

Gosnells Community Bank Branch



Bendigo Bank



2007 annual report



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Chairman's report

For year ending 30 June 2007

Report to shareholders November 2007

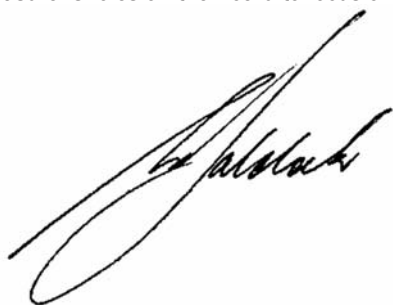
The completion of another year has seen Gosnells Financial Services Limited consolidate its position financially and its support for community initiatives in the Gosnells and surrounding areas.

Your Board during 2007 has continued to investigate opportunities to expand its operations. Feasibility studies to evaluate the potential of ATM's, lending offices or sub-branches in Canning Vale, Thornlie and South Lakes have been considered. This has been in conjunction with Bendigo Bank Limited providing expertise and assistance. Their continued assistance and guidance has resulted in yet another profitable result for your Company during the year. The proposed merger between Adelaide Bank Limited and Bendigo Bank Limited will further strengthen the ability to serve the community needs.

There can be no more enjoyable activity than to assist the youth and some special needs groups in our area to achieve a project or development. Your Board has been able to support many projects throughout the year. I believe that your Bank has continued to provide greater value to the community than is evidenced in the attached financial statements. This is why you all supported the establishment of your **Community Bank®** initially through the commitment of our share capital. It is also pleasing to confirm your Board has resolved to declare an unfranked dividend payment of 7.5 cents per share to shareholders based on the 2007 financial results.

The growth in your **Community Bank®** branch's business is a direct result of the work and commitment Michelle and her team have undertaken. They make banking a pleasant experience which I'm sure is our point of difference. Not everyone is willing to use or take advantage of our service; however I encourage you to allow Michelle and her team to provide the opportunity of an alternative solution for your financial arrangements.

It has been a privilege to serve the Gosnells community since the early steering committee days and subsequent establishment of Gosnells Financial Services Limited. I will now be standing down from the Chairman's and Treasurer's roles on the Board to focus on my business opportunities.



Stuart Baldock

Chairman

Manager's report

For year ending 30 June 2007

I am pleased to report that over the past year our business has continued to grow with a total business portfolio as at 30 June 2007 of \$ 61.8 million with a total of 7363 accounts held.

This is split between deposits of \$43.5 million and lending of \$18.3 million.

As at June 2006 our total business portfolio was \$53.1 million with a total of 7073 accounts held.

In summary, our business has grown by \$8.7 million.

I would like to acknowledge and thank my wonderful staff members Julie Collova, Louise Stevens, Anne Doherty, Sharon Saunders, Michelle Aitkins, Sariah Wilkinson, Courtney Nichols and Patricia Albadran for their ongoing commitment and support during the year.

I also thank the Board of Directors for their support and guidance together with our business partners within Bendigo Bank.

Our branch continues to be actively involved in community events and sponsorships alike.

Some of these are as follows:

- Major sponsor of the Gosnells City Business & Tourism Association
- Member of Local Chamber of Commerce
- Maddington Kindergarten
- Southern River College
- PCYC in Maddington
- Gosnells Primary School
- Gosnells Little Athletics
- Gosnells Bowling Club

The Gosnells **Community Bank®** Branch takes much pride in supporting our community. It is an overwhelming feeling to know that we (as a bank branch) have helped an individual or an association achieve their goals. That's what it's all about - to see a little athletics team in their club uniforms with sponsored by Gosnells **Community Bank®** Branch on the back of their t-shirts and the grins on their faces. You can't ask for much more than that.

Our branch is continually looking at ways to increase business and grow an awareness of the branch within the community. Business expansion is not out of the question and we continue to plan for our future. Ideas continue to flow at our Board meetings, like placing ATM's in areas where the branch is not represented. A possible lending office or second branch are also under consideration.

Manager's report continued

It is imperative that we continue to grow our business within our community and also to look outside the square for further opportunities.

Finally, I would like to thank all our shareholders and customers for their continuing support and for promoting their **Community Bank®** branch with pride and confidence, which ultimately benefits the community as a whole.

A handwritten signature in black ink, appearing to read 'Michelle Lennox', with a stylized, cursive script.

Michelle Lennox

Branch Manager

A message from Bendigo Bank

As we approach the 10th anniversary of the **Community Bank®** network it is timely to reflect on what has been achieved. The opening of the first **Community Bank®** branches in Victoria's Wimmera in 1998 changed the Australian banking landscape – how significant this change has been is only now starting to become obvious.

Today, the **Community Bank®** brand is represented in every State and Territory of Australia, with the final frontier, the Northern Territory, falling with the opening of Coolalinga **Community Bank®** Branch in September 2006. Nine months later we were celebrating the opening of our 200th **Community Bank®** branch in the Victorian seaside community of Dromana.

When you take the time to list them, the official statistics are impressive:

- \$10 billion in combined banking business
- \$10 million in grants to community groups and projects
- \$7 million in dividends paid to shareholders
- 1000 **Community Bank®** branch staff

But perhaps what has been most significant during 2007 have been merger talks. Bendigo rejected a merger proposal from Bank of Queensland in April. Less than four months later, Bendigo Bank's board unanimously supported a merger proposal with Adelaide Bank. The merger will be voted on by Adelaide Bank shareholders in late-2007.

Under the merged group, our unique **Community Bank®** model will continue to grow and prosper, and new Company-owned and **Community Bank®** branches will continue to open.

The Bendigo Bank brand will be retained, customers' accounts will not change and the same friendly faces will be at your local branch to provide for your banking needs. As a **Community Bank®** shareholder, you will notice no changes – you remain a shareholder of your local community Company.

Nationally, the merger will increase Bendigo Bank's network, delivering our customers access to 24 branches in South Australia and 90 ATMs. Over time, new products and services will follow.

Bendigo Bank participates in the development of community banking with an enormous sense of pride. We are indeed fortunate to be your partner and look forward to celebrating 10 years of community banking in 2008.

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:

Stuart Brian Stanley Baldock

Position: Chairman
Occupation: Manager
Background Information: Business management, accountant, property development.
Interest in shares and options: 3,501 shares

Judith van der Linden

Position: Non-Executive Director
Occupation: Business administrator
Background Information: Member of Community projects for the regeneration of Maddington & Kenwick.
Interest in shares and options: Nil

Bill Walter

Position: Non-Executive Director
Occupation: Business Proprietor
Background Information: Diploma credit Manager. Resided locally for 29 years. Former president of Crestwood Home Owners Association. On the board of BEC Gosnells/Armadale and Member of Business and Tourism.
Interest in shares and options: Nil

Angela Yates

Position: Non-Executive Director
Occupation: Business Proprietor
Background Information: Printing business Maddington
Interest in shares and options: Nil

Michelle Lennox (Appointed 20 September 2006)

Position: Non-Executive Director
Occupation: Bank Manager
Background Information: Manager of Bendigo Bank, Gosnells.
Interest in shares and options: Nil

Tim Grace (Appointed 14 March 2007)

Position: Non-Executive Director
Occupation: Urban designer
Background Information: M.U.R.P (Urban Design), BSc (Architecture) Urban designer Design Centre of WA (present), City of Gosnells(2005/6) and Sutherland Shire Council (2003 – 2005).
Interest in shares and options: Nil

Directors' report continued

Rod Simeons (Appointed 13 June 2007)

Position: Non-Executive Director
Occupation: Education
Background Information: Master of Education. School principal 1997-2007 (Presently Gosnells Primary School). Member Central Office Utilities Management Group and District Management Committee.
Interest in shares and options: Nil

Lily Bahnam (Resigned 28 February 2007)

Position: Non-Executive Director
Occupation: Business Proprietor
Background Information: Bachelor in Business Administration, Masters in Industrial Relations WA. Small business owner in Gosnells for 16 years.
Interest in shares and options: 5,033 shares

Graeme Watson (Resigned 13 June 2007)

Position: Non-Executive Director
Occupation: Real Estate Agent
Background Information: Licensee & Manager of Ray White Real Estate in Gosnells.
Interest in shares and options: 1,001 shares

Vibeke Anhstrom (Resigned 11 October 2006)

Position: Non-Executive Director
Occupation: Business Proprietor
Background Information: Tools, Hire and Curtain Business Gosnells 16 year, and Justice of the Peace.
Interest in shares and options: Nil

Susan Knight (Appointed 20 September 2006, Resigned 13 June 2007)

Position: Non-Executive Director
Occupation: Project Officer
Background Information: Bachelor of Arts, Diploma of Professional Counselling. Project officer for Sustainable Communities Partnerships, various volunteer positions with community organisations.
Interest in shares and options: Nil

Company Secretary

Judith van der Linden

Directors' report continued

Directors meetings attended

Names of Directors	Directors' Meetings	
	Number eligible to attend	Number attended
Stuart Baldock	11	10
Judith van der Linden	11	11
Lily Bahnam	7	6
Bill Walter	11	10
Angela Yates	11	11
Graeme Watson	11	7
Susan Knight	9	7
Michelle Lennox	9	8
Vibeke Ahnstrom	4	1
Tim Grace	4	2
Rod Simeons	1	1

Principal activity and review of operations

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

Operating results

The profit of the Company after providing for income tax amounted to \$152,540.

Dividends paid or recommended

The Company paid or declared for payment dividends of \$26,220 during the year.

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.

Directors' report continued

Remuneration report

This report details the nature and amount of remuneration for each Director of the Company, and for the Executives receiving the highest remuneration.

Remuneration of Directors

Other than Michelle Lennox (appointed 20 September 2006) (refer below for details of remuneration), no income was paid or was payable or otherwise made available, to the Directors of the Company during the years ended 30 June 2007 and 30 June 2006.

Remuneration policy

The remuneration policy of the Company has been designed to align Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Executives to run and manage the Company, as well as create goal congruence between Executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for senior Executives of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the senior Executives, was developed by the Board.
- All Executives receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews Executive packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

The performance of Executives is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The Executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Executives is valued at the cost to the Company and expensed.

Performance-based remuneration

As part of each Executive's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between Executives with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with Executives to ensure buy-in. The measures are specifically tailored to the areas each Executive is involved in

Directors' report continued

and has a level of control over. The KPIs target areas the board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year.

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

Company performance, shareholder wealth and Executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on key performance indicators. The Company believes this policy to have been effective in increasing shareholder wealth over the past 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 of the individual concerned, and 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.

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Directors' report continued

Details of remuneration for year ended 30 June 2007

The remuneration for each Executive officer of the Company receiving the highest remuneration during the year was as follows:

	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
Michelle Lennox	76,846	6,916	-	-	83,762	-
	76,846	6,916	-	-	83,762	-

Details of remuneration for year ended 30 June 2006

The remuneration for each Executive officer of the Company receiving the highest remuneration during the year was as follows:

	Salary, Fees and Commissions	Superannuation Contribution	Cash Bonus	Non-cash Benefits	Total	Performance related
	\$	\$	\$	\$	\$	%
Michelle Lennox	80,096	6,309	-	-	86,405	-
	80,096	6,309	-	-	86,405	-

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.

Directors' report continued

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.

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 2007:

Taxation services:	\$3,610
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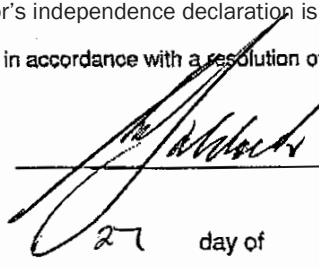
Auditor's Independence Declaration

A copy of the Auditor's independence declaration is included within the financial statements.

This report is signed in accordance with a resolution of the Board of Directors.

Director

Dated this


27 day of September 2007

Financial statements

Income statement

For year ending 30 June 2007

	Note	2007 \$	2006 \$
Revenue	2	863,163	663,088
Employee benefits expense		(321,838)	(321,344)
Depreciation and amortisation expense		(31,263)	(47,153)
Finance costs		-	(5,852)
Other expenses	3	(289,373)	(224,269)
Profit before income tax		220,689	64,470
Income tax expense	4	(68,149)	(18,979)
Profit attributable to members		152,540	45,491
Overall operations			
Basic earnings per share (cents per share)		25.76	7.68
Diluted earnings per share (cents per share)		25.76	7.68

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet

As at 30 June 2007

	Note	2007 \$	2006 \$
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS	5	251,656	89,953
TRADE AND OTHER RECEIVABLES	6	82,557	60,903
OTHER CURRENT ASSETS	7	679	8,223
TOTAL CURRENT ASSETS		334,892	159,079
NON-CURRENT ASSETS			
PROPERTY, PLANT AND EQUIPMENT	8	21,663	35,802
INTANGIBLE ASSETS	9	46,822	4,167
DEFERRED TAX ASSET	20	47,604	115,754
TOTAL NON-CURRENT ASSETS		116,089	155,723
TOTAL ASSETS		450,981	314,802
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	10	41,366	39,959
SHORT-TERM PROVISIONS	11	20,740	12,288
TOTAL CURRENT LIABILITIES		62,106	52,247
TOTAL LIABILITIES		62,106	52,247
NET ASSETS		388,875	262,555
EQUITY			
ISSUED CAPITAL	12	588,400	588,400
ACCUMULATED LOSSES		(199,525)	(325,845)
TOTAL EQUITY		388,875	262,555

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity

As at 30 June 2007

	Share Capital (Ordinary shares) \$	Accumulated losses \$	2006 \$
Balance at 1 July 2005	588,400	(506,068)	82,332
Profit attributable to the members of the Company	-	45,491	45,491
	-	134,732	134,732
Balance at 30 June 2006	588,400	(325,845)	262,555
Balance at 1 July 2006	588,400	(325,845)	262,555
Profit attributable to the members of the Company	-	152,540	152,540
Dividends paid or provided	-	(26,220)	(26,220)
Balance at 30 June 2007	588,400	(199,525)	388,875

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows

As at 30 June 2007

	Note	2007 \$	2006 \$
Cash flows from operating activities			
Receipts from customers		844,077	657,033
Payments to suppliers and employees		(599,086)	(543,132)
Interest received		2,714	594
Borrowing costs paid		-	(5,852)
Net cash provided by operating activities	13(a)	247,703	108,643
Cash flows from investing activities			
Payments for plant and equipment		(9,779)	(7,408)
Franchise renewal		(50,000)	-
Net cash used in investing activities		(59,779)	(7,408)
Cash flows from financing activities			
Dividends paid		(26,221)	-
Net cash used in financing activities		(26,221)	-
Net increase in cash held		161,703	101,235
Cash held at the beginning of the financial year		89,953	(11,382)
Cash held at the end of the financial year	5	251,656	89,953

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2007

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 Gosnells Financial Services Limited as an individual entity. Gosnells Financial Services Limited is a listed public Company, incorporated and domiciled in Australia.

The financial report 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 consistently 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.

Notes to financial statements continued

1. Statement of significant accounting policies (continued)

(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:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
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.

Notes to financial statements continued

1. Statement of significant accounting policies (continued)

(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 below.

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.

Notes to financial statements continued

1. Statement of significant accounting policies (continued)

(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 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).

Notes to financial statements continued

1. Statement of significant accounting policies (continued)

(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 \$46,822.

The financial report was authorised for issue on 27 September 2007 by the board of Directors

Notes to financial statements continued

	2007	2006
	\$	\$

2. Revenue

Franchise margin income	851,008	657,821
Sundry income	3,078	4,673
Interest revenue from:		
Other parties	9,077	594
	863,163	663,088

3. Expenses

Advertising and marketing	3,736	10,892
Community sponsorship and donations	13,269	6,658
Occupancy running costs	29,961	27,772
Office supplies	118,067	101,811
Rental on operating lease	55,721	46,204
Other operating expenses	68,619	30,932
	289,373	224,269
Remuneration of the Auditors of the Company		
Audit services	3,590	3,000
Other Services	4,090	3,116
	7,680	6,116

Notes to financial statements continued

	2007	2006
	\$	\$

4. Income tax expense

No income tax is payable by the Company as it has recouped tax losses previously brought to account for income tax purposes.

a. The components of tax expense comprise:

Current tax		
Deferred tax (Note 20)	(2,490)	(2,734)
Recoupment of prior year tax losses	70,631	21,713
	68,141	18,979

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%)	66,207	19,341
--	--------	--------

Add:

Tax effect of:

- non-deductible depreciation and amortisation	2,204	3,000
--	-------	-------

Less:

Tax effect of:

- other allowable items	(270)	(628)
- recoupment of prior year tax losses not previously brought to account	-	(21,713)

Income tax attributable to entity	68,141	-
--	---------------	----------

At balance date, the Company had tax losses of \$137,967 (2006: \$373,404) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is \$41,390 (2006: \$112,021). This benefit has been recognised as an asset in the statement of financial position as there is a high probability of its realisation. It was not brought to account in previous years. The benefits will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- the Company continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the Company in realising the benefit from the deductions for the losses.

Notes to financial statements continued

	2007	2006
	\$	\$

5. Cash and cash equivalents

Cash at bank and in hand	71,656	89,953
Short-term bank deposits	180,000	-
	251,656	89,953

6. Trade and other receivables

Trade debtors	82,557	60,903
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7. Other assets

Current

Prepayments	679	8,223
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8. Property, plant and equipment

Plant and Equipment

Cost	200,484	190,705
Accumulated depreciation	(178,821)	(154,903)
	21,663	35,802

Movement in carrying amount

Balance at the beginning of the year	35,802	65,547
Additions	9,779	7,408
Depreciation expense	(23,918)	(37,153)
Carrying amount at the end of the year	21,663	35,802
Additions	1,884	150,843
Depreciation expense	(35,303)	(30,018)
Carrying amount at the end of the year	118,842	152,261

Notes to financial statements continued

	2007	2006
	\$	\$

9. Intangible assets

Franchise fee

Cost	100,000	50,000
Accumulated amortisation	(53,178)	(45,833)
	46,822	4,167

Pursuant to a five year franchise agreement with Bendigo Bank, the Company operates a branch of Bendigo Bank at Gosnells, trading as "Gosnells Branch – Bendigo Bank", providing a core range of banking products and services. The Company renewed the franchise agreement at a cost of \$50,000 in respect of the franchise fee.

10. Trade and other payables

Trade creditors and accruals	25,892	29,146
GST payable	15,474	10,813
	41,366	39,959

11. Provisions

Provision for employee entitlements	20,740	12,288
Number of employees at year end	8	8

12. Equity

592,180 (2006: 592,180) fully paid ordinary shares	592,180	592,180
Cost of raising equity	(3,780)	(3,780)
	588,400	588,400

Notes to financial statements continued

	2007	2006
	\$	\$

13. Cash flow information

a. Reconciliation of cash flow from operations with profit after tax

Profit after tax	152,540	45,491
Depreciation and amortisation	31,263	47,153
Movement in assets and liabilities		
Receivables	(21,654)	(5,460)
Other assets	7,544	12,600
Payables	1,408	(7,560)
Deferred tax asset	68,150	18,979
Provisions	8,452	(2,560)
Net cash provided by/(used in) operating Activities	247,703	108,643

b. Credit Standby Arrangement and Loan Facilities

The Company has a bank overdraft facility amounting to \$20,000 (2006: \$80,000). This may be terminated at any time at the option of the bank. At 30 June 2007, none of this facility was used (2006 \$nil). Interest rates are variable.

14. Related party transactions

The related parties have not entered into a transaction with the Company during the financial years ended 30 June 2007 and 30 June 2006.

15. Leasing commitments

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

Payable

Not longer than 1 year	57,328	8,543
Longer than 1 year but not longer than 5 years	181,539	-
	238,867	8,543

Notes to financial statements continued

	2007	2006
	\$	\$

16. Financial instruments

a. Interest rate risk

2007

	Rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non- interest	Total
Financial Assets						
Cash and cash equivalents	6.10%	71,506	180,000	-	150	251,656
Receivables		-	-	-	82,557	82,557
Total Financial Assets		71,506	180,000		82,707	334,213
Financial Liabilities						
Payables	-	-	-	-	(41,366)	(41,366)
Total Financial Liabilities		-	-	-	(43,366)	(41,366)

2006

	Rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non- interest	Total
Financial Assets						
Cash and cash equivalents	6.00%	89,803	-	-	150	89,953
Receivables	-	-	-	-	60,903	60,903
Total Financial Assets		89,803	-	-	61,053	150,856
Financial Liabilities						
Payables	-	-	-	-	(39,959)	(39,959)
Total Financial Liabilities		-	-	-	(39,959)	(39,959)

(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.

Notes to financial statements continued

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.

17. Segment reporting

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

18. 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.

19. Contingent liabilities

There were no contingent liabilities at the reporting date.

	2007	2006
	\$	\$

20. Tax

a. Assets

Deferred tax assets comprise:

Provisions	6,222	3,733
Other	41,390	112,021
	47,612	115,754

b. Reconciliations

Gross Movements

The overall movement in the deferred tax account is as follows:

Opening balance	115,754	-
Credit to income statement	(68,142)	(18,980)
Charge to equity	-	134,734
Closing balance	47,612	115,754

Deferred Tax Assets

The movement in deferred tax assets for each temporary difference during the year is as follows:

Provisions		
Opening balance	3,733	1,000
Charged to the income statement	2,489	2,733
Closing balance	6,222	3,733

Notes to financial statements continued

	2007 \$	2006 \$
20. Tax (continued)		
Other		
Opening balance	112,021	-
Credited to the income statement	(70,631)	(21,713)
Charge to equity	-	133,734
Closing balance	41,390	112,021

21. 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 1038: Life Insurance Contracts			
	AASB 139: Financial Instruments: Recognition and Measurement			
AASB 7: Financial Instruments: Disclosures	AASB 132: Financial Instruments: Disclosure and Presentation	As above	1 Jan 2007	1 July 2007

22. Company details

The registered office and principal place of business of the Company is:

2227 Albany Highway
Gosnells, WA 6110

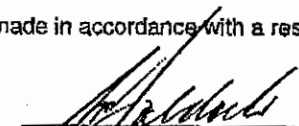
Directors' declaration

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standard and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the Company's financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company.
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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

27 day of September

2007

Independent audit report

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GOSNELLS FINANCIAL SERVICES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Gosnells 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.

We have also audited the remuneration disclosure contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in the directors' report and not in the financial report.

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.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

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. Our responsibility is to also express an opinion on the remuneration declarations contained in the directors' report based on our audit.

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 and the remuneration disclosures contained in the directors' report.

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¹Liability limited by a scheme approved under Professional Standards Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

Independent audit report continued

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.

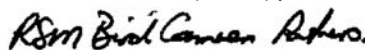
Auditor's Opinion on the Financial Reports

In our opinion:

- a. the financial report of Gosnells 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.

Auditor's Opinion on the AASB 124 Remuneration Disclosures

In our opinion the remuneration disclosures that are contained in the directors' report comply with Accounting Standards AASB 124



RSM Bird Cameron Partners
Chartered Accountants



David Wall
Partner

Perth, Western Australia

Date: 27 September 2007

Auditor's independence declaration

RSM Bird Cameron Partners

Chartered Accountants

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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
GOSNELLS 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

Perth, Western Australia

Date: *27 September 2007*

David Wall

Partner

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BSX report

Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at (date).

- **Rule 3.17 (c) - Corporate governance statement**

The Board guides and monitors the business and affairs on behalf of the shareholders to whom they are accountable.

The Board recognises the importance of a strong corporate governance focus and methodology. The Board is currently working towards adopting policies and procedures that will govern our Company into the future. We believe that building policy framework will assist the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

The Board does have an Audit Committee.

- **Rule 3.17 (d) - Substantial Shareholders**

The names of the ten largest shareholders are as follows:

	Shareholders	Number of ordinary shares
1.	Mr Walter A King	20,000
2.	Mr Gabor M Nagy	13,000
3.	Mr Barry K Maberry	10,000
4.	Miels Pty Ltd	10,000
5.	Mr Donald Lill	10,000
6.	Ms Doreen A Calway	10,000
7.	Mr Leonard G Axford	10,000
8.	Mr Peter T Horn	10,000
9.	Mr Walter R Calway	10,000
10.	Mr William F Coote	10,000
11.	Mr Wayne G Holl	10,000
12.	Ms Marysia Gwilliam	10,000

- **Rule 3.17 (e) - Details of Voting rights**

Each shareholder has one vote regardless of the number of shares held.

BSX report continued

• Rule 3.17 (g) - Distribution of shareholders

The distribution of shareholders is:

Share distribution schedule	Holders	Units held	% L/C
1 -1,000	378	177,502	29.97
1,001 - 5,000	91	262,678	44.36
5,001 - 10,000	13	119,000	20.10
10,001 - 100,000	2	33,000	5.57
100,001 and over	0	0	0.00
		592,180	100.00

• Rule 3.17 (h)

There are currently 184 parcels of less than 500 shares. These holdings total 27,937 shares.

• Rule 3.17 (i)

N/A – Refer to Rule 3.17 (d).

• Rule 3.17 (j) – Company Secretary

The Company Secretary of Gosnells Financial Services Limited is Susan Knight.

• Rule 3.17 (k) – Registered office and principal administrative office

Registered Office

2227 Albany Highway

Gosnells, WA 6110

Phone (08) 9490 4233

• Rule 3.17 (l) – Securities register

The Company Securities register is kept at:

2227 Albany Highway

Gosnells, WA 6110

Phone (08) 9490 4233

• Rule 3.17 (m)

Not applicable.

• Rule 3.17 (n)

Not applicable.

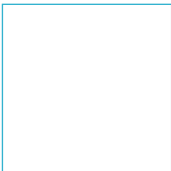
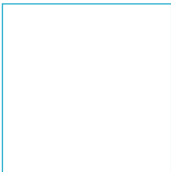
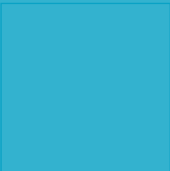
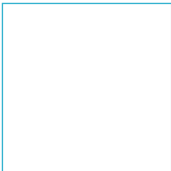
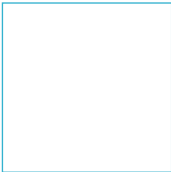
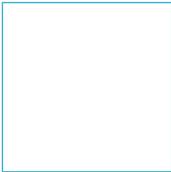
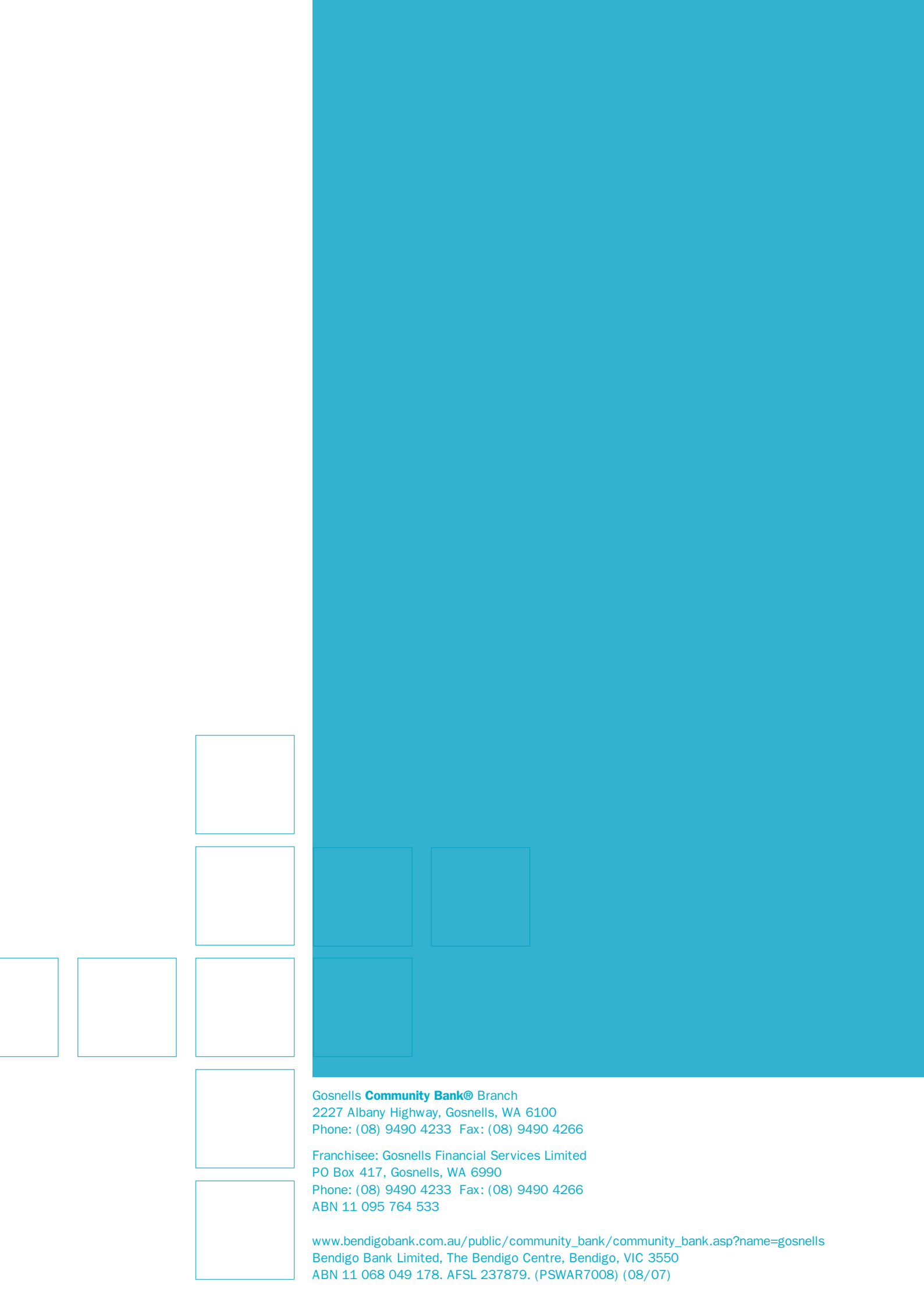
Monitoring of the Board's performance and communication to shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the Chairperson.

Directors whose performance is unsatisfactory are asked to retire.

The Board and Directors aim to ensure that shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

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Gosnells **Community Bank**® Branch
2227 Albany Highway, Gosnells, WA 6100
Phone: (08) 9490 4233 Fax: (08) 9490 4266

Franchisee: Gosnells Financial Services Limited
PO Box 417, Gosnells, WA 6990
Phone: (08) 9490 4233 Fax: (08) 9490 4266
ABN 11 095 764 533

www.bendigobank.com.au/public/community_bank/community_bank.asp?name=gosnells
Bendigo Bank Limited, The Bendigo Centre, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237879. (PSWAR7008) (08/07)