

Gympie & District
Financial Services Limited

ABN 79 113 293 173

annual report 2011



Gympie & District **Community Bank**[®] Branch

Contents

Chairman's report	2
Manager's report	3
Bendigo and Adelaide Bank Ltd report	4-5
Directors' report	6-9
Financial statements	10-13
Notes to the financial statements	14-25
Directors' declaration	26
Independent audit report	27-28

Chairman's report

For year ending 30 June 2011

It is with great pleasure that I present my third report as Chairman of Gympie and District Financial Services Ltd. Firstly I would like to thank our wonderful staff who work so tirelessly for us as a Board, our customers and you, our shareholders. Without the dedication our staff bring to their work each day, it would have been more difficult to have been in a position to pay a dividend. I would also like to thank all of my fellow Directors, Rae, Chris, Amanda, Tim and David, but especially our hardworking Secretary, Will and our ever vigilant Treasurer, Rens for the diligence he shows.

It is of some concern that six years since opening, many of our shareholders have still not opened an account and others have only one. Gympie & District **Community Bank**[®] Branch offers every banking product and service, including insurance, business banking and financial advice.

I find it most heartening that while the global situation continues to worsen Bendigo and Adelaide Bank Ltd and it's **Community Bank**[®] partners have gone from strength to strength. The Australian Reader's Digest named Bendigo Bank as the 'Most Trusted Bank' while the Asian Banking and Financial named Bendigo Bank as having the 'Best Corporate Social Responsible Program'.

Locally we have continued to support the Gold Rush Literary Awards, The Heart of Gold Film Festival. SCIC, The Poultry Club, JKS Karate, The Mary River Festival and numerous smaller sponsorships. Our marquees are also used regularly to support various organisations in the community.

The **Community Bank**[®] philosophy was founded on the belief that successful customers and successful communities create a successful bank. I know we have successful customers and we are working hard towards a successful community. With your help we will create an even more successful bank.



Elaine Thomson
Chairman

Manager's report

For year ending 30 June 2011

I am pleased to report to the Board and shareholders on a successful years trading at Gympie & District **Community Bank**[®] Branch.

After another challenging year, being my second year with the branch, we have managed to maintain our total business footings at \$43 million; however we have seen the Company make an improved profit on the previous year. Thanks to this increased profit, the Company was able to be in a position to pay its first ever interim dividend to shareholders during the last 12 months.

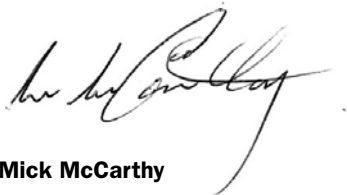
Congratulations must go to our hard working staff members, Andrea, Lezette, Kassandra, Sandie, Peter (who left in April this year) and Loretta (who only recently joined our team). Through their dedication and excellent service account numbers have grown from 2,484 to 2,690 in the past year.

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 specialists 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 banking with us, I invite you to come in and experience the high level of quality service and full range of competitive banking products and services that we offer.

I also ask you to be ambassadors for the Company and encourage your family, friends and business connections to consider Gympie & District **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

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation[™], Community Sector Banking, Community Telco, Generation Green[™] and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank**[®] Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**[®] branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**[®] model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.



Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

Directors

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

Rens John Poels

Treasurer
Retired Computer Engineer

Rae Allison Gâté

Director
Shire Councillor

David James Weller

Director
Event Co-ordinator
(Resigned 13 July 2011)

Elaine Gwen Thomson

Chairperson
Retired Shop Owner, Retired Teacher

William Bauer

Company Secretary
Retired Civil Engineer

Christopher James Hodges

Director
Business Owner

Amanda LePeilbet

Director
General Manager GCT

Timothy Jensen

Director
Manager Transport Business

Directors were in office for this entire period 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 Ltd.

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

Review of operations

The profit of the Company for the financial year after provision for income tax was \$60,693 (2010: \$17,966).

Dividends	Year ended 30 June 2011	
	Cents per share	\$'000
Dividends paid in the year:	2.5	20,000

Directors' report continued

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

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other 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.

Remuneration report

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 Officer's 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.

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' report continued

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings #	Audit committee meetings #
Rens John Poels	11 (11)	6 (6)
Elaine Gwen Thomson	10 (11)	6 (6)
Christopher James Hodges	6 (11)	N/A
David James Weller	9(11)	N/A
Rae Allison Gâté	6 (11)	N/A
William Bauer	11 (11)	6 (6)
Amanda LePeilbet	7 (11)	N/A
Timothy Jensen	5 (11)	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 and governance committee. Members of this 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.

Directors' report continued

Auditor Independence Declaration

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



22 September 2011

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

Dear Directors

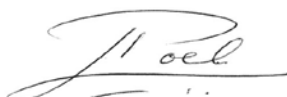
Auditor's Independence Declaration

In relation to our audit of the financial report of Gympie & District Financial Services Limited for the year ended 30 June 2011, 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 22 September 2011.



Rens Poels, Director

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue from continuing operations	2	490,203	427,204
Employee benefits expense	3	(232,391)	(224,127)
Charitable donations and sponsorship		(9,468)	(7,013)
Depreciation and amortisation expense	3	(25,684)	(36,783)
Finance costs	3	-	(983)
Other expenses		(134,556)	(129,570)
Profit before income tax expense		88,104	28,728
Income tax expense	4	(27,411)	(10,762)
Profit after income tax expense		60,693	17,966
Other comprehensive income		-	-
Total comprehensive income		60,693	17,966
Earnings per share (cents per share)			
- basic for profit for the year	21	7.59	2.25
- diluted for profit for the year	21	7.59	2.25

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	6	104,451	24,808
Receivables	7	27,667	34,839
Total current assets		132,118	59,647
Non-current assets			
Property, plant and equipment	8	140,415	152,149
Deferred tax assets	4	140,422	167,833
Intangible assets	9	41,851	55,801
Total non-current assets		322,688	375,783
Total assets		454,806	435,430
Current liabilities			
Payables	10	62,995	87,031
Provisions	11	16,168	13,449
Total current liabilities		79,163	100,480
Total liabilities		79,163	100,480
Net assets		375,643	334,950
Equity			
Share capital	12	800,010	800,010
Accumulated losses	13	(424,367)	(465,060)
Total equity		375,643	334,950

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash flows from operating activities			
Cash receipts in the course of operations		545,856	462,493
Cash payments in the course of operations		(447,581)	(396,848)
Interest paid		-	(983)
Interest received		1,368	23
Net cash provided from/(used in) operating activities	14b	99,643	64,685
Cash flows from investing activities			
Purchase of property, plant & equipment		-	(8,608)
Net cash used in investing activities		-	(8,608)
Cash flows from financing activities			
Dividend paid		(20,000)	-
Net cash used in investing activities		(20,000)	-
Net increase/(decrease) in cash held		79,643	56,077
Cash and cash equivalents at start of year		24,808	(31,269)
Cash and cash equivalents at end of year	14a	104,451	24,808

The accompanying notes form part of these financial statements.

Financial statements continued

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

	Note	2011 \$	2010 \$
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		(465,060)	(483,026)
Profit after income tax expense		60,693	17,966
Dividends paid	20	(20,000)	-
Balance at end of year		(424,367)	(465,060)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

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 2011 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 22 September 2011.

(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. These changes are not expected to have a material impact on the Company's financial statements.

(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 2010 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.

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
Leasehold Improvements	5%
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 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.

Notes to the financial statements continued

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

Cash

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

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.

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.

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.

Notes to the financial statements continued

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

Comparative figures

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

	2011 \$	2010 \$
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Note 2. Revenue from continuing operations

Operating activities

- services commissions	488,835	427,181
- other revenue	-	-
	488,835	427,181

Non-operating activities:

- interest received	1,368	23
	490,203	427,204

Note 3. Expenses

Employee benefits expense

- wages and salaries	213,217	206,004
- superannuation costs	18,636	17,534
- workers' compensation costs	538	589
	232,391	224,127

Depreciation of non-current assets:

- plant and equipment	2,936	6,000
- leasehold improvements	8,798	8,798

Amortisation of non-current assets:

- intangibles	13,950	21,985
	25,684	36,783

Finance costs:

- Interest paid	-	983
Bad debts	687	1,309

Notes to the financial statements continued

	2011 \$	2010 \$
Note 4. Income tax expense		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	26,431	8,618
Add tax effect of:		
- Non-deductible expenses	980	2,144
Current income tax expense	27,411	10,762
Income tax expense	27,411	10,762
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.		
	140,422	167,833

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	3,900	3,900
	3,900	3,900

Note 6. Cash and cash equivalents

Cash at bank and on hand	104,451	24,808
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Note 7. Receivables

Trade debtors	27,667	34,839
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Note 8. Property, plant and equipment

Leasehold improvements		
At cost	175,965	175,965
Less accumulated depreciation	(53,198)	(44,400)
	122,767	131,565

Notes to the financial statements continued

	2011 \$	2010 \$
Note 8. Property, plant and equipment (continued)		
Plant and equipment		
At cost	51,536	51,536
Less accumulated depreciation	(33,888)	(30,952)
	17,648	20,584
Total written down amount	140,415	152,149
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	131,565	140,363
Additions	-	-
Disposals	-	-
Depreciation expense	(8,798)	(8,798)
Carrying amount at end of year	122,767	131,565
Plant and equipment		
Carrying amount at beginning of year	20,584	17,976
Additions	-	8,608
Disposals	-	-
Depreciation expense	(2,936)	(6,000)
Carrying amount at end of year	17,648	20,584

Note 9. Intangible assets

Franchise fee		
At cost	129,751	129,751
Less accumulated amortisation	(87,900)	(73,950)
	41,851	55,801
Preliminary expenses		
At cost	63,953	63,953
Less accumulated amortisation	(63,953)	(63,953)
	-	-
Total written down amount	41,851	55,801

Notes to the financial statements continued

	2011 \$	2010 \$
Note 10. Payables		
Trade creditors	4,997	74,415
GST payable	4,046	2,758
Other creditors and accruals	53,952	9,858
	62,995	87,031

Note 11. Provisions

Employee benefits	16,168	13,449
Movement in employee benefits		
Opening balance	13,449	6,304
Additional provisions recognised	16,401	8,552
Amounts utilised during the year	(13,682)	(1,407)
Closing balance	16,168	13,449

Note 12. Share capital

800,010 Ordinary shares fully paid of \$1 each	800,010	800,010
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Note 13. Accumulated losses

Balance at the beginning of the financial year	(465,060)	(483,026)
Profit after income tax	60,693	17,966
Dividends paid	(20,000)	-
Balance at the end of the financial year	(424,367)	(465,060)

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash at bank and on hand	104,451	24,808
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(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities

Profit after income tax	60,693	17,966
Non cash items		
- Depreciation	11,734	14,798
- Amortisation	13,950	21,985

Notes to the financial statements continued

	2011 \$	2010 \$
Note 14. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	7,172	(6,750)
- Increase (decrease) in payables	(24,036)	(1,221)
- Increase (decrease) in provisions	2,719	7,145
- (Increase) decrease in deferred tax asset	27,411	10,762
Net cash flows from/(used in) operating activities	99,643	64,685

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
Christopher James Hodges	David James Weller
Rae Allison Gâté	William Bauer
Amanda LePeilbet	Timothy Jensen

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	2011	2010
Rens John Poels	4,001	3,501
Elaine Gwen Thomson	7,501	7,501
Christopher James Hodges	500	500
David James Weller	500	500
Rae Allison Gâté	501	501
William Bauer	5,501	5,501
Amanda LePeilbet	-	-
Timothy Jensen	-	-

Each share held has a paid up value of \$1 and is fully paid. Rens Poels purchased 500 shares during the year. There was no other movement in shares held during the year.

Note 16. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There have been no other 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 and assets

There were no contingent liabilities or assets 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.

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.

	2011	2010
	\$	\$
Note 20. Dividends paid or provided for on ordinary shares		
Unfranked dividends - 2.5 cents per share (2010: nil)	20,000	-

	2011	2010
	\$	\$

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit 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 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:

Profit after income tax expense	60,693	17,966
Weighted average number of ordinary shares for basic and diluted earnings per share	800,010	800,010

Notes to the financial statements continued

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	
	2011	2010
	\$	\$
Cash assets	104,451	24,808
Receivables	27,667	34,839
	132,118	59,647

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 (2010: 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.

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

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	Over 1 to 5 years \$	More than 5 years \$
30 June 2011					
Payables	62,995	(62,995)	(62,995)	-	-
	62,995	(62,995)	(62,995)	-	-
30 June 2010					
Payables	87,031	(87,031)	(87,031)	-	-
	87,031	(87,031)	(87,031)	-	-

(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	
	2011 \$	2010 \$
Fixed rate instruments		
Financial assets	50,896	-
Financial liabilities	-	-
	50,896	-
Variable rate instruments		
Financial assets	53,305	24,558
Financial liabilities	-	-
	53,305	24,558

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(c) Market risk (continued)

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 2010 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.

(e) Capital management

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 2011 can be seen in the Statement of Comprehensive Income.

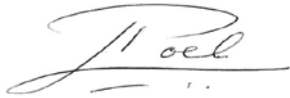
There were no changes in the Company's approach to capital management during the year.

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 2011 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 22 September 2011.

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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

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 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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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 2011 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: 22 September 2011



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(BMPAR11036) (07/11)