		371,509	393,064
Total assets		393,805	441,161
Current liabilities			
Payables	10	12,554	10,408
Bank overdraft	6	15,951	-
Provisions	11	16,532	17,617
Total current liabilities		45,037	28,025
Total liabilities		45,037	28,025
Net assets		348,768	413,136
Equity			
share capital	12	800,010	800,010
Accumulated losses	13	(451,242)	(386,874)
Total equity		348,768	413,136

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Cash receipts in the course of operations		317,839	232,389
Cash payments in the course of operations		(364,313)	(358,154)
Interest paid		(39)	(2)
Interest received		242	7,288
Net cash flows from/(used in) operating activities	14b	(46,271)	(118,479)
Net increase/(decrease) in cash held		(46,271)	(118,479)
Add opening cash brought forward		30,420	148,899
Closing cash carried forward	14a	(15,851)	30,420

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	2008 \$	2007 \$
SHARE CAPITAL		
Ordinary shares		
Balance at start of year	800,010	800,010
Issue of share capital	-	-
share issue costs	-	-
Balance at end of year	800,010	800,010
ACCUMULATED LOSSES		
Balance at start of year	(386,874)	(275,705)
Loss after income tax expense	(64,368)	(111,169)
Dividends paid	-	-
Balance at end of year	(451,242)	(386,874)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 12 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

Income tax

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

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

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of Asset	Depreciation Rate
Building Improvements	5.0%
Furniture and Fittings	2.5 - 20%
Computer Software	40%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

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 cash flow statement 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 operating cash flows.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

Interest bearing liabilities

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

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 or 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.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Contributed capital

Issued and paid up capital is 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.

Comparative figures

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

	2008	2007
	\$	\$

Note 2. Revenue from ordinary activities

Operating activities

- services commissions	292,691	220,732
- other revenue	824	316
Total revenue from operating activities	293,515	221,048

Non-operating activities:

- interest received	242	7,288
Total revenue from ordinary activities	293,757	228,336

Notes to the financial statements continued

	2008 \$	2007 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	191,306	181,880
- superannuation costs	16,517	15,244
- workers' compensation costs	-	293
	207,823	197,417
Depreciation of non-current assets:		
- plant and equipment	10,875	11,134
- buildings	8,798	8,798
Amortisation of non-current assets:		
- intangibles	24,790	24,791
	44,463	44,723
Finance Costs:		
- Interest paid	39	2
Bad debts	848	848
	-	-

Note 4. Income tax expense

The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:

Prima facie tax on loss before income tax at 30%	(26,183)	(45,731)
Add tax effect of:		
- Non-deductible expenses	3,275	4,463
Current income tax benefit	(22,908)	(41,268)
Income tax benefit	(22,908)	(41,268)
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	165,732	142,824

Notes to the financial statements continued

	2008 \$	2007 \$
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Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond,
Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,650	3,650
- Costs to attend Annual General Meeting	324	498
	3,974	4,148

Note 6. Cash assets

Cash at bank and on hand	100	30,420
Bank overdraft	(15,951)	-
	(15,851)	30,420

Note 7. Receivables

Trade debtors	22,196	17,677
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Note 8. Property, plant and equipment

Buildings

At cost	175,965	175,965
Less accumulated depreciation	(26,804)	(18,006)
	149,161	157,959

Plant and equipment

At cost	42,656	42,656
Less accumulated depreciation	(18,866)	(12,733)
	23,790	29,923

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment (continued)		
Computer software		
At cost	12,345	12,345
Less accumulated depreciation	(12,345)	(7,603)
	-	4,742
Total written down amount	172,951	192,624
Movements in carrying amounts		
Building		
Carrying amount at beginning of year	157,959	166,757
Additions	-	-
Disposals	-	-
Depreciation expense	(8,798)	(8,798)
Carrying amount at end of year	149,161	157,959
Plant and equipment		
Carrying amount at beginning of year	29,923	36,119
Additions	-	-
Disposals	-	-
Depreciation expense	(6,133)	(6,196)
Carrying amount at end of year	23,790	29,923
Computer software		
Carrying amount at beginning of year	4,742	9,680
Additions	-	-
Disposals	-	-
Depreciation expense	(4,742)	(4,938)
Carrying amount at end of year	-	4,742

Notes to the financial statements continued

	2008 \$	2007 \$
Note 9. Intangible assets		
Franchise fee		
At cost	60,000	60,000
Less accumulated amortisation	(48,000)	(36,000)
	12,000	24,000
Preliminary expenses		
At cost	63,953	63,953
Less accumulated amortisation	(43,127)	(30,337)
	20,826	33,616
Total written down amount	32,826	57,616

Note 10. Payables

Trade creditors	1,225	369
GST payable	1,698	717
Other creditors and accruals	9,631	9,322
	12,554	10,408

Note 11. Provisions

Employee benefits	16,532	17,617
Number of employees at year end	6	5

Note 12. Share Capital

800,010 Ordinarys		
hares fully paid of \$1 each	800,010	800,010

Note 13. Accumulated losses

Balance at the beginning of the financial year	(386,874)	(275,705)
Loss after income tax	(64,368)	(111,169)
Balance at the end of the financial year	(451,242)	(386,874)

Notes to the financial statements continued

	2008 \$	2007 \$
Note 14. Cash flow statement		
(a) Reconciliation of cash		
Cash at bank and on hand	100	30,420
Bank overdraft	(15,951)	-
	(15,851)	30,420
(b) Reconciliation of loss after tax to net cash provided from/(used in) operating activities		
Loss after income tax	(64,368)	(111,169)
Non cash items		
- Depreciation	19,673	19,932
- Amortisation	24,790	24,791
Changes in assets and liabilities		
- (Increase) decrease in receivables	(4,519)	(9,561)
- Increase (decrease) in payables	2,146	(4,079)
- Increase (decrease) in provisions	(1,085)	2,875
- (Increase) decrease in deferred tax asset	(22,908)	(41,268)
Net cashflows from/(used in) operating activities	(46,271)	(118,479)

Notes to the financial statements continued

Note 15. Director and related party disclosures

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

Raymond John Bird (resigned 30 June 2008)

Rens John Poels

Michael Ellis Thornley (resigned 26 July 2007)

Vicki Shapcott

Elaine Gwen Thompson

Lesley Anne O'Hern

Christopher James Hodges

David James Weller

Rae Allison Gâté

Beven Roy Webb

William Bauer (appointed 27 February 2008)

No Director or related entity has entered into a material contract with the Company. Other than detailed below no Director's fees have been paid as the positions are held on a voluntary basis.

Executive remuneration

	Primary Benefits Salary & Fees \$	Post Employment Superannuation \$	Other \$	Total \$
Michael Ellis Thornley (Branch Manager)				
Year ended 30 June 2008	62,688	5,480	156	68,324
Year ended 30 June 2007	55,777	5,019	147	60,943

Notes to the financial statements continued

	2008 \$	2007 \$
Note 15. Director and related party disclosures (continued)		
Directors shareholdings	2008	2007
Raymond John Bird (resigned 30 June 2008)	3,501	3,501
Rens John Poels	1,501	1,001
Michael Ellis Thornley (resigned 26 July 2007)	1,001	1,001
Vicki Shapcott	502	502
Elaine Gwen Thompson	4,001	4,001
Lesley Anne O'Hern	2,001	2,001
Christopher James Hodges	500	-
David James Weller	500	500
Rae Allison Gâté	-	-
Beven Roy Webb	501	501
William Bauer (appointed 27 February 2008)	2,000	2,000

Other than the purchase of 500 shares by Rens Poels and Christopher Hodges, there was no movement in Directors shareholdings during the period. Each share held has a paid up value of \$1 and is fully paid.

Note 16. Subsequent events

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

Note 17. Contingent liabilities

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

Note 18. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Gympie and the surrounding district.

Notes to the financial statements continued

2008
\$

2007
\$

Note 19. Corporate information

Gympie & District Financial Services Ltd is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Bendigo Stock Exchange.

The registered office and principal place of business is: 68 Mary Street, Gympie QLD 4570.

Note 20. Earnings per share

Basic earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Loss after income tax expense	(64,368)	(111,169)
Weighted average number of ordinary shares for basic and diluted earnings per share	800,010	800,010

Note 21. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board is assisted in the area of risk management by an internal audit function.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

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. The Company's maximum exposure to credit risk at reporting date was:

Notes to the financial statements continued

Note 21. Financial risk management (continued)

	Carrying Amount	
	2008	2007
	\$	\$
Cash assets	100	30,420
Receivables	22,196	17,677
	22,296	48,097

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition, the Company has an established overdraft facility of \$35,000 with Bendigo and Adelaide Bank Ltd.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flows	1 year or less	over 1 to 5 years	more than 5 years
	\$	\$	\$	\$	\$
30 June 2008					
Payables	12,554	(12,554)	(12,554)	-	-
	12,554	(12,554)	(12,554)	-	-
30 June 2007					
Payables	10,408	(10,408)	(10,408)	-	-
	10,408	(10,408)	(10,408)	-	-

Notes to the financial statements continued

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2008 \$	2007 \$
Fixed rate instruments		
Financial assets	-	21,775
Financial liabilities	-	-
	-	21,775
Variable rate instruments		
Financial assets	-	8,545
Financial liabilities	(15,951)	-
	(15,951)	8,545

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) 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 year end.

Notes to the financial statements continued

(e) 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 2008 can be seen in the Income Statement.

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

Director's declaration

In accordance with a resolution of the Directors of Gympie & District Financial Services Limited,

I 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 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (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; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2008.



Rens Poels, Director

Signed at Gympie on the 12 of September 2008.

Independent audit report

Richmond Sinnott & Delahunty Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GYMPIE & DISTRICT FINANCIAL SERVICES LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Gympie & District Financial Services Limited, for the year ended 30 June 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Woodbury Court, 172 Melvor Road Bendigo 3550. PO Box 30 Bendigo 3552. Ph: (03) 5443 1177. Fax: (03) 5444 4344. Email: rsd@rsdadvisors.com.au

ABN 60 616 244 309

Liability limited by a scheme approved under Professional Standards Legislation

Independent audit report continued

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

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

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

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 12 September 2008

BSX report

Share information

In accordance with Bendigo Stock Exchange listing rules to Company provides the following information as at 29 September 2008, which is within 6 weeks of this report being available to the shareholders.

The following table shows the number of shareholders, broken into various categories showing the total number of shares held.

Number of shares held	Number of shareholders
1 to 1,000	215
1,001 to 5,000	99
5,001 to 10,000	18
10,001 to 100,000	6
100,001 and over	0
Total shareholders	338

Each of the above shareholders are entitled to 1 vote, irrespective of the number of shares held.

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to 1 vote. Normally holding more than 5% of total issued shares would create a substantial shareholder, but this is not applicable due to the voting restrictions for the Company.

There is 1 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

The following table shows the 10 largest shareholders.

BSX report continued

Shareholder	Number of shares	Percentage of capital
Mr Ralph & Mrs Paula Kelly	60,000	7.5
Mr Kurt & Mrs Ruth Steinscherer	50,000	6.25
Mr Christopher O'Hare	40,000	5
Skill Centred Queensland Inc.	20,000	2.5
Winpar Holdings Limited	18,300	2.29
Mr Gavin & Mrs Lynette Burls	12,000	1.5
Mrs Mary Finselbach	10,000	1.25
Mr Rodney Holzapfel	10,000	1.25
Mrs Betty Holzapfel	10,000	1.25
Mr Brian & Mrs Carmel Reason	10,000	1.25
	240,300	30

There are 10 more shareholders holding 10,000 shares each.

Registered office and principal administrative office

The registered office of the Company is located at:

68 Mary Street,
Gympie Qld 4570
Phone: (07) 5481 1787

The principal administrative office of the Company is located at:

68 Mary Street,
Gympie Qld 4570
Phone: (07) 5481 1787

Security register

The security register (share register) is kept at:

68 Mary Street,
Gympie Qld 4570
Phone: (07) 5481 1787

Other information

Please refer to the Directors report, within the annual report, for details of the Company Secretary and main corporate governance practices of the entity.

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its annual report.

Gympie & District **Community Bank**[®] Branch
68 Mary Street, Gympie QLD 4570
Phone: (07) 5481 1787

Franchisee: Gympie & District Financial Services Limited
68 Mary Street, Gympie QLD 4570
Phone: (07) 5481 1787
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www.bendigobank.com.au

Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (KKQAR8020) (09/08)

