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Chairman's Report

The Board has pleasure in submitting the Annual Report to you – our shareholders – for the financial year ending 30 June 2007. We hope this new format of the report is pleasing, easy to read and more informative than before.

This last year has been one of great satisfaction for the Board in many different areas. There have been a number of significant events and successes.

The first achievement this year was the completion of five years of operating the branch franchise in Mundaring. Such a lot has occurred during that time. On reaching that milestone the Board renewed the franchise agreement with our franchise partner – Bendigo Bank Ltd – and we have been granted the right to continue to operate the Mundaring Community Bank Branch of Bendigo Bank for a further five years. A new feature of this agreement is a rolling extension of two further renewals each time we renew, giving us a guaranteed future and the ability to continue to grow and deliver on our promises that were made nearly seven years ago.

This year the Board has declared an increased dividend payment against the shares held in the company, which will be paid in the same way and at about the same time as last year. This year's dividend is fully franked – as the company is now in a fully taxed position – and is set at 12 cents per share. The Board considers that the company is performing strongly and dividends will slowly grow over the coming years. That our shareholders are being rewarded regularly for their original financial support in this enterprise is very pleasing for the Board.

Prior to Christmas 2006 the Board commissioned a survey of almost 200 community groups. As a direct result of the feedback and information received as part of this survey the Board took the decision to create a new position within the company. The position is that of Community Liaison/Executive Officer, which is a new innovation in the community bank network across Australia and is the first of its type. This role was created so that the company could take a professional approach to its work with community organizations in general. We recruited for the position through advertising in *The West Australian* and Allison was appointed in March and since that time the company has made significant contributions to a range of community organizations. Perhaps the most innovative development in this area (since the end of the financial year) is that of creating a shared human resource within the community for community groups to access.

The Board has recently met to discuss our forward planning and the key points of our ongoing strategies are shown later in this report. One of the key points of the strategy is focused business development – our operation is already successful and we consider that growing our business and branching into other regions is a logical next step. Additionally community engagement activity with an emphasis on partnership development is another key focus.

All of these achievements and future activities – along with dividends (financial and social) – are all indicators of the fulfillment of our original charge by our supporters and partners. We look forward to continuing these success stories.

The Board would like to once more extend our sincere appreciation to our Manager – Gerry Toovey – who along with his team (Ann, Katie, Lisa, Christine, Taryn and Sam) have continued their excellent work at providing outstanding service to customers of the Bank branch. Their efforts see our branch as regularly being in the top 20 nationally out of a network of over 340 branches. Well done everyone!

As our shareholders – and perhaps our most stable and stalwart group of supporters – you also deserve the thanks of the Board and the community. Without your support none of this would have been possible. That we have grown in the way we have is a testament to your commitment.

The Board is quietly confident of continued growth – granted growth rates do slow – and we, as an organization, will continue to look for ways to keep (and grow) our links with the greater community.

On a personal note I would once like to thank my colleagues on the Board, our Manager, Gerry Toovey and the staff for their continued support of me in my role as Chairman – it is a difficult job at times balancing the needs of family with business and enterprise – without their unswerving support it would have been much more difficult.

Thank you all.

Phil McDell

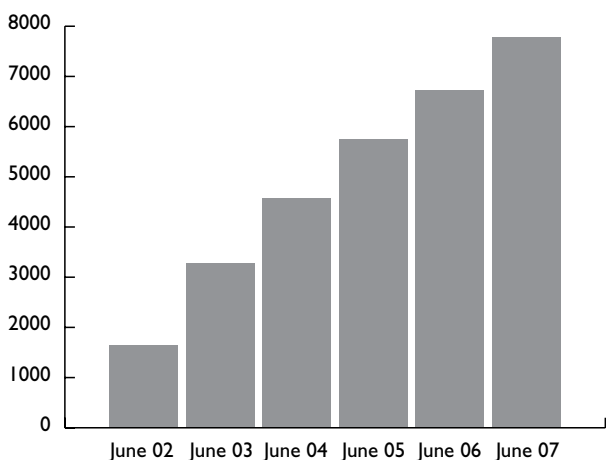


Manager's Report

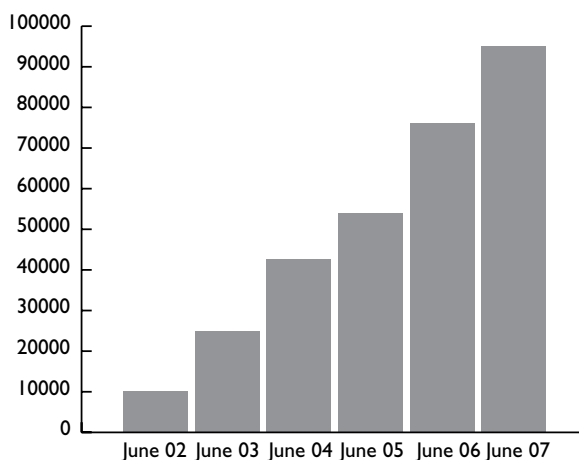
Now in our sixth year of operations, we are growing the business and building good partnerships across the community. The staff have performed exceptionally well, with our continued position near the top of the performance lists for the 340 branches across Australia. I am always amazed at how committed the branch staff are to customer service excellence and to building the business.

As with all businesses, we constantly review our performance and look for ways to grow the business. As shown in the graphs below, the portfolio has now grown to more than \$95million with 7500 account holders, and we are on track to keep growth strong. Certainly having a full bank branch here in Mundaring is a positive for business and the community, and I am pleased that we are able to perform so well.

Accounts



Portfolio (\$)



Nothing is done by one person alone, and our business is no exception – the team at the branch work very hard and consistently perform above expectations, so I would like to thank Ann, Lisa, Katie, Taryn, Sam, Christine and also welcome Sandra to the team.

Finally I would like to acknowledge the hardworking Board members – they support and promote the business at every opportunity, and provide us with an excellent environment in which to work. I would like to extend appreciation on behalf of the staff to you the shareholders – your investment and commitment has made it all possible.

Thank you.

Gerry Toovey





Community Engagement Report

Since I started with the company in early March, we have worked to develop a process through which organizations could submit applications and expressions of interest for funding and sponsorship from MCFS. The process has been trialled during the past six months and has now been implemented on a permanent basis.

The Board has also developed a response to the issues and needs of the community and has agreed to a set of priorities that the Company can focus on for the financial year 2007/08 through to 2009/10. These include: youth, enterprise, young families and community services and a continued commitment to art and culture as well as sports groups.

Sharing our story has been undertaken over the past six months through the publication of a regular newsletter for shareholders as well as a regular publication in local papers for the general public to hear of the good work in the community that we are supporting.

During 2006/ 07 community funding, donations and sponsorship of around \$84,240 was made across a range of organizations. Projects supported were in four main sectors:

- **Community Services** – 30% - Volunteer Bush Fire Brigades, Hills Community Support Group, Hills Peace Festival, Hills Auslan Circle, Mundaring Uniting Church, Amana Living (Yallambee Hostel) and Trek the Trail (Shire of Mundaring)
- **Children, Education and Youth Services** – 33% - Mundaring Music Society/ Eastern Hills SHS, Mundaring Sharing, Sacred Heart Primary School, Mundaring Primary School, Mt Helena Playgroup, Parkerville Children's Services (Seen and Heard program), Eastgate Youth Services, .
- **Arts and Culture** – 31% - Darlington Theatre Players, Darlington Arts Festival, Hills Symphony Orchestra, Katherine Susannah Pritchard Writers' Centre, Mundaring and Hills String Ensemble, and the Mundaring Arts Centre
- **Sports groups** – 6% - various small grants to the sporting clubs across the Shire.

The establishment of a Youth Enterprise Board will be a primary objective for MCFS in the coming year. Young people from age 12 to 18 will be invited to join the Youth Enterprise Board, and their objective will be to initiate and develop projects in the area for young people by young people. The Youth Enterprise Board will be supported by the Board of Directors and myself, and they will help us decide what youth projects are supported and will have an integral role in providing assistance to us to meet the needs of young people in our region, whilst learning governance and management skills under the mentorship of our Board of Directors.

Community Resource Officers are a new and innovative strategy for us – working with community volunteers to support them and build capacity. Over the next twelve months I will continue to develop the financial support mechanisms further and work alongside community groups to assist, in either a financial or other sense, to improve services, support volunteers and build community assets – people and buildings!

Allison PDell
Community Liaison Executive Officer



Strategic Plan and the Company's Future

Our Future

During 2007, the Board of Directors have worked to develop a future for the Company and ensuring that our core business focus remains at the centre of activities for the business operations. We have developed four key strategic goals on which the company will develop and manage the business to continue to grow in a sustainable way for our shareholders, our community and the future.

The key strategic goals are:

- Maintain and build on our successful financial services business
- Develop our Company as a partner with, and contributor to, our community where the impact is greatest
- Identify and build community assets, both real and intangible, to ensure resilience and strength within the community
- Manage our Company assets – financial, human and brand – to provide the best returns on investment possible balanced against risk

By focusing on maintaining and building our business, Gerry Toovey and the staff at the branch are committed to continuing professional, friendly service for all our customers with efficiency that meets the standards we have established with our franchise partner, Bendigo Bank Ltd.

In order to develop our place within the community as a partner and supporter, we have been offering financial assistance throughout the past five years. During 2006 and 2007, we changed the way in which we engaged in community support- firstly by employing a staff member to work with the community and develop processes that can be used to make the process easier; and secondly by improving our approach to try and develop opportunities for partnerships.

Using an asset based approach to our community engagement, we are keen to build strong links with key sectors within our community. Over 2007 and 2008, we are focusing on youth and enterprise, with the establishment of our Youth Enterprise Board and reference groups to assist us in identifying key opportunities to make a difference. By working with young people we will have a youth centred focus on projects and supported initiatives, and this will also assist in building real skills for life in those who are participating.

Finally, our intention is to grow the Company through new opportunities for business development in the region. We are exploring options for business expansion so that the Company is leading the way in the provision of financial services and meeting our shareholder expectations for their investment in a community Company that brings returns from financial, social and community aspects.

Directors' Report

Your Directors present their report together with the financial report of the Company for the year ended 30 June 2007.

Directors

The names of directors in office at any time during or since the end of the year are:



Phillip Stanley I'Dell, Dip Mgmt, MBA, AIMM, GAICD

Position: Chairman

Background Information: Mr I'Dell owns and operates a small engineering wholesale and consultancy business serving mining and general industry

Interest in shares and options: 1,000 shares



Neil Michael Cole

Position: Non-Executive Director

Background Information: Mr Cole is a small business operator, who is also involved in environmental issues (Men of Trees) and the Emergency Fire Service. He has a Certificate in Property Services and a Perth Health Department licence in pesticide safety.

Interest in shares and options: 300 shares

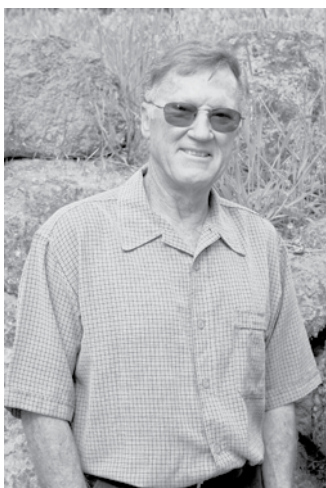


Karen Radford Treanor

Position: Non-Executive Director

Background Information: Mrs. Treanor is the proprietor of Quenda Books which publishes books about Hills wildlife for children. A long time Mundaring resident, she is active in several community organisations including the Mundaring Weir Gallery.

Interest in shares and options: 3,200 shares



Frank Stanley Kamp FCIS, MAICD, SA Fin

Position: Non-Executive Director

Background Information: Mr Kamp is a Chartered Secretary and has extensive experience at senior management level in the Trustee, Financial Services and Funds Management industries. He is presently on the boards of HBF Health Funds Inc. and HBF Insurance Pty Ltd., and also serves as an independent member on the compliance committees of a number of Managed Investment Schemes.

Interest in shares and options: 1,000 shares



Arthur Robert Maddison

Position: Non-Executive Director

Background Information: He was a successful retail business owner, now retired, who has rejoined the Board. He was on the company steering committee in 2001 and 2002 which established the Company to enter into the Bendigo Bank franchise and raise the required capital by prospectus offer.

Interest in shares and options: 10,000 shares



Gerard Alexander Tonks (Appointed 25 August 2006)

Position: Executive Director/Company Secretary

Background Information: Mr Tonks was been the Company Secretary since January 2002. He is a Chartered Accountant and Chartered Secretary who has been in both public practice and commerce and now specialises in corporate administration.

Interest in shares and options: 1,500 shares

Dick Edwards has been our Treasurer since the formation of the company, providing financial support services to and under the direction of the Board. Dick operates his own small business consultancy service, and is not a Director of MCFS.

Ronald John William Shannon (Retired 28th July 2006)

Position: Non-Executive Director Interest in shares and options: 20,000 shares

Nancy Jean Moran (Retired 28th February 2007)

Position: Non-Executive Director Interest in shares and options: 1,000 shares

Directors Meetings Attended

During the financial year, 12 meetings of Directors were held. Attendances by each Director during the year were:

DIRECTORS' MEETINGS		
	Number eligible to attend	Number attended
Phillip Stanley I'Dell	12	12
Neil Michael Cole	12	8
Karen Radford Treanor	12	12
Frank Stanley Kamp	12	11
Arthur Robert Maddison	12	11
Gerard Alexander Tonks	12	11
Nancy Jean Moran	7	5
Ronald John William Shannon	1	0

Principal Activity and Review of Operations

The principal activity and focus of the Company's operations during the year was the operation of Mundaring Community Bank Branch of Bendigo Bank, pursuant to a franchise agreement.

Operating Results

The amount of profit from ordinary activities of the Company after income tax was \$271,591 for the year ended 30 June 2007 (2006: \$169,746).

Dividends

The Directors have resolved to pay a dividend of 12.0 cents per share (total dividend of \$67,878) to holders of securities in the Company appearing in the share registry at close of business on 30 November 2007. This dividend will be fully franked (at 30 cents per share) and paid on or about 15 December 2007.

Significant Changes in 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 period under review, not otherwise disclosed in these financial statements.

Events Subsequent to the end of the Financial Period

No matters or circumstances have arisen since the end of the financial period, which 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 subsequent financial years.

The Bendigo Bank Limited (from whom the Company has a franchise to operate the Mundaring Community Bank) has announced its intention to enter into a merger arrangement with Adelaide Bank Limited, but this arrangement is not expected to adversely impact the Company or its rights under the franchise in any way.

Future Developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Indemnifying Officer or Auditor

Indemnities have been given, during and since the end of the financial period, for any persons who are or have been a director or an officer, but not an auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Share Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Environmental Regulation

The Company’s operations are not regulated by any significant environmental regulation under a Law of the Commonwealth or of a State or Territory.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor’s Independence Declaration

A copy of the auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is included within the financial statements.

Adoption of Australian equivalents to International Financial Reporting Standards

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the company’s financial report has been prepared in accordance with those standards. A reconciliation of adjustments arising on the transition to Australian equivalents to IFRS is included in Note 2 to this report.

Director	 <hr style="border: 0.5px solid black;"/>		
Dated this	28	day of	September 2007



Auditor's Independence Declaration

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
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www.rsmi.com.au

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS
MUNDARING COMMUNITY FINANCIAL SERVICES LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

- a. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

David Wall

DAVID WALL
Partner

Perth, WA
Date: *28 September 2007*

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MUNDARING COMMUNITY FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Mundaring Community Financial Services Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion on the Financial Report

In our opinion:

- a. the financial report of Mundaring Community Financial Services Limited is 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 2007 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

David Wall

DAVID WALL
Partner

Perth, WA

Date: *28 September 2007*

Directors' Declaration

The Directors of the Company declare that:

- the financial statements and notes, as set out on pages 14 to 31, are in accordance with the Corporations Act 2001;
- comply with Accounting Standards and the Corporations Regulations 2001; and
- give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company.
- in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Dated this

28

day of

September

2007

Income Statement
 For the year ended 30 June 2007

	Note	2007 \$	2006 \$
REVENUE	2	1,084,296	773,888
Employee benefits expense		(340,930)	(273,671)
Depreciation and amortisation expense		(39,754)	(43,717)
Other expenses	3	(313,431)	(214,804)
PROFIT BEFORE INCOME TAX		390,181	241,696
Income tax expense	4	(118,590)	(71,950)
PROFIT ATTRIBUTABLE TO MEMBERS		271,591	169,746

The accompanying notes form part of these financial statements

Balance Sheet
as at 30 June 2007

	Note	2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	5	662,962	426,588
Trade and other receivables	6	102,963	82,615
Other current assets	7	4,343	1,522
TOTAL CURRENT ASSETS		770,268	510,725
NON-CURRENT ASSETS			
Property, plant and equipment	8	44,394	65,923
Intangible assets	9	47,042	5,833
Deferred tax asset	22	7,357	7,731
TOTAL NON-CURRENT ASSETS		98,793	79,487
TOTAL ASSETS		869,061	590,212
CURRENT LIABILITIES			
Trade and other payables	10	134,737	119,701
Financial liabilities	11	6,911	6,378
Short-term provisions	12	24,526	25,773
TOTAL CURRENT LIABILITIES		166,174	151,853
NON-CURRENT LIABILITIES			
Financial liabilities	11	19,871	26,934
TOTAL NON-CURRENT LIABILITIES		19,871	26,934
TOTAL LIABILITIES		186,045	178,787
NET ASSETS		683,016	411,425
EQUITY			
Issued capital	13	559,535	559,535
Accumulated profits/(losses)		123,481	(148,110)
TOTAL EQUITY		683,016	411,425

The accompanying notes form part of these financial statements

Statement of Changes in Equity
For the year ended 30 June 2007

	Share Capital (Ordinary shares)	Retained losses	Total
	\$	\$	\$
BALANCE AT 1 JULY 2005	559,535	(218,875)	340,660
Profit attributable to the members of the Company	-	169,746	169,746
Dividends paid or provided	-	(98,981)	(98,981)
BALANCE AT 30 JUNE 2006	559,535	(148,110)	411,425
BALANCE AT 1 JULY 2006	559,535	(148,110)	411,425
Profit attributable to the members of the Company	-	271,591	271,591
BALANCE AT 30 JUNE 2007	559,535	123,481	683,016

The accompanying notes form part of these financial statements

Cash Flow Statement
For the year ended 30 June 2007

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,036,861	737,390
Payments to suppliers and employees		(628,911)	(489,864)
Interest received		27,087	14,261
Interest paid		(410)	-
Income tax paid		(75,190)	-
Net cash provided by operating activities	14(a)	359,437	261,787
Cash flows from investing activities			
Payments for plant and equipment		(9,434)	(45,788)
Payments for franchise fee		(50,000)	-
Net cash used in investing activities		(59,434)	(45,788)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(7,064)	-
Dividends paid		(56,565)	(42,416)
Proceeds from borrowings		-	31,420
Net cash used in financing activities		(63,629)	(10,996)
Net increase in cash held		236,374	205,003
Cash held at the beginning of the financial year		426,588	78,555
Cash held at the end of the financial year	5	662,962	426,588

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For the year ended 30 June 2007

I. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001

The financial report covers Mundaring Community Financial Services Limited as an individual entity. Mundaring Community Financial Services Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report of Mundaring Community Financial Services Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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

Basis of preparation

The financial policies set out below have been consistency applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared in accordance on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities of which the fair value basis of accounting has been applied.

Accounting policies

(a) Income tax

The change for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash

flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out in this report.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

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

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(e) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) Intangibles

Franchise fee

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

(g) Employee benefits

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

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(j) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(l) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative figures

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

Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2007. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2007 amounting to \$47,042.

The financial report was authorised for issue on 28 September 2007 by the board of directors.

Notes to the Financial Statements
For the year ended 30 June 2007

	2007	2006
	\$	\$
2. REVENUE		
Franchise margin income	1,057,209	759,626
Interest revenue from:		
Other parties	27,087	14,262
	1,084,296	773,888
3. EXPENSES		
Rental on operating lease	39,164	37,996
IT leasing and running costs	25,168	23,758
Advertising and marketing	23,041	8,658
ATM leasing and running costs	12,343	10,981
Bad Debts	1,521	2,356
Community sponsorship and donations	29,130	8,506
Freight and postage	19,176	17,254
Insurance	12,098	14,123
Occupancy running costs	26,255	25,436
Printing and stationary	25,251	17,897
Other operating expenses	100,284	47,839
	313,431	214,804
Remuneration of the auditors of the Company		
Audit services	4,465	3,300
Other Services	5,105	857
	9,570	4,157

Notes to the Financial Statements
For the year ended 30 June 2007

	2007	2006
	\$	\$
4. INCOME TAX EXPENSE		
a. The components of tax expense comprise:		
Current tax	118,215	19,044
Deferred tax (Note 22)	375	1,985
Recoupment of prior year tax losses	-	50,921
	118,590	71,950
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)	117,054	72,509
Add:		
Tax effect of:		
• non-deductible depreciation and amortisation	2,638	3,441
Less:		
Tax effect of:		
• other deductible items	(1,102)	(4,000)
Income tax attributable to entity	118,590	71,950

At balance date, the Company had no tax losses available to offset future years' taxable income.

5. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	662,962	426,588
6. TRADE AND OTHER RECEIVABLES		
Trade debtors	102,963	82,615
7. OTHER ASSETS		
Current		
Prepayments	4,343	1,522

Notes to the Financial Statements
For the year ended 30 June 2007

	2007	2006
	\$	\$
8. PROPERTY, PLANT AND EQUIPMENT		
Plant and Equipment		
Cost	206,428	196,994
Accumulated depreciation	(162,034)	(131,071)
	44,394	65,923
<i>Movement in carrying amount</i>		
Balance at the beginning of the year	65,923	53,853
Additions	9,434	45,788
Depreciation expense	(30,963)	(33,718)
<i>Carrying amount at the end of the year</i>	44,394	65,923
9. INTANGIBLE ASSETS		
Franchise fee		
Cost	100,000	50,000
Accumulated amortisation	(52,958)	(44,167)
	47,042	5,833
<p><i>Pursuant to a five year franchise agreement with Bendigo Bank, the Company operates a branch of Bendigo Bank at Mundaring, trading as "Mundaring Community Branch – Bendigo Bank", providing a core range of banking products and services. The Company renewed into the franchise agreement at a cost of \$10,000 in respect of the franchise fee and \$40,000 for franchise fee renewal costs.</i></p>		
10. TRADE AND OTHER PAYABLES		
Trade creditors and accruals	40,875	26,470
GST payable	27,141	17,622
Company tax	62,070	19,044
Dividends	4,651	56,565
	134,737	119,701

Notes to the Financial Statements
For the year ended 30 June 2007

	2007	2006
	\$	\$
11. FINANCIAL LIABILITIES		
Current		
Finance lease	6,911	6,378
Non Current		
Finance lease	19,871	26,934
Security		

The fi nance lease is secured by a fl oating charge over the Company's assets.

12. PROVISIONS		
Provision for employee entitlements	24,526	25,773
Number of employees at year end	8	7

13. EQUITY		
565,650 (2006: 565,650) fully paid ordinary shares	565,650	565,650
Cost of raising equity	(6,115)	(6,115)
	559,535	559,535

14. CASH FLOW INFORMATION		
a. Reconciliation of cash fl ow from operations with profit after tax		
Profit after tax	271,591	169,746
Depreciation and amortisation	39,754	43,716
<i>Movement in assets and liabilities</i>		
Receivables	(20,347)	(22,236)
Other assets	(2,821)	(41,768)
Deferred tax asset	374	(7,731)
Payables	72,133	55,748
Provisions	(1,247)	64,312
Net cash provided by operating Activities	359,437	261,787

Notes to the Financial Statements
For the year ended 30 June 2007

14. CASH FLOW INFORMATION (cont.)

- b. Credit Standby Arrangement and Loan Facilities

The Company does not operate a bank overdraft facility.

15. DIRECTORS AND KEY MANAGEMENT PERSONNEL COMPENSATION

- a. The names and positions of Directors and Executive in office at any time during the financial year are:

Director

Phillip Stanley I'Dell	Chairman
Neil Michael Cole	Non-Executive Director
Karen Radford Treanor	Non-Executive Director
Frank Stanley Kamp	Non-Executive Director
Arthur Robert Maddison	Non-Executive Director
Gerard Alexander Tonks	Non-Executive Director
Nancy Jean Moran	Non-Executive Director
Ronald John William Shannon	Non-Executive Director

- b. Remuneration of directors

A base fee of \$2,000 p.a. for each director payable on a monthly basis. Additional income paid to director is as follows:

Phillip Stanley I'Dell

Base fee of \$2,000 and, as Chairman of the Board, an additional \$7,000

Karen Radford Treanor

Base fee of \$2,000 and an additional \$1,500 as the Chairperson of the Sponsorship & Promotions Committee

Frank Stanley Kamp

Base fee of \$2,000 and an additional \$2,000 as the Chairperson of the Audit Committee

Gerard Alexander Tonks

Base fee of \$2,000 and \$4,151 for company secretarial and accounting support work at a rate of \$50 per hour, excepting time at Board and Shareholder meetings.

Arthur Maddison and Neil Cole chose not to receive directors fees.

- c. Remuneration of related party

Allison I'Dell is paid an annual salary of \$43,000 p.a. For the financial year ended 30 June 2007 Allison had received a salary of \$13,846.

- d. Options

No options over issued shares or interests in the Company were granted to Directors or Executive during or since the end of the financial period and there were no options outstanding at the date of this report.

Notes to the Financial Statements
For the year ended 30 June 2007

15. DIRECTORS AND KEY MANAGEMENT PERSONNEL COMPENSATION (cont)

e. Remuneration practices

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is as follows:

It is current policy of the Company that Board members are entitled to a base fee of \$2,000 p.a. for each director payable on a monthly basis.

16. RELATED PARTY TRANSACTIONS

With the exception of the salary paid to Allison I'Dell, no other related parties entered into a transaction with the Company during the financial years ended 30 June 2007 and 30 June 2006

	2007	2006
	\$	\$

17. LEASING COMMITMENTS

(i) Leasing commitments for premises

Non cancellable operating lease commitment contracted for but not capitalised in the financial statements

Payable

Not longer than 1 year	38,000	19,000
Longer than 1 year but not longer than 5 years	123,500	-
	161,500	19,000

(ii) Community sponsorship and donations

The Company has committed to a number of sponsorship arrangements with local Community organisations. These commitments have not been brought to account as a liability in the financial statements (Note 1(h)).

Payable

Not longer than 1 year	34,822	-
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Notes to the Financial Statements
For the year ended 30 June 2007

	2007	2006
	\$	\$
18. DIVIDENDS		
(i) Distributions paid		
Partially franked ordinary dividend declared in the reports of the 30 June 2006 year (post year-end) of 10 (2006: 7.5) cents per share 75% franked at the tax rate of 30% (2006: 0%)	56,560	42,420
(ii) Franking Account Balance		
Amount of franking credits available for future reporting periods	89,421	
Impact on the franking account of fully franked dividends of \$68,787 (12 cents per share) proposed before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	(29,091)	-
	60,330	-

19. FINANCIAL INSTRUMENTS

a. Interest rate risk

2007	Rates	Variable	Fixed	Non-interest	Total	
			1 year	1 to 5 years		
<i>Financial Assets</i>						
Cash and cash equivalents	4.25%	662,872	-	-	89	662,961
Receivables	-	-	-	-	102,963	102,963
Total Financial Assets		662,872	-	-	103,052	765,924
<i>Financial Liabilities</i>						
Payables	-	-	-	-	(94,798)	(94,798)
Financial lease	8.04%	-	(6,911)	(19,871)	-	(26,782)
Total Financial Liabilities		-	(6,911)	(19,871)	(94,798)	(121,580)

Notes to the Financial Statements
For the year ended 30 June 2007

19. FINANCIAL INSTRUMENTS (cont)

a. Interest rate risk

2006	Rates	Variable	Fixed		Non-interest	Total
			1 year	1 to 5 years		
<i>Financial Assets</i>						
Cash and cash equivalents	4.25%	426,520	-	-	68	426,588
Receivables	-	-	-	-	82,615	82,615
Total Financial Assets		426,520	-	-	82,683	509,203
<i>Financial Liabilities</i>						
Payables	-	-	-	-	(63,136)	(63,136)
Finance lease	8.04%	-	(6,378)	(26,934)	-	(33,312)
Total Financial Liabilities		-	(6,378)	(26,934)	(63,136)	(96,448)

b. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount net of any provisions for doubtful debts, as disclosed in the statement of financial position and notes to the financial statements.

c. Net fair values

The net fair value of financial assets and liabilities of the Company approximates their carrying amount.

The Company has no financial assets and liabilities where the carrying amount exceeds the net fair value at balance date.

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

20. EVENTS AFTER THE BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial year that 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 subsequent financial years.

21. CONTINGENT LIABILITIES

There were no contingent liabilities at the reporting date.

Notes to the Financial Statements
For the year ended 30 June 2007

	2007	2006
	\$	\$
22. TAX		
a. Liability		
Current		
Income tax	62,070	19,044
b. Assets		
Deferred tax assets comprise:		
Provisions	7,357	7,732
c. Reconciliations		
i. Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	7,732	60,637
Charge/(credit) to income statement	(375)	(50,921)
Closing balance	7,357	7,732
ii. Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
<i>Provisions</i>		
Opening balance	7,732	9,716
Credited to the income statement	(375)	(1,984)
Closing balance	7,357	7,732
<i>Other</i>		
Opening balance	-	50,921
Credited to the income statement	-	(50,921)
Closing balance	-	-

Notes to the Financial Statements
For the year ended 30 June 2007

23. CHANGES IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2005–10: Amendments to Australian Accounting Standards	AASB 1: First time adoption of AIFRS	The disclosure requirements of AASB 132: Financial Instruments: Disclosure and Presentation have been replaced due to the issuing of AASB 7: Financial Instruments: Disclosures in August 2005. These amendments will involve changes to financial instrument disclosures within the financial report. However, there will be no direct impact on amounts included in the financial report as it is a disclosure standard.	1 Jan 2007	1 July 2007
	AASB 4: Insurance Contracts			
	AASB 101: Presentation of Financial Statements			
	AASB 114: Segment Reporting			
	AASB 117: Leases			
	AASB 133: Earnings per Share			
	AASB 1023: General Insurance Contracts			
AASB 7: Financial Instruments: Disclosures	AASB 1038: Life Insurance Contracts	As above	1 Jan 2007	1 July 2007
	AASB 139: Financial Instruments: Recognition and Measurement			
	AASB 132: Financial Instruments: Disclosure and Presentation			

24. COMPANY DETAILS

The principal place and registered office of business of the Company is:
6945 Great Eastern Highway, Mundaring WA 6073