

**MANDURAH COMMUNITY
FINANCIAL SERVICES LIMITED
ABN 56 098 081 308
Financial Report for the year ended
30 June 2005**

C O N T E N T S

Directors' Report
Independent Audit Report
Directors' Declaration
Statement of Financial Performance
Statement of Financial Position
Statement of Cash Flows
Notes to the Financial Statements

This is annexure A of 25 pages referred to in Form 388: Copy of financial statements and reports

Director

Dated this day of 2005

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

Your directors present their report together with the financial report of the Company for the year ended 30 June 2005.

Directors

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

Allan Jeffrey Raynor

Date of Birth: 16 June 1947

Occupation: Company Director / Newsagent

Background information: Newsagent at Halls Head since 1999. Retired Area Manager Telecom Australia after 30 years service. Former Director Swan Districts Football Club.

Adam Hollyock ACA, FTIA, FTAA

Date of Birth: 26 March 1964

Occupation: Chartered Accountant

Background information: Proprietor of A.M. Hollyock & Associates (Chartered Accounting firm)

Antony Solin (appointed 3 May 2005)

Date of Birth: 3 September 1957

Occupation: Currently the CEO of the Peel Health Campus Foundation and senior management at the Peel Health Campus for five years. Previously the initial welfare manager at the Fremantle Dockers.

Background information: Dip Ed – Dip Fac Manag

David Waddell

Date of Birth: 24 November 1940

Occupation: Business Development Consultant

Background information: 15 years in top level administration at Curtin University. Awarded a Curtin Fellowship Award in 2002. Former Chairperson and board member for many organisations. Continues to contribute in a leadership role on committees for community development in the Peel region where he resides.

Karen McLennan (appointed 3 May 2005)

Date of Birth: 15 July 1973

Occupation: Health Promotion Officer – South Metropolitan Health Unit

Background information: Completed Bachelor of Arts – Social Sciences (Monash University). Former Management Committee member of Pat Thomas Memorial House and a current member of the Peel Health Campus Board of Advice.

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT (Cont.)

Directors (Cont.)

Karen Maureen Hadida

Date of Birth: 7 July 1964

Occupation: Home Duties

Background information: Former Project Secretary for development company. Former Personal Secretary for a national insurance company. Past President of Glencoe Primary School Parents and Citizens Association. City of Mandurah resident for 29 years.

Peter Drown

Date of Birth: 23 October 1940

Occupation: Retired

Background information: Former bank manager for Westpac Banking Corporation.

Christine Steer

Date of Birth: 18 October 1954

Occupation: Manager of Environmental Cultural Development at Peel Development Commission

Background information: Research Project Officer at Peel Development Commission for past 4 years, involved in Government Funded Organisations and represents Peel Development Commission in Environmental and Cultural Sector.

Ian Ilsley CPA

Date of Birth: 14 June 1961

Occupation: Certified Practising Accountant

Background information: Director of Ward and Ilsley Partners Pty Ltd, Certified Practising Accountants, Treasurer of Frederick Irwin Anglican School Parents & Friends Association for past 9 years, Treasurer of Mandurah Country Club for past 4 years and previously the Treasurer of Mandurah Peel Region Chamber of Commerce for 4 years.

Colin Frizzell (appointed 3rd May 2005)

Date of Birth: 8 August 1939

Occupation: State Manager – Ulster Carpets

Background information: Colin has over 30 years experience in sales and marketing in carpeting and textiles. Currently the State Manager of Ulster Carpets specialising in designing and specifying hospitality, gaming and casino carpets.

Edmund Howson (resigned 14 October 2004)

Brian Desmond McLean (resigned 16 November 2004)

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT (Cont.)

Meetings of Directors

During the financial year, 11 meetings of directors were held. Attendances by each Director during the year were:

	Directors' Meetings	
	Number eligible to attend	Number attended
Allan Jeffrey Raynor	11	10
Adam Hollyock	11	10
Brian Desmond McLean	5	5
David Waddell	11	11
Edmund Howson	4	2
Karen Maureen Hadida	11	11
Peter Drown	11	8
Christine Steer	11	10
Ian Ilsley	11	9
Antony Solin	2	2
Karen McLennan	2	2
Colin Frizzell	2	1

Remuneration Report

Remuneration of Directors

No income was paid or was payable or otherwise made available to the specified Directors of the Company during the years ended 30 June 2004 and 30 June 2005.

Options

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

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

Remuneration practices

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

It is current policy of the Company that Board members are not remunerated for the services performed.

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT (Cont.)

Operational and Financial Review

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

The amount of the profit from ordinary activities of the Company after income tax was \$91,661 for the year ended 30 June 2005. (2004: profit of \$22,194)

The Company will continue to pursue its main objective of providing a core of banking products and services pursuant to its franchise agreement with the Bendigo Bank.

Dividends

Dividends paid or declared for payment are as follows:

Final unfranked dividend for the year ended 30 June 2005	\$29,700
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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.

Events Subsequent to the end of the Financial Period

There are no matters or circumstances that have arisen since the end of the financial year, that have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

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. A directors' and officers' liability insurance policy for \$5,000,000 cover has been taken out for an annual premium cost of \$5,142.

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT (Cont.)

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 financial year.

Auditor's Independence Declaration

Our auditor, RSM Bird Cameron Partners, has provided the Board of Directors with an independence declaration in accordance with section 307C of the Corporations Act 2001. The independence declaration is included within the financial statements.

Signed in accordance with a resolution of directors

Director

Dated this day of 2005

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the Directors' declaration for Mandurah Community Financial Services Limited (the Company) for the year ended 30 June 2005.

The Directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:-

- ◆ examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- ◆ assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Company.

Independence

We are independent of the Company and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit Opinion

In our opinion, the financial report of Mandurah Community Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Mandurah Community Financial Services Limited at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 9 September 2005

JAMES KOMNINOS
Partner

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

DIRECTORS' DECLARATION

In the Director's opinion:

1. the financial statements and notes, as set out on pages 9 to 25, are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standards and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the financial position as at 30 June 2005 and of its' performance as represented by the results of the operations and the cash flows for the financial year ended on that date.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by S295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Director

Dated this day of 2005

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2005

	Note	2005 \$	2004 \$
Revenue from ordinary activities	2	653,023	490,271
Employee benefits expense		(305,400)	(249,198)
Depreciation and amortisation expense		(35,764)	(40,224)
Borrowing costs expense		-	(1)
Other expenses from ordinary activities	3	<u>(220,198)</u>	<u>(178,654)</u>
Profit / (loss) from ordinary activities before income tax expense		91,661	22,194
Income tax expense relating to ordinary activities	4	<u>-</u>	<u>-</u>
Profit / (loss) from ordinary activities after income tax expense attributable to members		91,661	22,194
Total revenue expenses and valuation adjustments attributable to members and recognised directly in equity		<u>-</u>	<u>-</u>
Total changes in equity other than those resulting from transactions with owners as owners		<u>91,661</u>	<u>22,194</u>
Basic earnings per share (cents)		15.4	3.7
Diluted earnings per share (cents)		15.4	3.7

The accompanying notes form part of these financial statements

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

	Note	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets	15(a)	264,842	110,286
Receivables	5	65,001	57,649
Other	6	16,177	9,926
TOTAL CURRENT ASSETS		<u>346,020</u>	<u>177,861</u>
NON CURRENT ASSETS			
Property, plant and equipment	7	59,248	72,082
Intangible assets	8	15,833	25,833
Other	6	3,500	9,500
TOTAL NON CURRENT ASSETS		<u>78,581</u>	<u>107,415</u>
TOTAL ASSETS		<u>424,601</u>	<u>285,276</u>
CURRENT LIABILITIES			
Payables	9	48,305	14,212
Provisions	10	61,536	22,024
TOTAL CURRENT LIABILITIES		<u>109,841</u>	<u>36,236</u>
NON CURRENT LIABILITIES			
Provisions	10	7,680	3,921
TOTAL NON CURRENT LIABILITIES		<u>7,680</u>	<u>3,921</u>
TOTAL LIABILITIES		<u>117,521</u>	<u>40,157</u>
NET ASSETS		<u>307,080</u>	<u>245,119</u>
CONTRIBUTED EQUITY			
Contributed equity	11	590,033	590,033
Accumulated losses	12	(282,953)	(344,914)
TOTAL EQUITY		<u>307,080</u>	<u>245,119</u>

The accompanying notes form part of these financial statements

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 June 2005

	Note	2005 \$	2004 \$
Cash flows from operating activities			
Receipts from customers		640,517	458,924
Payments to suppliers and employees		(448,485)	(420,560)
Interest received		5,154	2,464
		<hr/>	<hr/>
Net cash provided by operating activities	15(b)	197,186	40,827
		<hr/>	<hr/>
Cash flows from investing activities			
Payments for plant and equipment		(12,930)	(11,619)
		<hr/>	<hr/>
Net cash used in investing activities		(12,930)	(11,619)
		<hr/>	<hr/>
Cash flows from financing activities			
Dividends Paid		(29,700)	-
		<hr/>	<hr/>
Net cash used in financing activities		(29,700)	-
		<hr/>	<hr/>
Net increase / (decrease) in cash held		154,556	29,208
Cash held at the beginning of the financial year		110,286	81,078
		<hr/>	<hr/>
Cash held at the end of the financial year	15(a)	264,842	110,286
		<hr/>	<hr/>

The accompanying notes form part of these financial statements

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of preparation

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

Mandurah Community Financial Services Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

(b) Income tax

The Company adopts the liability method of tax effect accounting whereby the income tax expense shown in the statement of financial performance is based on the operating profit before income tax adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of operating profit before income tax and taxable income, are brought to account as either provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Company will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

(c) Property, plant and equipment

Property, plant and equipment are brought to account at cost, less, where applicable, any accumulated depreciation or amortisation.

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(c) Property, plant and equipment (Cont.)

The carrying amount of property, plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amount.

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated over their useful lives commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

<i>Class of fixed asset</i>	<i>Depreciation rate</i>
Plant and equipment	20%

(d) Intangible assets

The franchise fee paid by the Company pursuant to a Franchise Agreement with the Bendigo Bank (Note 8) is being amortised over the initial five (5) year period of the agreement, being the period of expected economic benefits of the franchise fee.

(e) Statement of cash flows

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of any outstanding bank overdraft.

(f) Revenue

Revenue from the provision of banking services is recognised upon the delivery of the services to customers.

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

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(g) Employee entitlements

Provision is made for the Company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the Company to the employee superannuation funds and are charged as expenses when incurred.

(h) 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 Tax 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 Statement of Financial Position are shown inclusive of GST.

(i) Comparative figures

Where required by Accounting Standards, comparative figures are adjusted to conform with changes in presentation in the current financial year.

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	2005	2004
	\$	\$
2. REVENUE FROM ORDINARY ACTIVITIES		
Operating activities		
Franchise margin income	647,754	486,757
Interest received	5,154	2,464
Other income	115	1,050
	<hr/>	<hr/>
	653,023	490,271
	<hr/>	<hr/>
3. OTHER EXPENSES FROM ORDINARY ACTIVITIES		
Rental expenses	60,476	59,220
IT leasing and running costs	27,284	29,715
Other operating expenses	132,438	89,719
	<hr/>	<hr/>
	220,198	178,654
	<hr/>	<hr/>
AUDITOR'S REMUNERATION		
Remuneration of the auditor of the Company		
- Audit services	3,500	2,750
- Other services	2,500	1,250
	<hr/>	<hr/>

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

4. INCOME TAX EXPENSE

No income tax is payable by the Company as it has carried forward tax losses from previous trading periods for income tax purposes.

	2005	2004
	\$	\$
(a) Reconciliation of income tax expense		
The prime facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax payable on profit from ordinary activities before income tax at 30%	27,498	6,658
Tax effect of :		
- Permanent differences	(556)	3,000
- Timing differences not brought to account	4,072	3,880
- Tax losses recouped not previously brought to account	<u>(31,014)</u>	<u>(13,538)</u>
Income tax expense	-	-
(b) Tax losses		
Balance at the beginning of the year	264,353	312,980
Tax losses incurred / (utilised) in the financial year	(103,379)	(36,694)
Tax loss not recognised in prior year	<u>5,855</u>	<u>(12,933)</u>
	<u>166,829</u>	<u>264,353</u>

At balance date, the Company had tax losses of \$166,829 (2004: \$264,353) which are available to offset future years' taxable income.

The future income tax benefit of these tax losses is \$50,049 (2004: \$79,306). This benefit has not been recognised as an asset in the statement of financial position as its realisation is not virtually certain. The benefits will only be obtained if:

- (a) 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;
- (b) 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.

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	2005	2004
	\$	\$
5. RECEIVABLES		
Trade debtors	<u>65,001</u>	<u>57,649</u>
	<u>65,001</u>	<u>57,649</u>
6. OTHER		
Current		
Prepayments	<u>16,177</u>	<u>9,926</u>
Non current		
Prepayments	<u>3,500</u>	<u>9,500</u>
7. PROPERTY, PLANT AND EQUIPMENT		
Furniture and fittings		
Cost	139,859	126,929
Accumulated depreciation	<u>(80,611)</u>	<u>(54,847)</u>
	<u>59,248</u>	<u>72,082</u>
<i>Movement in carrying amount</i>		
Balance at the beginning of the year	72,082	84,687
Additions	12,930	11,619
Depreciation expense	<u>(25,764)</u>	<u>(24,224)</u>
Carrying amount at the end of the year	<u>59,248</u>	<u>72,082</u>

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	2005	2004
	\$	\$
8. INTANGIBLE ASSETS		
Franchise fee		
Cost	50,000	50,000
Accumulated amortisation	<u>(34,167)</u>	<u>(24,167)</u>
	<u>15,833</u>	<u>25,833</u>
<p>Pursuant to a five year franchise agreement with the Bendigo Bank, the Company operates a branch of the Bendigo Bank at Halls Head, trading as “Mandurah Community Branch – Bendigo Bank”, providing a core range of banking products and services. The Company entered into the franchise agreement at a cost of \$50,000 that is being amortised on the basis disclosed in Note 1(d).</p>		
9. PAYABLES		
Trade creditors and accruals	28,495	9,656
GST and other tax payable	<u>19,810</u>	<u>4,556</u>
	<u>48,305</u>	<u>14,212</u>
10. PROVISIONS		
Current		
Provision for employee entitlements	31,836	22,024
Provision for dividend	<u>29,700</u>	<u>-</u>
	<u>61,536</u>	<u>22,024</u>
Non current		
Provision for employee entitlements	<u>7,680</u>	<u>3,921</u>
Number of employees at year end	8	7

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	2005	2004
	\$	\$
11. CONTRIBUTED EQUITY		
594,490 (2004: 594,490) fully paid ordinary shares	594,490	594,490
Cost of raising equity	<u>(4,457)</u>	<u>(4,457)</u>
	<u>590,033</u>	<u>590,033</u>
 Movement in share capital		
At the beginning of the reporting year	<u>594,490</u>	<u>594,490</u>
 12. ACCUMULATED LOSSES		
Balance at the beginning of the financial year	(344,914)	(367,108)
Profit / (loss) attributable to members of the Company	91,661	22,194
Unfranked Dividends Paid	<u>(29,700)</u>	<u>-</u>
Balance at the end of the financial year	<u>(282,953)</u>	<u>(344,914)</u>

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

13. DIRECTORS' AND EXECUTIVES' REMUNERATION

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

Specified Directors:

David Waddell	Chairman
Adam Hollyock	Non-Executive Director
Antony Solin	Non-Executive Director
Karen McLennan	Non-Executive Director
Allan Jeffrey Raynor	Non-Executive Director
Karen Maureen Hadida	Non-Executive Director
Peter Drown	Non-Executive Director
Christine Steer	Non-Executive Director
Ian Ilsley	Non-Executive Director
Colin Frizzel	Non-Executive Director

Specified Executive

No person met the definition of specified executive of the Company during the financial years ended 30 June 2004 and 30 June 2005.

- (b) Remuneration of Directors

No income was paid or was payable or otherwise made available, to the specified Directors of the Company during the years ended 30 June 2004 and 30 June 2005.

- (c) Options

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

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

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

13. DIRECTORS' AND EXECUTIVES' REMUNERATION (Cont.)

(d) Shareholdings

	Balance 1 July 2004	Received as remuneration	Options exercised	Net change Others *	Balance 30 June 2005
Specified Directors					
Allan Jeffrey Raynor	2,252	-	-	-	2,252
Adam Hollyock	1,000	-	-	(500)	500
David Waddell	2,500	-	-	-	2,500
Karen Maureen Hadida	101	-	-	-	101
Peter Drown	1,200	-	-	-	1,200
Christine Steer	1,000	-	-	-	1,000
Ian Ilsley	-	-	-	-	-
Antony Solin	-	-	-	-	-
Karen McLennan	-	-	-	-	-
Colin Frizzell	-	-	-	-	-
TOTAL	7,053	-	-	3,000	10,053

* Net change other refers to shares purchased or sold during the financial year

(e) Remuneration practices

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

It is current policy of the Company that Board members are not remunerated for the services performed.

14. RELATED PARTY TRANSACTION

The related parties have not entered into a transaction with the Company during the financial years ended 30 June 2004 and 30 June 2005 other than those disclosed in Note 13.

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

	2005	2004
	\$	\$
15. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash assets		
For the purpose of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash at bank	264,842	110,286
	<u>264,842</u>	<u>110,286</u>
(b) Reconciliation of net cash provided by operating activities to profit / (loss) from ordinary activities		
Profit / (loss) from ordinary activities	91,661	22,194
Depreciation and amortisation	35,764	34,224
Movement in assets and liabilities		
Receivables	15,256	(21,632)
Other assets	(7,603)	(1,245)
Payables	18,837	(2,215)
Provisions	43,271	9,501
	<u>197,186</u>	<u>40,827</u>
Net cash provided by / (used) in operating activities	<u>197,186</u>	<u>40,827</u>
16. LEASING COMMITMENT		
Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Payable		
- Not longer than 1 year	53,140	53,140
- Longer than 1 year but not longer than 5 years	39,086	92,226
	<u>92,226</u>	<u>145,366</u>

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

17. FINANCIAL INSTRUMENTS

(a) Interest rate risk

2005

	Rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non- interest	Total
Financial Assets						
Cash	4.07%	264,095	-	-	747	264,842
Receivables		-	-	-	65,001	65,001
		<u>264,095</u>	<u>-</u>	<u>-</u>	<u>65,748</u>	<u>329,843</u>
Financial Liabilities						
Payables		-	-	-	(48,305)	(48,305)
Provisions		-	-	-	(69,216)	(69,216)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(117,421)</u>	<u>(117,421)</u>
Net financial assets		264,095	-	-	(51,673)	212,422

2004

	Rates	Variable	Fixed 1 year	Fixed 1 to 5 years	Non-interest	Total
Financial Assets						
Cash	2.35%	109,144	-	-	1,142	110,286
Receivables		-	-	-	57,649	57,649
		<u>109,144</u>	<u>-</u>	<u>-</u>	<u>58,791</u>	<u>167,935</u>
Financial Liabilities						
Payables		-	-	-	(14,212)	(14,212)
Provisions		-	-	-	(25,945)	(25,945)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,157)</u>	<u>(40,157)</u>
Net financial assets		109,114	-	-	18,634	127,778

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

17. FINANCIAL INSTRUMENTS (Cont.)

(b) Credit risk

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

(c) Net fair values

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

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

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

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

18. SEGMENT REPORTING

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

19. EVENTS SUBSEQUENT TO THE REPORTING 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.

20. CONTINGENT LIABILITIES

There were no contingent liabilities at the reporting date.

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

21. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO IFRS

The Company is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. During the year, the Directors of the Company conducted impact assessments to identify key areas that would be impacted by the transition to AIFRS.

The Directors have identified that the key differences in the Company's accounting policies which will arise from the adoption of IFRS to be:

Taxation

Currently, the Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the Company will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather the effects of the timing and permanent differences between taxable income and accounting profit.

Intangible Assets

Under the Australian equivalent to IAS 38 "Intangible Assets", formation costs and franchise fees must be expensed. This will result in a change in the Company's current accounting policy which allows for the capitalisation of formation costs and franchise fees. Under the new policy, all formation costs and franchise fees will be written off as incurred. On transition, all currently recognised formation costs and franchise fees will be adjusted against opening accumulated profits/losses as they will not meet the recognition requirements under IFRS.

At the present time, the Company's management is still completing its transition to AIFRS and will be fully compliant by 30 June 2006. No material differences in the Company's accounting policies or balances on conversion to AIFRS are expected.

The actual effects of transition to AIFRS however may differ due to:

- (a) ongoing work being undertaken by the Directors of the Company;
- (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and
- (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

22. COMPANY DETAILS

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

Halls Head Shopping Centre
Unit 2/3, 14, Peelwood Parade
Halls Head WA 6210

Halls Head Shopping Centre
Shop 7 Peelwood Parade
Halls Head WA 6210

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.rsml.com.au

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF
MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

In relation to our audit of the financial report of Mandurah Community Financial Services Limited for the year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 9 September 2005

JAMES KOMNINOS
Partner

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF

MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements and the Directors' declaration for Mandurah Community Financial Services Limited (the Company) for the year ended 30 June 2005.

The Directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:-

- ◆ examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- ◆ assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Company.

Independence

We are independent of the Company and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit Opinion

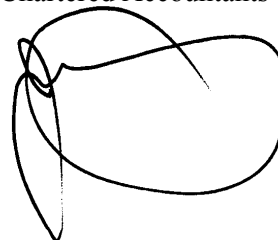
In our opinion, the financial report of Mandurah Community Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Mandurah Community Financial Services Limited at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

Perth, WA
Dated: 9 September 2005

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



JAMES KOMNINOS
Partner

RSM Bird Cameron Partners

Chartered Accountants

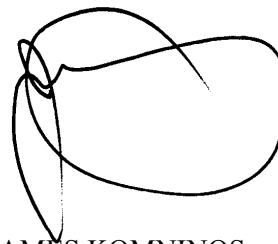
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AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF
MANDURAH COMMUNITY FINANCIAL SERVICES LIMITED

In relation to our audit of the financial report of Mandurah Community Financial Services Limited for the year ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants



JAMES KOMNINOS
Partner

Perth, WA
Dated: 9 September 2005