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Chairman's Report

On behalf of the Board of Directors, it is my pleasure to present the Annual Report for 2007/08 to you, our shareholders. In preparing the report, we have reviewed the activities of the company over the past financial year and we believe they clearly demonstrate both the soundness of the company's business model and the development of the strong community focus which MCFS was created to deliver in 2001.

Achievements for the past year include:

- Completion of another successful year of branch operations under the dedicated management of Gerry Toovey. The branch staff continue to excel in their work and professional approach to the business, and we see the results of a very community focused branch in the financial reports. The branch has more than met the challenge of the initial establishment and is now a "mature" site within the Bendigo Bank network in Western Australia.

- Expansion of our services to our customers and the community through the installation of two new ATMs. The first at Darling Ridge Shopping Centre, Morrison Road in Swan View in May, and the second was commissioned at the Ace Cinema foyer, Midland Gate Shopping Centre, Midland in late June.

- Diversification of our community strategy to ensure that our support of the community is broad and reflects the wide variety of volunteers, community organisations, sport and services that are so vital to our region.

- Implementation of the Low Volume Market for trading in shares for the company. This year we received an exemption from the Australian Investments and Securities Commission (ASIC) to allow the company to manage trading of our shares, some elements of which occur through our website, which is a more effective way for our shareholders to manage their own shareholding. This provides a low cost, simple and very effective solution to the sale and purchase of shares in the company.

Following on from our community survey in 2006, this year we surveyed you, our shareholders, to find out more about your original investment decision, the future focus that you had for the company and to ascertain those expectations. As part of the survey we also asked for information on areas that you felt were important in

Mundaring Weir

the community. The results were very positive, with a good response rate and excellent feedback. The majority of respondents had initially invested to support a local community branch offering full banking services to the area, with only 15 responses from 271 shareholders reporting that financial return was the critical decider. We're pleased that we've managed to achieve both a community return and an investment return for our shareholders.

Again, the Board has declared a 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 14 cents per share, an increase on the 2006/07 dividend. The Board considers that the company is performing strongly and at this stage has no reason to doubt that dividends will continue to be paid over the coming years.

Once again, the Board would particularly like to acknowledge the work of our Branch Manager, Gerry Toovey, and the team at the branch: Ann, Katie, Sandra, Christine, Taryn, and Sam. They continue to provide excellent customer service to the customers and we thank them for maintaining the very high standards established during our first six years. Their efforts see our branch as regularly being in the top 20 nationally out of a network of over 400 branches.

This year, I also want to acknowledge the Community Liaison Manager, Allison I'Dell, and her team (Carla, Julie, Shaelene and Sharon) for the work that they do in the community. From identifying needs and issues, through discussion and consultation, to sponsorship and support, the work is exemplary and I am constantly reminded of the way in which our business is able to respond to and build our community through the work that the Branch and Community teams do – thank you.

Finally, I would like to acknowledge the hard work of our Directors as representatives of our shareholders. The Directors dedicate themselves to guiding and shaping the business for the future by ensuring that the foundations of the business are strong. By drawing on their respective areas of expertise as part of the Board team, MCFS benefits from a broadly experienced and skilled Board of Directors. As a new Director in late 2007, Neridah Zlatnik has both added to the Board's skill base and contributed another community dimension to their deliberations. Thank you to my fellow Directors for another successful year.

As our shareholders, you also deserve the thanks of the Board and the community. Without your support none of this would have been possible and we continue to work to meet your objectives and goals for the company. The Board is confident of continued growth, even in a time of economic uncertainty, and we recognize that the company must be responsive to the community and reflect its values and philosophies to remain relevant. We will continue to hold this focus as a key aim of the Board in the next twelve months.

Thank you all.

Phil I'Dell

Branch Manager's Report

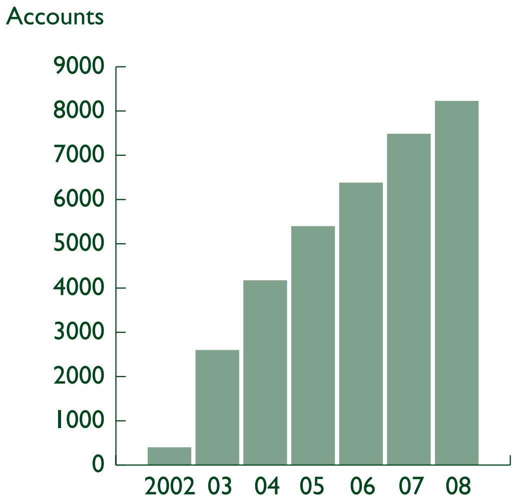
Managing a branch is always an interesting job, and in our case, the Mundaring Community branch is more than interesting – it is inspiring. With a team that is dedicated to customer service excellence, professional in their knowledge of product and services, and their ability to work together as a team, it is really a superb opportunity to really respond to our local community and be the best.

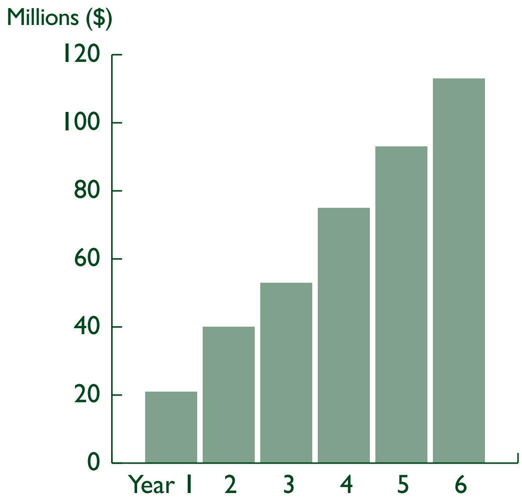
This year, we have focused on developing skills amongst the staff, and we have enabled Katie to be promoted as the new Loans Officer, after Lisa resigned to spend more time with her family. Promoting and developing staff to take on new roles within a team is always a challenge, but with our people, this is a fantastic opportunity and I appreciate their willingness to grow and develop, whilst still maintaining their customer focus.

Again, we are constantly reviewing our performance as a branch and look for ways to grow the business. The portfolio has now grown to more than $100million with 8,000 account holders, and we are on track to keep growth strong. This rate of growth may well be more difficult to maintain, given that we've been operating in the community of Mundaring for more than six years, but we remain focused on business development to find new areas for expansion of both our portfolio and our customer base. Adding the two ATMs certainly brings more profile to the work we do, and with the level of community recognition through sponsorship and community support, we have a high level of loyalty from existing customers and our community generally.

This year has seen the merger between Bendigo and the Adelaide Banks. Whilst there have been no external changes to our appearance and operations, the transition will develop the banking product range now that the merger is complete. We face renewed competition from our competitors, and I am pleased to note that the impact on our business has not been noticeable. However, we cannot be complacent and excellence in product and service will be the way to maintain our healthy business.

A stream in Mundaring





We are seeing an improvement in the business profile with the work that Allison I'Dell, Community Liaison Manager, is doing with the sponsorships and marketing for the company. The level of information put out to the community about what we do, and how much we support our local community, means that our existing customers are proud to bank through us, and we are still opening new accounts in response to the interest generated. It is also pleasing to see how quickly we can respond to community needs through Allison and her team of Community Resource Officers. It certainly adds a unique dimension to the marketing of the branch!

The Board also deserve acknowledgement – they work very hard to manage the company and guide it through growth. They support and promote the business at every opportunity, and provide us with an excellent environment in which to work. I would also like to extend appreciation on behalf of the staff to you the shareholders – your investment and commitment has made it all possible.

Finally, no-one works on their own and many of the achievements of the past year are attributable to the wonderful team that I work with every day at the Branch, so thank you to Ann, Katie, Sam, Taryn, Sandra and Christine. Thank you, too, to Lisa who contributed so much during the year.

Gerry Toovey

Community Liaison Manager's Report

Having been working with the company for more than a year now, reflection is possible to compare what we have been doing in the community with what the experience was prior to my engagement. The Board has a very clear plan for the community liaison role, and the scope of the support that the community requires.

My role has developed from a simple liaison and funding role to a more sophisticated engagement role, which includes business positioning and communications. The role has extended to include shareholder communications to general marketing and promotion.

Informing shareholders has been achieved through the publication of the quarterly *Shareholder Focus* newsletter and the website. This has proven to be an effective mechanism to talk to shareholders about the company's work, and to provide a way of gathering feedback on your views and expectations. To more fully understand the initial investment decisions made by shareholders and to assess your views on company development, a survey was conducted in 2007. An excellent response rate to the survey ensured that we were able to identify key issues that the respondents considered important and this has led to the implementation of the low volume market and the development of the website.

The marketing and promotional aspects of the company have also undergone a significant change during the last twelve months, with a greater emphasis on public marketing to the broader regional community through the local papers and cinema advertising. It was our intention that this would create an interest in who we are and what we do, as well as build brand recognition for the branch amongst the public. Certainly our feedback has indicated an increase in brand awareness and is leading to growth in the branch business generally. As the business footprint expands, this was an important part of the strategy to keep the brand fresh and local.

During 2007/08 community funding, sponsorship and partnerships of $155,400 was made across a range of organizations. Projects supported were in these main sectors:

Young families – local playgroups, chaplaincy support, Swan TAFE art students, and Mundaring Toy Library

Arts and culture – Mundaring Arts Centre, Hills Symphony Orchestra, Darlington Arts Festival, Darlington Theatre Players and Glen Forrest Christmas Gathering.

Community Services – equipment for the Volunteer Bush Fire Brigades, Scouts and Guides, Trek the Trail (Shire of Mundaring),

Seniors - Prime Movers Exercise Group, sponsorship of the Men's Expo, support for the Men's Community Shed project to incorporate

Youth - sponsorship of the Seen and Heard "The Crew" school holiday program for 2008 and the Eastgate Youth Centre's new electronic drum kit.

Sports groups – sponsorship of Perth Hills United Football Club (Soccer), Eastern Hills Hawks Junior Football Club (Australian Rules football), Mundaring Women's Hockey Club, WA Sleddog Sports Association's *Chidlow Chase*, various small grants to the sporting clubs across the Shire and the Mundaring Combined Sports Club's *Hills Sports Star of the Year* awards for 2008.

In addition, the Community Resource Officer strategy has been a very big part of how we've helped the community over the past year. Based on needs identified in the 2006 Community Group survey, the decision to employ part time community workers to assist and support local small volunteer groups has been a tremendous success. This year, the Community Resource Officers have worked with:

- Friends of the Black Cockatoo Reserve
- Mundaring Sharing
- The Individual's Charity
- The Mundaring Ladies Lunch
- Mundaring Combined Sports Association for the *Hills Sports Star of the Year* awards (2007)
- Darlington Arts Festival – *Have a Go with Bendigo* workshops

The Community Resource Officers have also developed an Environmental Activity Book for primary schools in the region, which will be circulated in term 3 2008. The book, in partnership with the Shire of Mundaring, aims to promote local environment consideration and educate the children about their local area.

Mundaring Play Group?

Finally, we have responded to the need for community and sports groups to manage their registration and enrolment days by providing a mobile EFTPOS facility that offers the opportunity for people to pay by card for their enrolment or registration. This has been very well received across the community and we receive very positive feedback for our continued "can do" philosophy towards our community. It has certainly been a pleasure to work with the branch staff and Bendigo Bank to respond to ideas to solve simple, yet seemingly insurmountable problems. This facility has increased our reach in the community and we enjoy considerable support from these groups for banking services because we share the profits.

It has been a busy year and an exciting one. I have thoroughly enjoyed the opportunity to work with the community to develop our business and assist the Board to meet their charter of community support from the business profits, and I look forward with anticipation to this coming year.

Allison I'Dell

Director's Report

Your directors present their report together with the financial report of the Company for the year ended 30 June 2008.

The names, qualifications and meetings attendance 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 and Managing Director

Background information: Mr I'Dell owns and operates a small engineering wholesale and consultancy business serving mining and general industry. He is engaged as the Managing Director of MCFS on a part time basis.

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 license 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 has recently retired from the boards of HBF Health Funds Inc. and HBF Insurance Pty Ltd., and currently serves as an independent member on the City of Swan Audit Committee.

Interest in shares and options: 1,000 shares

Arthur Robert Maddison

Position: Non-executive Director

Background information: Arthur 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 Bendigo Bank franchise and raise the required capital by prospectus offer.

Interest in shares and options: 10,000 shares

Gerard Alexander Tonks FCIS FCA

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

Neridah Zlatnik (appointed December 2007)

Position: Non-executive Director

Background information: Mrs Zlatnik has extensive experience in marketing and public relations, having worked in the mining and electricity industries. She has a strong connection to the community through her volunteer work with several organisations.

Interest in shares and options: nil

Directors Meetings Attended

During the financial year, 10 meetings of Directors were held. Attendances by each Director during the year were:

Director	Directors' Meetings	
	Number eligible to attend	Number attended
Phillip Stanley I'Dell	10	10
Neil Michael Cole	10	9
Karen Radford Treanor	10	8
Frank Stanley Kamp	10	6
Arthur Robert Maddison	10	9
Gerard Alexander Tonks	10	10
Neridah Zlatnik	6	6

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 profit of the Company after providing for income tax amounted to $166,380.

Dividends Paid or Recommended

The Company has paid dividends of $67,878 being at the rate of 12 cents per share out of 2006-07profits during the year. The Company has declared a fully franked dividend of $79,198 being at the rate 14 cents per share out of the 2007-08 profits to be paid in December to shareholders on the register at the end of November.

Financial Position

The net assets of the Company at year end were $702,370, which is an improvement on prior year due to the improved operating performance of the Company

The directors believe the Company is in a stable financial position.

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 year under review, not otherwise disclosed in these financial statements.

After Balance Date Events

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 future financial years.

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.

Signed in accordance with a resolution of Directors.

Phillip Stanley I'Dell
Chairman

Dated this day of 2008

Remuneration Report

This report details the nature and amount of remuneration for each of the directors (being the key management personnel) of Mundaring Community Financial Services Limited. There were no specified executives involved in the management of the company who were not also directors.

Remuneration of Directors

Directors received fees for their services as Directors of the Company during the year 1 July 2007 to 30 June 2008 as follows:

Names of Directors	Role	2008	2007
Phillip I'Dell	Chairman	5,584	9,000
Neil Cole	Non-Executive Director	4,451	-
Karen Treanor	Non-Executive Director/Chair Sponsorship Committee	4,083	3,500
Frank Kamp	Non-Executive Director/Chair Audit & Governance Committee	4,666	4,000
Arthur Maddison	Non-Executive Director	4,541	-
Gerard Tonks	Non-Executive Director/Company Secretary	3,500	6,151
Neridah Zlatnik	Non-Executive Director	1,333	-
Total Remuneration		$28,158	$22,651

Remuneration policy

The remuneration policy of the Company has been designed to take account of the community based objectives of the Company and within that context, clearly differentiates between the essentially community based objectives of the non–executive members of the board as distinct from those who carry specific executive roles. These are then aligned with shareholder and business objectives by providing a fixed remuneration component based on reasonable reward for workloads and responsibilities involved in the management of the Company's affairs. The board of the Company believes this remuneration policy to be appropriate and effective in its ability to attract and retain the appropriate board members and competent key management personnel to run and manage the Company, in addition to being aligned with the needs and goals of all members of the Company – shareholders included.

The board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive fixed salary (which is based on factors such as market rates appropriate to the position, taking account of qualifications and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to Executive performance and comparable information from industry sectors.
- At the Board's absolute discretion, a modest annual bonus is paid to all staff in December, in recognition of their collective achievement of targets and maintenance high standards of service to customers.

The performance of key management personnel is measured against criteria agreed annually with each individual and is based predominantly on the achievement of personal and corporate targets, the maintenance of shareholder value, and the consistent delivery of tangible benefit to the community in which the company operates . The policy is designed to attract and retain a team of calibre Executives with personal commitment to the Company's objectives, and to properly reward them for performance that results in the maintenance of true standards of excellence in customer services and community engagements, together with long-term growth in shareholder value.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Individuals are free to elect to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed

Performance-based remuneration

Apart from the modest discretionary annual bonus payment referred to above which is made to all staff, the Company does not make any performance or incentive based remuneration payments to its key management personnel.

Company performance, shareholder wealth and Executive remuneration

The remuneration policy has been tailored to achieve goal congruence between shareholders and Executives. The method applied in achieving this aim is to remunerate non-executive directors at relatively nominal (honorarium) levels, and to pay fixed competitive market rate salaries to key executives and staff. The Company believes this policy to have been effective in building a competent and committed board/executive team, which has steadily built both shareholder wealth and community benefit levels over the past 5 years.

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience and effectiveness of the individual concerned, and in general terms, the overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

The employment contracts stipulate a resignation periods. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Key management personnel remuneration 2008						
	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits	Total	Performance related
	$	$	$	$	$	%
Phillip I'Dell	20,393	1,836	-	-	22,229	
Gerard Tonks	3,048	-	-	-	3,048	-
	23,441	1,836	-	-	27,506	-

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods.

Options

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

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

Indemnifying officers or auditor

Indemnities have been given, during and since the end of the financial year, 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 issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, 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.

Corporate governance

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

a) Director approval of operating budgets and monitoring of progress against these budgets;

b) Ongoing Director training; and

c) Monthly Director meetings to discuss performance and strategic plans

The Company has not appointed a separate audit committee due to the size and nature of operations. The normal functions and responsibilities of an audit committee have been assumed by the Board.

Non-audit Services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2002. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2008:

Taxation services: $12,850

Profit Share and Community Distribution Report

The following charts provide a graphical representation of some of the financial indicators that are used by MCFS.

Chart 1: Community Investments

This demonstrates the main areas of support given to the community by the company. Community sponsorships is where we provide support (in different forms, including financial) to community groups. In return for our support, these groups provide us with continuous acknowledgement. This area has increased significantly over the last twelve months. Straightforward donations have reduced, because our philosophy is that our contribution should be to meet community needs, which are often beyond just money. The category "Other Community Activities" includes the provision of Community Resource Officers.

Chart 2: Dividend Payments

Representing the amount per share paid in dividends to shareholders and the gross per annum paid. By the end of this calendar year four dividends will seen more than $250,000 returned to our shareholders.

Chart 3: Portfolio

Highlighting the value of the banking business managed by the Mundaring branch. This figure is important because it is the value of the portfolio that determines the level of income we receive from our franchise. As you can see the portfolio has grown steadily since opening and continues to grow.

Chart 4: Profit and Distributions

Representing the movements of money from the company. The gross income (the largest column) is the total income we receive from operations. After all of the regular operating expenses the profit (represented by the left hand column for each period) can be seen to similar to that of the last financial year, even with an increase in operating costs. The tax paid by the Company has reduced due to our increased activity within the community although we still have the capacity to pay a strong dividend to shareholders.

Chart 1: Community Investments

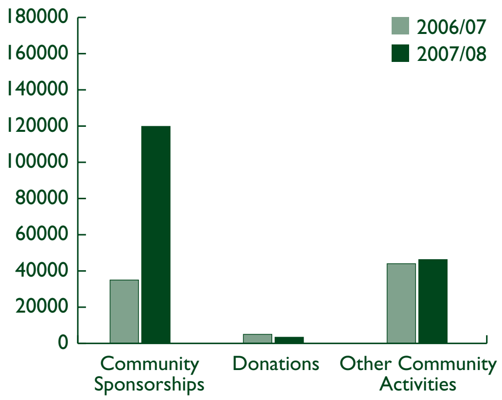


Chart 2: Dividend Payments

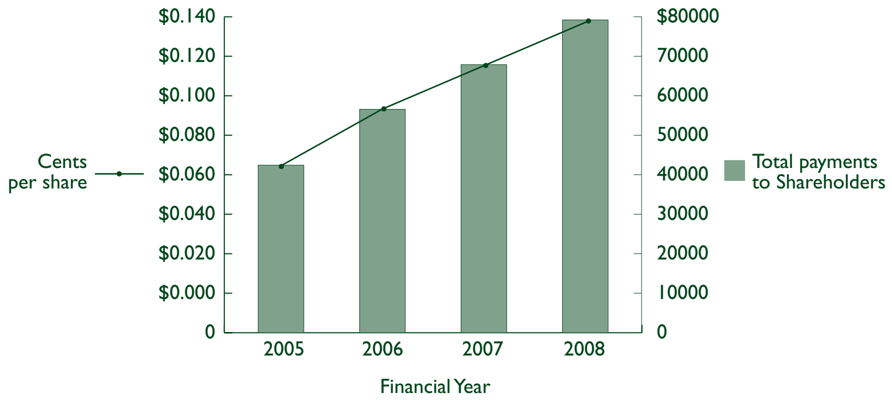


Chart 3: Portfolio

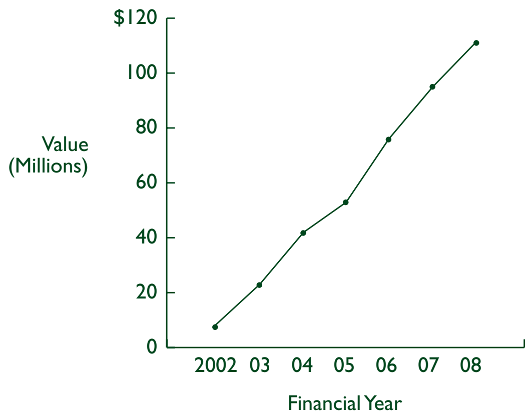
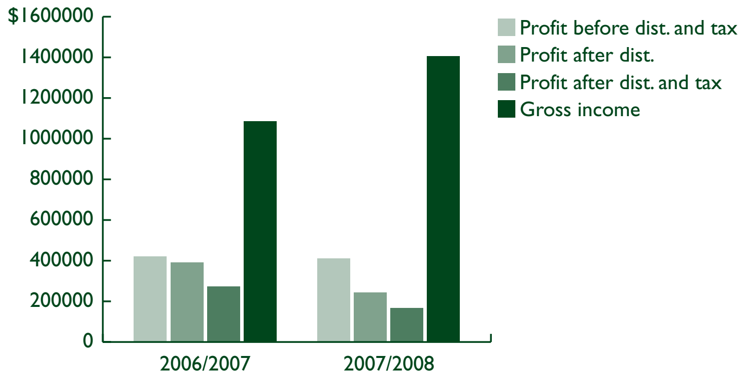


Chart 4: Profit and Distributions



Auditor's Independence Declaration

I declare that, to the best of my knowledge and belief, in relation to the audit of the financial statements of Mundaring Community Financial Services Limited for the financial year ended 30 June 2008 there have been no contraventions of:

- the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- any applicable code of professional conduct in relation to the audit.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, Western Australia	David Wall
Date:	Partner

Independent Audit Report

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 2008 and the income statement, statement of changes in equity and cash flow statement for the period ended on that date, a summary of significant accounting policies, 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 2, 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 ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, 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.

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

Independence

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

Auditor's Opinion on the Financial Report

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 2008 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 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 8 of the directors' report for the financial period ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Mundaring Community Financial Services Limited for the financial period ended 30 June 2008 complies with section 300A of the Corporations Act 2001.

RSM BIRD CAMERON PARTNERS
Chartered Accountants
Perth, Western Australia

David Wall
Partner Date:

Directors' Declaration

The Directors of the Company declare that the financial statements and notes, as set out on pages ~~7 to 37~~, 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 2008 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.

Phillip Stanley I'Dell
Chairman

Dated this day of 2008

Income Statement
for the year ended 30 June 2008

	Note	2008 $	2007 $
REVENUE	2	1,405,106	1,084,296
Employee benefits expense		(502,118)	(340,930)
Depreciation and amortisation expense		(27,405)	(39,754)
Community development sponsorship		(119,823)	(15,088)
Community development donations		(3,397)	(14,043)
Community development employee benefits		(46,272)	-
Other expenses	3	(464,193)	(284,300)
PROFIT BEFORE INCOME TAX		241,898	390,181
Income tax expense	4	(75,518)	(118,590)
Profit attributable to members		166,380	271,591
OVERALL OPERATIONS			
Basic profit per share (cents per share)		29.41	48.01
Diluted profit per share (cents per share)		29.41	48.01

The accompanying notes form part of these financial statements

Balance Sheet
for the year ended 30 June 2008

	Note	2008 $	2007 $
CURRENT ASSETS			
Cash and cash equivalents	5	622,025	662,962
Trade and other receivables	6	135,256	102,963
Other current assets	7	21,793	4,343
TOTAL CURRENT ASSETS		**779,074**	**770,268**
NON-CURRENT ASSETS			
Property, plant and equipment	8	75,041	44,394
Intangible assets	9	37,042	47,042
Other non current assets	7	3,500	-
Deferred tax asset	22	9,118	7,357
TOTAL NON-CURRENT ASSETS		124,701	98,793
TOTAL ASSETS		**903,775**	**869,061**
CURRENT LIABILITIES			
Trade and other payables	10	144,084	72,667
Financial liability	11	13,237	6,911
Short-term provisions	12	30,396	24,526
Current tax liability	22	-	62,070
TOTAL CURRENT LIABILITIES		**187,717**	**166,174**
NON-CURRENT LIABILITIES			
Financial liability	11	13,688	19,871
TOTAL NON-CURRENT LIABILITIES		13,688	19,871
TOTAL LIABILITIES		**201,405**	**186,045**
NET ASSETS		**702,370**	**683,016**
EQUITY			
Issued capital	13	559,585	559,535
Retained profits		142,785	123,481
TOTAL EQUITY		**702,370**	**683,016**

The accompanying notes form part of these financial statements

Statement of Changes in Equity
for the year ended 30 June 2008

	Share Capital (Ordinary shares) $	Retained profits/ (Accumulated losses) $	Total $
BALANCE AT 1 JULY 2006	**559,535**	**(148,110)**	**411,425**
Profit attributable to the members of the Company	-	271,591	271,591
Dividends paid or provided	-	-	-
BALANCE AT 30 JUNE 2007	**559,535**	**123,481**	**683,016**
BALANCE AT 1 JULY 2007	**559,535**	**123,481**	**683,016**
Shares reconciled	50	-	50
Profit attributable to the members of the Company	-	166,380	166,380
Dividends paid or provided	-	(147,076)	(147,076)
BALANCE AT 30 JUNE 2008	**559,585**	**142,785**	**702,370**

The accompanying notes form part of these financial statements

Cash Flow Statement
for the year ended 30 June 2008

	Note	2008 $	2007 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,331,441	1,036,861
Payments to suppliers and employees		(1,133,056)	(628,911)
Interest received		38,058	27,087
Borrowing costs paid		-	(410)
Income Tax Paid		(156,936)	(75,190)
Net cash provided by/(used in) operating activities	14(a)	**79,507**	**359,437**
Cash flows from investing activities			
Payments for plant and equipment		(48,052)	(9,434)
Payments for franchise fee		-	(50,000)
Net cash provided by/(used in) investing activities		**(48,052)**	**(59,434)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(6,895)	(7,064)
Dividends paid		(72,536)	(56,565)
Net cash provided by/(used) in financing activities		**(79,431)**	**(63,629)**
Net increase/(decrease) in cash held		(47,976)	236,374
Cash held at the beginning of the financial year		662,962	426,588
Cash held at the end of the financial year	5	**614,986**	**662,962**

The accompanying notes form part of these financial statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting 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 public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

(a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(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.

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.

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.

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:

Class of Fixed Asset	*Depreciation Rate*
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 Company are classified as finance leases.

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

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables

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

iii. Held-to-maturity investments

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

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities

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

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

The Company does not hold any derivative instruments.

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 un securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

(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 initial 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 and other income

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.

(n) 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 Company.

Key estimates — Impairment

The Company 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 2008. 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 2008 amounting to $37,042.

(o) Authorisation for financial report

The financial report was authorised for issue on 30 September 2008 by the Board of Directors.

	2008 $	2007 $
2. REVENUE		
Franchise margin income	1,363,317	1,057,209
Interest revenue	38,058	27,087
Sundry income	3,731	-
	1,405,106	**1,084,296**
3. EXPENSES		
Advertising and marketing	107,377	23,041
ATM leasing and running costs	14,934	12,343
Bad Debts	1,226	1,521
Freight and postage	19,392	19,176
Insurance	13,735	12,098
IT leasing and running costs	31,980	25,168
Occupancy running costs	27,704	26,255
Printing and stationery	36,759	25,251
Rental on operating lease	61,529	39,164
Other operating expenses	149,557	100,283
	464,193	**284,300**
Remuneration of the auditors of the Company		
Audit services	7,100	4,465
Other Services	12,850	5,105
	19,950	**9,570**

	2008 $	2007 $
4. INCOME TAX EXPENSE		
a. The components of tax expense comprise:		
Current tax	77,279	118,215
Sundry income	(1,761)	375
Deferred tax (Note 22)	**75,518**	**118,590**
b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on profit before income tax at 30% (2007: 30%)	72,569	117,054
Add:		
Tax effect of:		
• non-deductible depreciation and amortisation	6,250	2,638
• other non-allowable items	2,338	-
Less:		
Tax effect of:		
• other allowable items	(5,639)	(1,102)
Income tax attributable to the Company	**75,518**	**118,590**

	2008 $	2007 $
5. CASH & CASH EQUIVALENTS		
Cash at bank and in hand	622,025	662,962
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	622,025	662,962
Community EFTPOS Trust Account	(7,039)	-
	614,986	**662,962**

	2008	2007
	$	$
6. TRADE AND OTHER RECEIVABLES		
Trade debtors	135,256	102,963

	2008	2007
7. OTHER ASSETS		
Prepayment	4,207	4,343
Income tax credit (Note 22)	17,586	-
	21,793	**4,343**
Non current	3,500	-

	2008	2007
8. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
Cost	254,480	206,428
Accumulated depreciation	(179,439)	(162,034)
	75,041	**44,394**
Movement in carrying amount		
Balance at the beginning of the year	44,394	65,923
Additions	48,052	9,434
Depreciation expense	(17,405)	(30,963)
Carrying amount at the end of the year	**75,041**	**44,394**

	2008 $	2007 $
9. INTANGIBLE ASSETS		
Franchise fee		
Cost	100,000	100,000
Accumulated amortisation	(62,958)	(52,958)
	37,042	**47,042**

Pursuant to a five year franchise agreement with Bendigo Bank, the Company operates a branch of Bendigo Bank, providing a core range of banking products and services.

	2008 $	2007 $
10. TRADE & OTHER PAYABLES		
Trade creditors and accruals	33,426	40,875
GST payable	31,467	27,141
Dividend payable	79,191	4,651
	144,084	**72,667**

	2008 $	2007 $
11. FINANCIAL LIABILITIES		
Community EFTPOS Trust Account	7,039	-
Finance lease	6,198	6,911
	13,237	**6,911**
Non current		
Finance lease	13,688	19,871

Security: The finance lease is secured by a floating charge over the Company's assets.

	2008 $	2007 $
12. PROVISIONS		
Current		
Provision for employee entitlements	30,396	24,526
Number of employees at year end	8	8
13. EQUITY		
565,670 (2007: 565,650) fully paid ordinary shares	565,700	565,650
Cost of raising equity	(6,115)	(6,115)
	559,585	**559,535**
14. CASH FLOW INFORMATION		
a. Reconciliation of cash flow from operations with profit after tax		
Profit after tax	166,380	271,591
Depreciation and amortisation	27,405	39,754
Movement in assets and liabilities		
Receivables	(32,293)	(20,347)
Other assets	(20,950)	(2,821)
Deferred tax asset	(1,761)	374
Payables	(53,404)	72,133
Provisions	(5,870)	(1,247)
Net cash provided by (used in) operating Activities	**79,507**	**359,437**
b. Credit Standby Arrangement and Loan Facilities		

The Company does not operate a bank overdraft facility or have any loan facilities at present.

	2008	2007
	$	$

15. RELATED PARTY TRANSACTIONS

No significant related party transactions have occurred with the Company during the financial years ended 30 June 2008 and 30 June 2007 which have not been disclosed in the remuneration report.

16. LEASING COMMITMENTS

	2008 $	2007 $
(i) Leasing commitments for premises		
Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Bank Branch Mundaring		
Payable		
Not longer than 1 year	39,672	38,000
Longer than 1 year but not longer than 5 years	138,852	123,500
	178,524	**161,500**
Poynton House Midland		
Payable		
Not longer than 1 year	45,000	-
Longer than 1 year but not longer than 5 years	209,700	-
	254,700	**-**
(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**

	2008 $	2007 $
17. DIVIDENDS		
(i) Distributions paid		
Fully franked ordinary dividend was paid 15 December 2007 of 12 (2007: 10) cents per share	67,878	56,560
Fully franked ordinary dividend declared on 28 May 2008 of 14 (2007: 0) cents per share	79,198	-
	147,076	**56,560**

18. FINANCIAL INSTRUMENTS

a. Financial Risk Management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases.

The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2008.

b. Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

ii. Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

Iii. Liquidity risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

In regards to liquidity risk the Company currently maintains a substantial balance of cash funds in comparison to its commitments under a finance lease for a motor vehicle ($6,911 p.a.) and two operating leases for premises in Mundaring ($39,672 p.a.) and Midland ($45,000 p.a.). The Midland lease commenced in February of 2008 and the other two leases were in place in 2007 and earlier. The Directors therefore consider the liquidity risk in this context to be negligible.

18. FINANCIAL INSTRUMENTS (CONT)

iv. 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 impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2008.

In regards to credit risk the Company has a receivable at the end of each month, including at the end of each accounting period, being fees and commissions due to it under its franchise agreement, from Bendigo and Adelaide Bank Ltd. This amount, now in the order of $110,000, is due and receivable, and is regularly received, in the third week following month end. The risk of this not being paid is considered by the Directors of the Company to be low. The franchise arrangement has been in place for six and a half years and to date there has not been any undue delay in receiving monthly payments from the Franchisor.

Credit risk is managed reviewed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions.

The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2008 and 30 June 2007 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

v. Market risk

The market risks that are relevant to the business of the Company are two in number. The Company earned $38,000 interest on its cash funds during the last year. The Directors believe that there is reasonable likelihood of interest rate variation of minus or plus 0.50% over the next year which would affect income by about $1,900 which, however, would not be critical

The primary income source is fee and commission income from the conduct of banking business. This has been growing strongly each year since the franchise commenced operating in February, 2002. The franchise total portfolio of bank business, deposits and loans, has reached $110 million and is still trending upwards but, in a period of more general credit and bank business uncertainty, the future of the franchise bank business growth is less predictable.

If the portfolio of business were to decline by 10%, a possible but unlikely scenario, the annual income of the Company would decrease by approximately $130,000 which would diminish but not entirely eliminate profits.

vi. Capital management

The Company has a policy of capital management which is to maintain, as much as possible, the value of the original $565,700 invested by shareholders in 2002 by secure investment, and other practices, and this is currently being achieved in the form of cash reserves. Surplus funds are applied to expand the bank business of the Company. A primary purpose of the Company is to maintain, improve and expand the provision of banking services in Mundaring and the surrounding region.

18. FINANCIAL INSTRUMENTS (CONT)

The Directors develop and implement Board policies and procedures to assess and minimise the risk of events that may disadvantage the business of the Company and diminish the value of its assets.

The business of the Company is dependent upon the continuation of the franchise agreement with Bendigo and Adelaide Bank Ltd and the Bank's honouring of that agreement which is not in doubt by the directors of the Company.

The franchise has another three and half years to run of its current (the second) five years period and renewal for another five years is automatic if all covenants have been complied with.

The Directors have a concern that the value of its successfully developed profitable business has not yet been recognised in the price of its shares since they were issued in 2002 for $1 each. To address this, an independent valuation of its shares, as at 30 June 2008, is being obtained and will be disclosed on its ASIC-authorised Low Volume Market website for the information of sellers and buyers of the Company shares.

vii. Price risk

The company is not exposed to any material commodity price risk.

c. Financial Instrument Composition and Maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

2008						
		Variable	Fixed			
	Weighted Average Effective Interest Rate	**Floating Interest Rate**	**Within 1 Year**	**Within 1 to 5 Years**	**Non Interest Bearing**	**Total**
Financial Assets						
Cash and cash equivalents	4.82%	621,760	-	-	265	622,025
Loans and receivables		-	-	-	135,256	135,256
Total Financial Assets		**621,760**	**-**	**-**	**135,521**	**757,281**
Financial Liability						
Bank overdraft secured		7,039	-	-	-	7,039
Trade and other payables		-	-	-	64,893	64,893
Lease liabilities	8.04%	-	6,198	13,688	-	19,886
Total Financial Liabilities		**7,039**	**6,198**	**13,688**	**64,893**	**91,818**

2007						
		Variable	Fixed			
	Weighted Average Effective Interest Rate	Floating Interest Rate	Within 1 Year	Within 1 to 5 Years	Non Interest Bearing	Total
Financial Assets						
Cash and cash equivalents	4.25%	662,872	-	-	89	662,961
Loans and receivables		-	-	-	102,963	102,963
Total Financial Assets		**662,872**	**-**	**-**	**103,052**	**765,924**
Financial Liability						
Trade and other payables		-	-	-	68,016	68,016
Lease liabilities	8.04%	-	6,911	19,871	-	26,782
Total Financial Liabilities		**6,911**	**19,871**	**68,016**	**94,798**	**91,818**
					2007	**2008**
					$	**$**
Trade and sundry payables are expected to be paid as followed:						
Less than 6 months					**64,893**	**68,016**

d. Net Fair Values

The net fair values of investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the Company intends to hold these assets to maturity.

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

Fair values are materially in line with carrying values.

e. Sensitivity Analysis

i. Interest Rate Risk

The Company has performed a sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

ii. Interest Rate Sensitivity Analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

2008					
		-2 %		+ 2%	
	Carrying Amount	**Profit $**	**Equity $**	**Profit $**	**Equity $**
Financial Assets					
Cash and cash equivalents	621,760	(12,435)	(12,435)	12,435	12,43
2007					
		-2 %		+ 2%	
	Carrying Amount	**Profit $**	**Equity $**	**Profit $**	**Equity $**
Financial Assets					
Cash and cash equivalents	662,872	(13,257)	(13,257)	13,257	13,257

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged. The Company has no exposure to fluctuations in foreign currency.

19. SEGMENT REPORTING

The Company operates in the financial services sector as a branch of Bendigo Bank in Western Australia.

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 AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets at the reporting date.

	2008 $	2007 $
22. TAX		
a. Liability		
Current		
Income tax	**-**	**62,070**
b. Assets		
Income tax credit	**17,586**	**-**
Deferred tax assets comprise:		
Provisions	**9,118**	**7,357**
c. Reconciliations		
i. Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance	7,357	7,732
Charged(credit) to income statement	1,761	(375)
Closing balance	**9,118**	**7,357**
ii. Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
Opening balance	7,357	7,732
Charged/(credit) to the income statement	1,716	(375)
Closing balance	**9,118**	**7,357**

23. KEY MANAGEMENT PERSONNEL COMPENSATION

a. Names and positions

Name	**Position**
Phillip I'Dell	Chairman
Neil Cole	Non-Executive Director
Karen Treanor	Non-Executive Director
Frank Kamp	Non-Executive Director
Arthur Maddison	Non-Executive Director
Gerard Tonks	Company Secretary
Neridah Zlatnik	Non-Executive Director

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

23. KEY MANAGEMENT PERSONNEL COMPENSATION (cont)

b. Options provided as remuneration and shares issued on exercise of such options

No options were provided as remuneration or shares issued on exercise of options

c. Option holdings

No options over ordinary shares in the Company are held by any Director of the Company or other key management personnel, including their personally related parties.

d. Shareholdings

Number of ordinary shares held by key management personnel				
		2008		
Directors	Balance at beginning of period	Purchased during the period	Other changes	Balance at end of period
Phillip I'Dell	1,000	-	-	1,000
Neil Cole	300	-	-	300
Karen Treanor	3,200	-	-	3,200
Frank Kamp	1,000	-	-	1,000
Arthur Maddison	10,000	-	-	10,000
Gerard Tonks	1,500	-	-	1,500
Neridah Zlatnik	-	-	-	-
	17,000	**-**	**-**	**17,000**

24. 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 2007–3 Amendments to Australian Accounting Standards	AASB 5 Non-current Assets Held for Sale and Discontinued Operations	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report	1.1.2009	1.7.2009
	AASB 6 Exploration for and Evaluation of Mineral			
	AASB 102 Inventories			
	AASB 107 Cash Flow Statements			
	AASB 119 Employee Benefits			
	AASB 127 Consolidated and Separate Financial Statements			
	AASB 134 Interim Financial Reporting			
	AASB 136 Impairment of Assets			
	AASB 1023 General Insurance Contracts			
	AASB 1038 Life Insurance Contracts			
AASB 8 Operating Segments	AASB 114 Segment Reporting	As above	1.1.2009	1.7.2009
AASB 2007–6 Amendments to Australian Accounting Standards	AASB 1 First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
	AASB 101 Presentation of Financial Statements			
	AASB 107 Cash Flow Statements			
	AASB 111 Construction Contracts			
	AASB 116 Property, Plant and Equipment			
	AASB 138 Intangible Assets			
AASB 123 Borrowing Costs	AASB 123 Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007–8 Amendments to Australian Accounting Standards	AASB 101 Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101 Presentation of Financial Statements	As above	1.1.2009	1.7.2009