annual report 2010

Gympie & District
Financial Services Limited
ABN 79 113 293 173

Gympie & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

I take great pleasure in presenting my second Annual Report and the fifth for Gympie and District Financial Services Ltd. This year, more than ever, my thanks go to our manager, Mick McCarthy and our incredible staff. Whenever they are called on, to give a little more, they not only do so, but do it willingly and cheerfully. This dedication has turned a net loss into a net profit.

Thank you also to my fellow Directors for the time and effort freely given. Sadly another of our original Directors resigned for personal reasons. Two new Directors, Amanda LePeilbet and Tim Jensen have joined us. Our work load has also increased now that we have delisted from BSX and moved into low volume marketing. The savings this will generate are significant. Thank you to you, our shareholders, for your continued support.

This year we have continued to support many local organisations, such as the Heart of Gold Film Festival, The Gold Rush Literary Awards, Little Athletics, JKS Karate Club, The Poultry Club and Supporting Chemotherapy in Cooloola, as well as smaller donations to several clubs. As we move closer into profit, this will only increase.

As Chair I attended the State Conference at the Gold Coast (which was attended by every Branch in Queensland), a Chair workshop in Brisbane, two Regional Meetings in Maroochydore and several meetings with local organisations.

We purchased a Marquee, which has already been used at various functions at no cost to customers and supporters, as it helps spread our name. It is clearly labelled -

Gympie & District **Community Bank**® Branch

Proudly supporting our community.

Two new projects on the drawing board are a Community Enterprise Forum, set down for September, where members of the Community are invited to bring their ideas of both minor and major projects to benefit the whole Community, and a 'Shoebox' program where St Patricks Primary School are joining us to provide a shoebox of essential items for schooling for less fortunate children overseas. Both of these will increase the workload of both staff and Directors.

In closing I look forward to announcing, in the very near future, news of our first dividend, and thanking once again the Shareholders, Directors and especially our Staff.

Elaine Thomson

Chair

Manager's report

For year ending 30 June 2010

I am pleased to report to the Board and Shareholders on a successful year's trading at Gympie & District **Community Bank**® Branch.

After another challenging year, being my first year with the branch, we have managed to maintain our total business footings at just over $43 million, however we have seen the Company move into a position of profit.

Congratulations must go to our hard working staff members, Andrea, Lezette, Kassandra, Sandie and Christine. Through their dedication and excellent service account numbers have grown from 2484 to 2660 in the past year. The Branch has been ably assisted by the expertise of our Business Banking team of Paul Hampson and Simon Knight and our Financial Planner, Peter Bourke. Our experts are available to you all through our **Community Bank**® branch.

In order for your Company to continue to grow, we need support from our Shareholders. For those Shareholders who are not currently making use of the **Community Bank**® branch products and services, I invite you to come in and experience the high level of quality service and competitive products that we offer.

I also ask you to be ambassadors for the Company and encourage your family, friends and business connections to consider the **Community Bank**® branch as a local banking alternative. Ask them to call into our Branch which is situated at 68 Mary Street to meet our friendly staff, open an account or make an appointment regarding all banking, lending and investment needs. Our Branch is open for business from 9.00am to 5.00pm Monday to Friday and 9.00am to 12 noon Saturdays.

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

Mick McCarthy

Branch Manager

Directors' report

For the financial year ended 30 June 2010

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Lesley Anne O'Hern (resigned 19 February 2010)
Director
Teacher and Primary Producer

Beven Roy Webb (resigned 3 July 2009)
Director
Furniture Retailer

David James Weller
Director
Event Co-ordinator

William Bauer
Company Secretary
Retired Civil Engineer

Amanda LePeilbet (appointed 17 March 2010)
Director
General Manager GCT

Rens John Poels
Treasurer
Experience / Special responsibilities

Rae Allison Gâté
Director
Shire Councillor

Elaine Gwen Thomson
Director/Chairperson
Shop Owner

Christopher James Hodges
Director
Business Owner

Timothy Jensen (appointed 7 April 2010)
Director
Manager Transport Business

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

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

Principal activities

The principal activities of the Company during the course of the financial year were in providing **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.

Directors' report continued

Operating results

The profit/(loss) of the Company for the financial year after provision for income tax was $17,966 (2009: ($31,784)).

Dividends

The directors recommend that no dividend be paid for the current year.

Significant changes in the state of affairs

The Company delisted from the Bendigo Stock Exchange on 28 February 2010. In the opinion of the Directors there were no other 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

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers' insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officers' liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

Indemnification and insurance of Directors and Officers (continued)

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 during the year were:

Director	Board meetings #	Audit committee meetings #
Rens John Poels	12 (12)	6 (6)
Elaine Gwen Thomson	12 (12)	6 (6)
Lesley Anne O'Hern (resigned 19 February 2010)	5 (8)	N/A
Christopher James Hodges	9 (12)	N/A
David James Weller	8 (12)	N/A
Rae Allison Gâté	8 (12)	N/A
Beven Roy Webb (resigned 3 July 2009)	0 (0)	N/A
William Bauer	11 (12)	6 (6)
Amanda LePeilbet (appointed 17 March 2010)	2 (3)	N/A
Timothy Jensen (appointed 7 April 2010)	1 (3)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Company Secretary

William Bauer was appointed Company Secretary on 30 September 2008. His qualifications and experience include a Degree in Civil Engineering, he worked in this profession until his retirement in 2006. William has been very active in community service in organisations such as YMCA, Apex and Lions Clubs receiving many awards.

Corporate governance

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

(a) The establishment of an audit committee. Members of the audit committee are Acting Chair Elaine Thomson, Secretary William Bauer and Treasurer Rens Poels;;

(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.

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants

172 McIvor Road
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Gympie & District Financial Services Ltd for the financial year ended 30 June 2010, 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
Bendigo
6 September 2010

Signed in accordance with a resolution of the Board of Directors at Gympie on 6 September 2010.

Rens Poels
Director

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue from ordinary activities	2	427,204	342,127
Employee benefits expense	3	(224,127)	(205,481)
Charitable donations and sponsorship		(7,013)	(5,229)
Depreciation and amortisation expense	3	(36,783)	(39,675)
Finance costs	3	(983)	(1,634)
Other expenses from ordinary activities		(129,570)	(134,755)
Profit/(loss) before income tax expense		**28,728**	**(44,647)**
Income tax benefit/ (expense)	4	(10,762)	12,863
Profit/(loss) after income tax expense		**17,966**	**(31,784)**
Other comprehensive income		**-**	**-**
Total comprehensive income		**17,966**	**(31,784)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	20	2.25	(3.97)
- diluted for profit / (loss) for the year	20	2.25	(3.97)

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	6	24,808	250
Receivables	7	34,839	28,089
Total current assets		**59,647**	**28,339**
Non-current assets			
Property, plant and equipment	8	152,149	158,339
Deferred tax assets	4	167,833	178,595
Intangible assets	9	55,801	8,035
Total non-current assets		**375,783**	**344,969**
Total assets		**435,430**	**373,308**
Current liabilities			
Payables	10	87,031	18,501
Bank overdraft	6	-	31,519
Provisions	11	100,480	6,304
Total current liabilities		**100,480**	**56,324**
Totol liabilities		**100,480**	**56,324**
Net assets		**334,950**	**316,984**
Equity			
Share capital	12	800,010	800,010
Accumulated losses	13	(465,060)	(483,026)
Total equity		**334,950**	**316,984**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		462,493	369,857
Cash payments in the course of operations		(396,848)	(383,370)
Interest paid		(983)	(1,634)
Interest received		23	1
Net cash flows from/(used in) operating activities	**14b**	**64,685**	**(15,146)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(8,608)	(272)
Net cash used in investing activities		**(8,608)**	**(272)**
Net increase/(decrease) in cash held		**56,077**	**(15,418)**
Cash and cash equivalents at start of year		(31,269)	(15,851)
Cash and cash equivalents at end of year	**14a**	**24,808**	**(31,269)**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended June 2010

	Note	2010 $	2009 $
Share capital			
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		(483,026)	(451,242)
Profit/(loss) after income tax expense		17,966	(31,784)
Dividends paid	20	-	-
Balance at end of year		**(465,060)**	**(483,026)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Gympie & District Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 6 September 2010.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2009 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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.

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

Income tax (continued)

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.

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
Leasehold Improvements	5%
Plant & equipment	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.

Notes to the financial statements continued

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

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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

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.

Intangibles

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

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 reporting 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.

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.

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

Loans and borrowings

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.

Share 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.

	2010 $	2009 $
Note 2. Revenue from ordinary activities		
Operating activities		
- services commissions	427,181	341,796
- other revenue	-	330
Total revenue from operating activities	**427,181**	**342,126**
Non-operating activities:		
- interest received	23	1
Total revenue from ordinary activities	**427,204**	**342,127**

	2010 $	2009 $

Note 3. Expenses

Employee benefits expense		
- wages and salaries	206,004	188,735
- superannuation costs	17,534	16,746
- workers' compensation costs	589	-
	224,127	**205,481**
Depreciation of non-current assets:		
- plant and equipment	6,000	6,086
- leasehold improvements	8,798	8,798
Amortisation of non-current assets:		
- intangibles	21,985	24,791
	36,783	**39,675**
Finance Costs:		
- Interest paid	983	1,634
Bad debts	1,309	3,430

Note 4. Income tax expense

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

Prima facie tax on profit/(loss) before income tax at 30%	8,618	(13,394)
Add tax effect of:		
- Non-deductible expenses	2,144	531
Current income tax expense/ (benefit)	**10,762**	**(12,863)**
Income tax expense/ (benefit)	**10,762**	**(12,863)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**167,833**	**178,595**

	2010 $	2009 $

Note 5. Auditors' remuneration

Amounts received or due and receivable by

Richmond, Sinnott & Delahunty for:

	2010 $	2009 $
- Audit or review of the financial report of the Company	3,900	3,650
	3,900	**3,650**

Note 6. Cash and cash equivalents

	2010 $	2009 $
Cash at bank and on hand	24,808	250
Bank overdraft	-	(31,519)
	24,808	**(31,269)**

Note 7. Receivables

	2010 $	2009 $
Trade debtors	**34,839**	**28,089**

Note 8. Property, plant and equipment

	2010 $	2009 $
Leasehold improvements		
At cost	175,965	175,965
Less accumulated depreciation	(44,400)	(35,602)
	131,565	**140,363**
Plant and equipment		
At cost	51,536	42,928
Less accumulated depreciation	(30,952)	(24,952)
	20,584	**17,976**
Total written down amount	**152,149**	**158,339**

	2010 $	2009 $

Note 8. Property, plant and equipment continued

Movements in carrying amounts

	2010 $	2009 $
Leasehold improvements		
Carrying amount at beginning of year	140,363	149,161
Additions	-	-
Disposals	-	-
Depreciation expense	(8,798)	(8,798)
Carrying amount at end of year	**131,565**	**140,363**
Plant and equipment		
Carrying amount at beginning of year	17,976	23,790
Additions	8,608	272
Disposals	-	-
Depreciation expense	(6,000)	(6,086)
Carrying amount at end of year	**20,584**	**17,976**

Note 9. Intangible assets

	2010 $	2009 $
Franchise fee		
At cost	129,751	60,000
Less accumulated amortisation	(73,950)	(60,000)
	55,801	**-**
Preliminary expenses		
At cost	63,953	63,953
Less accumulated amortisation	(63,953)	(55,918)
	-	**8,035**
Total written down amount	**55,801**	**8,035**

Note 10. Payables

	2010 $	2009 $
Trade creditors	74,415	4,050
GST payable	2,758	3,068
Other creditors and accruals	9,858	11,383
	87,031	**18,501**

Note 11. Provisions

	2010 $	2009 $
Employee benefits	**13,449**	**6,304**

	2010 $	2009 $

Note 12. Share capital

800,010 Ordinary Shares fully paid of $1 each	**800,010**	**800,010**

Note 13. Accumulated losses

Balance at the beginning of the financial year	(483,026)	(451,242)
Profit/(loss) after income tax	17,966	(31,784)
Balance at the end of the financial year	**(465,060)**	**(483,026)**

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash at bank and on hand	24,808	250
Bank overdraft	-	(31,519)
	24,808	**(31,269)**

(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities

Profit / (loss) after income tax	17,966	(31,784)
Non cash items		
- Depreciation	14,798	14,884
- Amortisation	21,985	24,791
Changes in assets and liabilities		
- (Increase) decrease in receivables	(6,750)	(5,893)
- Increase (decrease) in payables	(1,221)	5,947
- (Increase) decrease in provisions	7,145	(10,228)
- Increase (decrease) in deferred tax asset	10,762	(12,863)
Net cash flows from/(used in) operating activities	**64,685**	**(15,146)**

Note 15. Director and related party disclosures

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

Rens John Poels

Elaine Gwen Thomson

Lesley Anne O'Hern (resigned 19 February 2010)

Christopher James Hodges

David James Weller

Rae Allison Gâté

Beven Roy Webb (resigned 3 July 2009)

William Bauer

Amanda LePeilbet (appointed 17 March 2010)

Timothy Jensen (appointed 7 April 2010)

No Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	**2010**	**2009**
Rens John Poels	3,501	1,501
Elaine Gwen Thomson	7,501	4,001
Lesley Anne O'Hern (resigned 19 February 2010)	2,001	2,001
Christopher James Hodges	500	500
David James Weller	500	500
Rae Allison Gâté	501	-
Beven Roy Webb (resigned 3 July 2009)	-	501
William Bauer	5,501	2,000
Amanda LePeilbet (appointed 17 March 2010)	-	-
Timothy Jensen (appointed 7 April 2010)	-	-

Rens Poels purchased 2,000 shares, Elaine Thomson purchased 3,500 shares, Rae Gâté purchased 501 shares and William Bauer purchased 3,501 shares during the year. Bevan Webb sold 501 shares during the year.

Other than the changes above, there was no other movements in directors shareholdings during the year.
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.

Notes to the financial statements continued

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

Note 19. Corporate information

Gympie & District Financial Services Limited is a company limited by shares incorporated in Australia.
On 28 February 2010 the Company delisted from the Bendigo Stock Exchange.

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

Note 20. Dividends paid or provided for on ordinary shares

No dividends were paid or proposed by the Company during the year.

	2010 $	2009 $
Note 21. Earnings per share		
Basic earnings per share amounts are calculated by dividing profit / (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 profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (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:		
Profit/(loss) after income tax expense	**17,966**	**(31,784)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**800,010**	**800,010**

Note 22. 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 reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2010	**2009**
	$	**$**
Cash assets	24,808	250
Receivables	34,839	28,089
	59,647	**28,339**

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 (2009: 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 $65,000 with Bendigo and Adelaide Bank Ltd.

Note 23. Financial risk management (continued)

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 2010					
Payables	87,031	(87,031)	(87,031)	-	-
	87,031	**(87,031)**	**(87,031)**	**-**	**-**
30 June 2009					
Bank overdraft	31,519	(31,519)	(31,519)	-	-
Payables	18,501	(18,501	(18,501)	-	-
	50,020	**(50,020)**	**(50,020)**	**-**	**-**

(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.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount 2010 $	Carrying amount 2009 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Variable rate instruments		
Financial assets	24,558	-
Financial liabilities	-	(31,519)
	24,558	**(31,519)**

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 2009 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 Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

(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 Statement of Financial Position.

Note 23. Financial risk management (continued)

(e) Capital management (continued)

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 2010 can be seen in the Statement of Comprehensive Income.

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

Directors' 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 2010 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; 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.

Rens Poels
Director

Signed at Gympie on the 6 September 2010.

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 statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Gympie & District Financial Services Limited, for the year ended 30 June 2010.

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.

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ABN 60 616 244 309

Independent audit report

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 2010 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
Chartered Accountants

W. J. SINNOTT
Partner
Bendigo

Date: 6 September 2010


Gympie & District **Community Bank®** Branch
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(KKQAR10012) (07/10)

Bendigo Bank