

2008 annual report



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Chairman's report

For year ending 30 June 2008

On behalf of the Directors, I am delighted to present to you the Company's third annual report.

The Company performance for the financial year ended June 2008 has been extremely pleasing with a profit of \$2,134.

Income for the year was \$547,979, well above our forecasts. Expenses of \$548,211 were also slightly above forecast due to the board approving the use of additional funds to develop and strengthen our branch team, and a greater investment in our local community partners.

Our cash at bank of \$151,697 reflects our strong financial position, even after the payment of a capital return of 5c per share in June 2008.

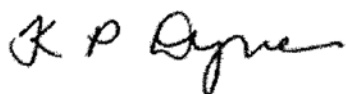
Our community is starting to reap the benefits of a successful **Community Bank**[®] branch.

We were able to allocate \$35,000 in sponsorships over the last financial year to partner with local community organisations. Our **Community Bank**[®] branch is making a difference to local toy libraries, homework clubs, school facilities, sporting clubs, small environmental projects and art and theatre groups. These partnerships translate into wider support for the branch.

The continued strong growth of the Company has been largely due to the efforts of our branch team lead by Rod May. I wish to again acknowledge and thank Rod for his commitment and continuing high standard of operation.

To my fellow Directors, thank you for your time and commitment. You are community builders. Thanks to our Board assistants for your help with our reporting requirements (Nicky White and Andrea Foxworthy) and marketing and liaising with Sponsorship partners (Julie Carroll).

And thank you to our shareholders for your part in the success of our business. I ask you to continue to support our growth by using and referring our **Community Bank**[®] branch.



Karen P Dynon
Chairman

Manager's report

For year ending 30 June 2008

One of the most pleasing and rewarding aspects of my role is to report on the performance and success of our **Community Bank**[®] branch.

Our third year of reporting has again been extremely successful with continued excellent growth in both our total business and account holders.

As at 30 June 2008 we held 2,794 accounts and \$62.1 million in total business. Deposit accounts totaled \$36.5 million and Lending totaled \$25.6 million.

At the time of writing this report (6 October 2008), our growth has continued to \$68.7 million and 3,026 account holders, which exceeds our initial prospectus forecast for year three, and we still have five months of trading remaining.

These excellent business results are due primarily to the dedication and commitment of my branch team, David Burdett, Toni Vavala, Jessica McKean, Elaine Angelidis and Angela Adamos. I commend their efforts in relation to the needs of our customers and community.

I also wish to thank the Clifroy Directors who are active in promoting the branch and in delivering community outcomes, and in providing continued support for both me and my staff.

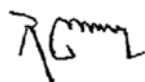
It is now timely to remind our shareholders that providing banking services is only one of the key components of our business model and creating successful community outcomes is another.

To date, more than \$21.7 million has been returned to communities across Australia through the **Community Bank**[®] branch network in sponsorship and grant allocations.

These allocations have greatly assisted local aged care, youth, health care, education and infrastructure.

Your assistance and feedback in relation to identifying our community requirements for the future would be greatly appreciated.

The next 12 month period will see your **Community Bank**[®] branch continue to develop and grow. I encourage you all to speak to family, friends and associates and mention the success and contributions of Clifton Hill/North Fitzroy **Community Bank**[®] Branch to your community. Please remind them that banking with your **Community Bank**[®] branch assists the community as well as the customer.



Rod May
Manager

Directors' report

For year ending 30 June 2008

Your Directors submit the financial report of the Company for the financial year ended 30 June 2008.

Directors

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

Karen Patricia Dynon

Chairman

Age: 46

Senior Financial Adviser

Karen is a Clifton Hill resident and is a Senior Financial Adviser with Bell Potter Securities Ltd where she is responsible for the strategy, investment and ongoing management of client portfolios. She has worked in the financial markets for more than 20 years. Her education and professional accreditation include; Bachelor of Business, RMIT (graduated 1986), Securities and Derivatives Industry Association, PS146, Derivatives Level 1. Karen has been an Advisory Board Member of the Foundation for Sustainable Economic Development, Melbourne University and on the Board of Good Shepherd Youth and Family Service from 2001 – 2007. Karen has lived in the area since 1996 and has a strong commitment to her local community.

Chairman; Chair, Human Resources; Member, Finance & Audit; Member, Business Development/Projects.

Interests in shares: 13,501

Manuel Tsirmiris

Treasurer

Age: 38

Accountant

Manuel is an accountant who has been the Director of the Accountancy Group that is located on Queens Parade in Clifton Hill for the past 7 years. Manuel's major accounting practices are tax, business development and superannuation for clients throughout Australia and Asia with a particular focus on Small to Medium Enterprises (SMEs). Manuel has a Bachelor of Business degree from Swinburne University, and is a Certified Practising Accountant and Registered Tax Agent. Manuel has acted as Accountant and Auditor to various community, social and religious organisations, and sporting groups in the local area and beyond. He has also developed an extensive network of local business contacts, and acts for a number of businesses within the catchment area. Manuel is married and is the proud father of identical twin daughters. His other interests include golf, AFL (Hawthorn FC) and travelling.

Treasurer; Chair, Finance & Audit, Member, HR Subcommittee.

Interests in shares: 5,001

Directors' report continued

Michelle Kellie Burns

Secretary

Age: 37

Program and Project Management Consultant

Michelle is a Clifton Hill resident with past involvement in the 3068 community group and Environment Victoria where she was a volunteer. Michelle has over thirteen years professional experience in program and project management, business analysis and software engineering in the telecommunications industry. A business and IT professional, Michelle brings valuable skills, knowledge and experience to the **Community Bank**[®] branch in areas such as program and project management, event management, business analysis, business case development and cost benefit analysis. Michelle holds a Master of Business Administration degree from Melbourne Business School, a Bachelor of Electrical Engineering (Communications) from University of Melbourne and has a PRINCE2 Project Management Practitioner qualification.

Secretary; Member, Finance & Audit

Interests in shares: 8,001

Jenny Maree Farrar

Deputy Chairman

Age: 36

Councillor, Industrial Organiser

Jenny has been a Yarra City Councillor since 2002, holding the positions of Chair Planning & Community Development, Finance and Governance and last year serving the community as the Mayor. She has been an active member of the Steering Committee of the **Community Bank**[®] branch since its inception. Jenny possesses a wide range of skills and experience in marketing, community planning and campaigning and has developed positive and productive relationships with individuals and groups in the area. Jenny has a degree in Communications and Social Sciences from Monash University. Jenny has a strong sense of social justice and commitment to her local community and in working life is a senior Industrial Organizer with the Media, Entertainment and Arts Alliance, coordinating the Australian Journalist Association.

Jenny's interests include environmental sustainability, social justice and travelling and she is a member of the North Melbourne Football Club.

Deputy Chairman; Member, Business Development/Projects

Interests in shares: 2,001

Directors' report continued

Jennifer Anne Gawne

Director

Age: 54

Indexing Specialist

Jennifer moved to the inner city 3 decades ago and has been a homeowner in east Clifton Hill since 1982. With qualifications in Librarianship and Training, she now works in ontology development & management. She has worked as a consultant in information management, information architecture, web content and metadata, as well as delivering training in these fields in Australia, New Zealand and Thailand. Jennifer has also written and edited business, technical and training documents and has developed, analysed and documented market and training surveys.

Member, Sponsorship & Marketing

Interests in shares: 1,001

Adrian Howard Nelson

Director

Age: 58

Consultant

Adrian has recently ceased full time work after an extensive marketing and sales career both within Australia and internationally. In recent years as General Manager, Strategy Division, for Tattersall's Adrian has built up extensive expertise in virtually all lottery and gaming business models, both in Australia and in countries such as India, South Africa and Nigeria. Adrian is a Graduate of the Australian Institute of Company Directors and has held several Board positions with subsidiary companies of Tattersall's in recent years. Adrian's wide experience in business combined with a personal interest in environmental and sustainability issues are of great assistance to the Board.

Member, Sponsorship & Marketing

Interests in shares: 15,001

John Alexander Gray Price

Director

Age: 66

Semi-Retired

John has a commerce degree from the University of Melbourne, and has held General Management and consultancy positions in the education and health services sectors, which included interests in sports medicine and the manufacturing of medical appliances. John is now semi-retired.

Chair, Business Development/Projects

Interests in shares: 500

Directors' report continued

Greg Randall Tinkler

Director

Age: 52

Business Owner & Consultant

Greg heads a small IT consulting firm and has consulted to large Australian and international corporations. Greg is a Fellow of the Australian Institute of Company Directors, the Vice Chairman of Encompass Australia, the Secretary, of the Clifton Hill Tennis Club, and also a Director on a number of small business Boards. During the 2007/2008 financial year Greg was the Chairman of the Clifton Hill/ North Fitzroy **Community Bank**[®] Branch Sponsorship Committee.

Chair, Sponsorship/Marketing; Member, Policies/Procedures

Interests in shares: 10,000

Directors were in office for this entire year unless otherwise stated.

Clifroy Limited's premises is currently leased from Cremlin Pty Ltd, Karaman Investments Pty Ltd & Pamar Pty Ltd. Clifroy Limited Director and Treasurer, Manuel Tsirmiris is a Director of Cremlin Pty Ltd which has a material contract/lease in place with Clifroy Limited.

Basil Lloyd Stafford

Director (Resigned 22 November 2007)

Age: 55

Barrister

Interests in shares: 6,001

Company Secretary

The Company Secretary is Michelle Kellie Burns. Michelle Kellie Burns was appointed to the position of Secretary on 3 June 2005. Michelle has thirteen years experience in the telecommunications and IT industries. She has community involvement with local environmental and heritage groups. Her qualifications include a Bachelor of Electrical Engineering, Master of Business Administration and PRINCE2 Project Management Certification.

Principal activities

The principal activities of the Company during the course of the financial year were in facilitating **Community Bank**[®] services under management rights to operate a franchised branch of Bendigo Bank Limited.

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

Directors' report continued

Operating results

Operations have continued to perform in line with expectations. The profit/(loss) of the Company for the financial year after provision for income tax was:

Year ended 30 June 2008	Year ended 30 June 2007
\$	\$
2,134	(100,150)

Remuneration report

(a) Remuneration of Directors

All Directors of the Company provide their time on a voluntary basis, therefore no remuneration guidelines have been prepared.

(b) Remuneration of Branch Managers

The Company aims to provide market competitive compensation by offering a package of fixed pay and benefits.

The Branch Manager is seconded from Bendigo and Adelaide Bank and all Branch staff are employed under a Certified Employment Agreement. As such, the Company is guided by Bendigo and Adelaide Bank in determining the remuneration payable.

All staff have the opportunity to participate in a bonus scheme operated by Bendigo and Adelaide Bank, where:

- a) the amount of any bonus payment is tied to the outcome of annual performance reviews, such reviews measuring performance against defined objectives noted in the position description, and
- b) the amount of any bonus payment is not directly tied to the Company's performance, and
- c) the annual review process has been provided by Bendigo and Adelaide Bank, and
- d) the annual review process does not involve a comparison with factors external to the Company.

The Company has in place a further bonus scheme for the area manager that is measured by KPI's derived from the position description for the role.

The Branch Manager, Rod May is paid a base salary, which is \$77,605 (2007:\$65,560), in addition he receives a bonus if the Company exceeds the budget estimates established by the Board. During the year a bonus was paid of \$6,000 (2007:\$3,200), plus employer sponsored superannuation of \$11,641 (2007:\$5,990).

Directors' report continued

Dividends

Whilst a dividend was not paid during the 2007/2008 financial year, a Capital Return of 5c per share was paid to Clifroy Limited shareholders on 6 June 2008.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

Matters subsequent to the end of the financial year

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 future years.

Likely developments

The Company will continue its policy of facilitating banking services to the community.

Environmental regulation

The Company is not subject to any significant environmental regulation.

Directors' benefits

Director and Treasurer, Manuel Tsirmiris is a Director of Crelim Pty Ltd which is one of three companies receiving benefit from Clifroy Limited's lease contract at its current premises. The current owners of the property (Crelim Pty Ltd, Karaman Investments Pty Ltd & Pamar Pty Ltd) have continued an existing lease with Clifroy Limited since purchasing the property on 23 July 2007.

No other Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Manager of the Company except where the liability arises out of conduct involving the lack of good faith.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' report continued

Directors' meetings

The number of Directors meetings attended by each of the Directors of the Company during the year were:

	Number of Board meetings eligible to attend	Number attended
Karen Patricia Dynon	10	10
Manuel Tsirmiris	10	10
Michelle Kellie Burns	10	7
Jenny Maree Farrar	10	6
Jennifer Anne Gawne	10	8
Adrian Howard Nelson (on leave Aug/Sep 07 & June 08)	7	5
John Alexander Gray Price	10	8
Greg Randall Tinkler	10	10
Basil Lloyd Stafford (Resigned 22 November 2007)	4	3

Non Audit services

The Company may decide to employ the Auditor on assignments additional to their statutory duties where the Auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The Board of Directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for Auditors imposed by the Corporations Act 2001.

The Directors are satisfied that the provision of non-audit services by the Auditor, as set out in the notes did not compromise the Auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the Auditor;
- none of the services undermine the general principles relating to Auditor independence as set out in Professional Statement F1, including reviewing or auditing the Auditor's own work, acting in a management or a decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risk and rewards.

Directors' report continued

Auditors' independence declaration

A copy of the Auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 12.

Signed in accordance with a resolution of the Board of Directors at Clifton Hill, Victoria on 30 September 2008.



Karen Patricia Dynon
Chairman



Michelle Kellie Burns
Company Secretary

Auditor's independence declaration



PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the directors of Clifroy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2008 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 30th day of September 2008

Financial statements

Income statement For year ending 30 June 2008

	Note	2008 \$	2007 \$
Revenues from ordinary activities	3	547,979	299,674
Salaries and employee benefits expense		(286,437)	(240,279)
Advertising and promotion expenses		(52,942)	(8,895)
Occupancy and associated costs		(83,759)	(74,057)
Depreciation and amortisation expense	4	(20,049)	(22,619)
General administration expenses		(105,024)	(99,179)
Profit/(loss) before income tax credit		(232)	(145,355)
Income tax credit	5	2,366	45,205
Profit/(loss) for the period		2,134	(100,150)
Profit/(loss) attributable to members of the entity		2,134	(100,150)
Earnings per share (cents per share)		¢	¢
- basic for profit for the year	18	0.25	(11.55)

The accompanying notes form part of these financial statements.

Financial statements continued

Balance sheet As at 30 June 2008

	Note	2008 \$	2007 \$
Assets			
Current assets			
Cash assets	6	151,697	174,847
Trade and other receivables	7	40,774	17,927
Total current assets		192,471	192,774
Non-current assets			
Property, plant and equipment	8	242,593	265,678
Intangibles	9	6,297	8,297
Deferred tax assets	10	125,510	123,144
Total non-current assets		374,400	397,119
Total assets		566,871	589,893
Liabilities			
Current liabilities			
Trade and other payables	11	37,834	29,655
Provisions	12	12,817	4,466
Total current liabilities		50,651	34,121
Non-current liabilities			
Provisions	12	1,664	-
Total non-current liabilities		1,664	-
Total liabilities		52,315	34,121
Net assets		514,556	555,772
Equity			
Contributed equity	13	840,629	840,629
Accumulated losses	14	(326,073)	(284,857)
Total equity		514,556	555,772

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows As at 30 June 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers		519,250	287,112
Payments to suppliers and employees		(509,967)	(491,594)
Interest received		5,883	8,664
Interest paid		-	(186)
Net cash provided by/(used in) operating activities	16	15,166	(196,004)
Cash flows from investing activities			
Payments for property, plant and equipment		(1,834)	(16,983)
Proceeds from property, plant and equipment		6,869	-
Net cash provided by/(used in) investing activities		5,035	(16,983)
Cash flows from financing activities			
Return of capital (5 cents per share)		(43,351)	-
Net cash outflows from financing activities		(43,351)	-
Net increase/(decrease) in cash held		(23,150)	(212,987)
Cash at the beginning of the financial year		174,847	387,834
Cash at the end of the financial year	6(a)	151,697	174,847

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of changes in equity As at 30 June 2008

	Note	2008 \$	2007 \$
Total equity at the beginning of the period		555,772	655,922
Net profit/(loss) for the period		2,134	(100,150)
Net income/expense recognised directly in equity		-	-
Dividends provided for or paid		(43,351)	-
Shares issued during period		-	-
Total equity at the end of the period		514,556	555,772

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS). These financial statements and notes comply with IFRS.

Historical cost convention

The financial report has been prepared under the historical cost conventions on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of Goods and Services Tax (GST). The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable for the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operation cash flows.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax and when the balances relate to taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Employee entitlements

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.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

The cost of the Company's franchise fee has been recorded at cost and is amortised on a straight line basis at a rate of 20% per annum.

Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Comparative figures

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

Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Payment terms

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

Trade receivables and payables

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Borrowings

All loans are initially measured at the principal amount. Interest is recognised as an expense as it accrues.

Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed equity

Ordinary shares are recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Notes to the financial statements continued

Note 1. Summary of significant accounting policies (continued)

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 2. Financial risk management

The Company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the entity. The entity does not use derivative instruments.

Risk management is carried out directly by the Board of Directors.

(i) Market risk

The Company has no exposure to any transactions denominated in a currency other than Australian dollars.

(ii) Price risk

The Company is not exposed to equity securities price risk as it does not hold investments for sale or at fair value. The Company is not exposed to commodity price risk.

(iii) Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The Company's franchise agreement limits the Company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

(iv) Liquidity risk

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The Company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest-rate risk. The Company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

Notes to the financial statements continued

	2008 \$	2007 \$
Note 3. Revenue from ordinary activities		
Operating activities:		
- services commissions	541,782	289,600
Total revenue from operating activities	541,782	289,600
Non-operating activities:		
- interest received	6,197	10,074
Total revenue from non-operating activities	6,197	10,074
Total revenues from ordinary activities	547,979	299,674

Note 4. Expenses

Depreciation of non-current assets:		
- computers and software	3,251	4,571
- furniture and fittings	3,483	4,029
- leasehold improvements	11,315	12,019
Amortisation of non-current assets:		
- franchise agreement	2,000	2,000
	20,049	22,619
Finance costs:		
- interest paid	-	186
Bad debts	1,012	231

Note 5. Income tax expense

The components of tax expense comprise:		
- Current tax	-	-
- Deferred tax on provisions	5,069	-
- Recoupment of prior year tax losses	(2,703)	-
- Future income tax benefit attributable to losses	-	(45,205)
- Under/over provision in respect to prior years	-	-
	2,366	(45,205)

Notes to the financial statements continued

	Note	2008 \$	2007 \$
Note 5. Income tax expense (continued)			
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Operating profit/(loss)		(232)	(145,355)
Prima facie tax on profit/(loss) from ordinary activities at 30%		(70)	(43,607)
Add tax effect of:			
- non-deductible expenses		600	53
- timing difference expenses		3,824	-
- blackhole expenses		(1,651)	(1,651)
Current tax		2,703	(45,205)
Movement in deferred tax	10.	(5,069)	-
		(2,366)	(45,205)

Note 6. Cash assets

Cash at bank and on hand	151,697	174,847
	151,697	174,847

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

6(a) Reconciliation of cash

Cash at bank and on hand	151,697	174,847
	151,697	174,847

Note 7. Trade and other receivables

Trade debtors	37,031	11,653
Interest accrued	314	1,410
Withholding tax refundable	-	4,864
Prepayments	3,429	-
	40,774	17,927

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment		
Furniture & fittings		
At cost	49,293	47,458
Less accumulated depreciation	(9,408)	(5,924)
	39,885	41,534
Computer & software		
At cost	15,000	15,000
Less accumulated depreciation	(10,124)	(6,873)
	4,876	8,127
Leasehold improvements		
At cost	225,989	232,859
Less accumulated depreciation	(28,158)	(16,843)
	197,831	216,016
Total written down amount	242,592	265,677
Movements in carrying amounts:		
Furniture & fittings		
Carrying amount at beginning	41,534	45,220
Additions	1,836	342
Disposals	-	-
Less: depreciation expense	(3,484)	(4,028)
Carrying amount at end	39,886	41,534
Computer & software		
Carrying amount at beginning	8,127	12,699
Additions	-	-
Disposals	-	-
Less: depreciation expense	(3,251)	(4,572)
Carrying amount at end	4,876	8,127

Notes to the financial statements continued

	2008 \$	2007 \$
Note 8. Property, plant and equipment (continued)		
Leasehold improvements		
Carrying amount at beginning	216,016	211,394
Additions	-	16,641
Disposals	(6,870)	-
Less: depreciation expense	(11,316)	(12,019)
Carrying amount at end	197,830	216,016
Total written down amount	242,592	265,677

Note 9. Intangible assets

Formation costs		
At cost	1,130	1,130
Franchise fee		
At cost	10,000	10,000
Less: accumulated amortisation	(4,833)	(2,833)
Carrying amount at end	5,167	7,167
Total written down amount	6,297	8,297

Note 10. Deferred tax

Deferred tax asset		
Opening balance	123,144	77,939
Future income tax benefits attributable to losses	-	43,959
Recoupment of prior year tax losses	(2,703)	-
Deferred tax on provisions	5,069	1,246
Closing balance	125,510	123,144

Notes to the financial statements continued

	2008 \$	2007 \$
Note 11. Trade and other payables		
Trade creditors	13,169	18,304
Other creditors & accruals	24,665	11,351
	37,834	29,655

Note 12. Provisions

Current

Employee provisions	12,817	4,466
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Non-current

Employee provisions	1,664	-
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Number of employees at year end	4	6
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Note 13. Contributed equity

867,013 Ordinary shares fully paid of \$1 each (2007: 867,013)	867,013	867,013
Less: equity raising expenses	(26,384)	(26,384)
	840,629	840,629

Note 14. Accumulated losses

Balance at the beginning of the financial year	(284,857)	(184,707)
Net profit/(loss) from ordinary activities after income tax	2,134	(100,150)
Dividends paid	(43,351)	-
Balance at the end of the financial year	(326,073)	(284,857)

Notes to the financial statements continued

	2008 \$	2007 \$
Note 15. Statement of cash flows		
Reconciliation of loss from ordinary activities after tax to net cash provided by/(used in) operating activities		
Profit/(loss) from ordinary activities after income tax	2,134	(100,150)
Non cash items:		
- depreciation	18,049	20,619
- amortisation	2,000	2,000
Changes in assets and liabilities:		
- increase in receivables	(22,846)	(895)
- increase in other assets	(2,366)	(45,205)
- increase/(decrease) in payables	8,179	(72,360)
-increase/(decrease) in provisions	10,015	(13)
Net cash flows provided by/(used in) operating activities	15,166	(196,004)

Note 16. Auditors' remuneration

Amounts received or due and receivable by the Auditor of the Company for:

- audit & review services	4,000	3,000
- non audit services	1,100	1,200
	5,100	4,200

Notes to the financial statements continued

Note 17. Director and related party disclosures

The names of Directors who have held office during the financial year are:

Karen Patricia Dynon

Manuel Tsirmiris

Michelle Kellie Burns

Jenny Maree Farrar

Jennifer Anne Gawne

Adrian Howard Nelson

John Alexander Gray Price

Greg Randall Tinkler

Basil Lloyd Stafford (Resigned 22 November 2007)

No Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	2008	2007
Karen Patricia Dynon	13,501	3,501
Manuel Tsirmiris	5,001	5,001
Michelle Kellie Burns	8,001	8,001
Jenny Maree Farrar	2,001	2,001
Jennifer Anne Gawne	1,001	1,001
Adrian Howard Nelson	15,001	15,001
John Alexander Gray Price	500	500
Greg Randall Tinkler	10,000	10,000
Basil Lloyd Stafford (Resigned 22 November 2007)	6,001	6,001

There was a movement in Director's shareholdings during the year. Karen Patricia Dynon bought an additional 10,000 shares in January 2008. Each share held is valued at \$1.

Notes to the financial statements continued

	2008 \$	2007 \$
Note 18. Earnings per share		
(a) Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	2,134	(100,150)

	2008 Number	2007 Number
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	867,013	867,013

Note 19. Events occurring after the balance sheet date

There have been no events after the end of the financial year that would materially affect the financial statements.

Note 20. Contingent liabilities

There were no contingent liabilities at the date of this report to affect the financial statements.

Note 21. Segment reporting

The economic entity operates in the service sector where it facilitates **Community Bank**[®] services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Clifton Hill and North Fitzroy suburbs of Melbourne, Victoria.

Note 22. Registered office/principal place of business

The registered office and principal place of business is:

Registered office	Principal place of business
101 Queens Parade, Clifton Hill VIC 3068	101 Queens Parade, Clifton Hill VIC 3068

Notes to the financial statements continued

Note 23. Financial instruments

Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at the year end.

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Income Statement and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

Interest rate risk

Financial instrument	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	49,365	174,847	-	-	-	-	-	-	254	-	0.05	3.00
Term deposit	-	-	102,077	-	-	-	-	-	-	-	6.25	Nil
Receivables	-	-	-	-	-	-	-	-	40,774	17,927	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	37,834	29,655	N/A	N/A

Director's declaration

In accordance with a resolution of the Directors of Clifroy Limited, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the Company's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the Directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the Corporations Regulations 2001.

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



Karen Patricia Dynon
Chairman



Michelle Kellie Burns
Company Secretary

Signed on 30 September 2008.

Independent audit report



PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 755 337

INDEPENDENT AUDITOR'S REPORT

To the members of Clifroy Limited

We have audited the accompanying financial report of Clifroy Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the director's declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors Responsibility for the Financial Report

The Directors 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 designing, implementing and maintaining internal controls 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 that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the director's report.

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 and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent audit report continued

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the director's report. In addition to our audit of the financial report and the remuneration disclosures, 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.

Auditor's Opinion

In our opinion:

- 1) The financial report is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Clifroy Limited as of 30 June 2008 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) The financial report also complies with International financial reporting standards as disclosed in Note 1.
- 3) The remuneration disclosures that are contained in the director's report comply with Accounting Standards AASB 124 Related Party Disclosures.



DAVID HUTCHINGS
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

Dated this 30th day of September 2008

BSX report

As per listing rule 3.17

- (a) the date at which the information is current (which must be no more than 6 weeks before the report is sent to security holders); 20 October 2008.
- (b) details of all material differences between the information in the entity's Annexure 3A and the information in the financial documents in its annual report;

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents of Clifroy's 2008 Annual Report.

- (c) a statement of the main corporate governance practices the entity had in place during the reporting period (including whether it had an audit committee);

The Company recognises the need for provision of strategic direction and sound oversight by the Board to enable management to carry out its responsibilities within broadly defined parameters and without the day to day intervention of the Board.

The Company has adopted policies which define the different roles of Board and management, and which govern the way in which the Board discharges its duties.

Additionally, the Franchise Agreement which governs the Company's operations as a Bendigo Bank **Community Bank**[®] branch also sets out roles and responsibilities of both the Board and management.

Role of the Board

To provide strategic leadership. It does this by having a focus on the future, and proactively identifying new opportunities for developing the Company's operations.

Role of Management

To carry out the day to day operations of the business, supervising branch staff and liaising with customers, sponsored groups, Bendigo Bank Ltd and other stakeholders within our community.

The Branch Manager reports in writing to the Board at its monthly meetings on matters such as business development, staffing, compliance with Financial Services legislation, and any branch issues that need to be brought to the attention of the Board.

Board structure

The Board is composed of eight individuals who are either local residents or local business people. Each have had experience in either running a small business, working in corporations, representing local communities or serving in local government.

The Board has established a number of committees to assist with its ongoing businesses. These are:

- Finance & audit
- Sponsorship & marketing
- Business development/projects
- Human Resources
- Governance

BSX report continued

Board conduct

The Company has a policy setting out the conduct expected of the Board and its members.

Financial reporting

The Board has appointed a Treasurer who is responsible for keeping accurate and up-to-date books of account, and for complying with all legal accounting requirements such as reports to the BSX, the Tax Office and the Australian Securities and Investment Commission.

The Treasurer provides a written management report to the Board's monthly meeting, giving cash flow information as well as actual results compared with budget.

Shareholder rights

The Company is listed on the Bendigo Stock Exchange (BSX). Shareholders have the ability to access the half-yearly accounts of the Company as well as having the annual account mailed to them and having the opportunity to attend the Annual General Meeting of the Company.

Shareholders also receive informal communications by the way of newsletters, giving information about the branch and promotional activities conducted by the Board.

(d) details of the entity's substantial shareholders including their entitlement to equity securities in the entity (as disclosed in substantial shareholding notices given to the entity);

There are no substantial shareholders (holding more than 5% of voting rights) as each shareholder is entitled to one vote.

(e) the number of holders of each class of equity securities;

There are 309 shareholders in the Company.

(f) the voting rights attaching to each class of equity securities;

Each shareholder is entitled to one vote, irrespective of the number of shares held

(g) a distribution schedule of the number of holders in each class of equity securities:

Number of shares held	Number of shareholders
1 to 1000	178
1,001 to 5,000	97
5,001 to 10,000	22
10,001 to 100,000	12

(h) the number of holders holding less than a marketable parcel of the entity's main class securities, based on the market price at the specified date;

Number of shares held \$1

Number of shareholders 2

Comment: Founding Directors who resigned during 2006.

BSX report continued

- (i) details of the 10 largest shareholders of each class of quoted equity securities including the number of equity securities and percentage of capital each holds;

Shareholder	Number of shares	% of capital
Mrs Joy Lorraine Dale & Mr Russell James Dale	20,000	2.31%
Owen Beaton & Roslyn Beaton <Not The Cobden Butter Factory>	20,000	2.31%
Brendan Mitchell <Mitchell Leighton A/c>	20,000	2.31%
Cas Consulting Lty Ltd <Lightfood Retirement Fund>	20,000	2.31%
David Parson Super Nom P/L	20,000	2.31%
Martrak (Vic) Pty Ltd	20,000	2.31%
Rotary Club Collingwood Inc	20,000	2.31%
Deep Green Enterprises P/L	16,600	1.91%
Adrian Nelson & Glenda Lindsay	15,001	1.73%
Dr Joanne Finkelstein	15,000	1.73%

- (j) the name of the entity's Secretary;
Michelle Burns
- (k) the address and telephone of the entity's registered office and of its principal administrative office;
101 Queens Parade, Clifton Hill VIC 3068
Phone: (03) 9482 9040
- (l) the address and telephone number of the office at which a securities register is kept;
Computershare Investor Services
452 Johnston Street,
Abbotsford VIC 3067
Tel: (03) 9415 5000
- (m) the number of restricted securities on issue and the date upon which they will cease to be restricted securities;
There are no restricted securities on issue.
- (n) for each class of unquoted equity securities, the number that are on issue and the number of holders;
All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

Yours sincerely,

Michelle Burns

Company Secretary Clifroy Ltd

P O Box 91

Clifton Hill, VIC 3068

Clifton Hill **Community Bank**[®] Branch
101 Queens Parade, Clifton Hill VIC 3068
Phone: (03) 9482 9040 Fax: (03) 9482 9010

Franchisee: Clifroy Limited
101 Queens Parade, Clifton Hill VIC 3068
ABN 31 114 604 358

www.bendigobank.com.au
Bendigo and Adelaide Bank Limited, The Bendigo Centre, Bendigo VIC 3550
ABN 11 068 049 178. AFSL 237879. (BMPAR8007) (08/08)

