Flemington Financial Services Limited

ABN 56 100 269 074

2008 annualreport

Contents

Chairman's report

For year ending 30 June 2008

The Company celebrated its fifth birthday during the year with a growth of loans and deposits at year end of $40.5 million, an increase of $14 million from 2007.

This has had a significant impact on the result of the Company for the year in reducing the amount of the loss, and has brought the Company to a point marginally over breakeven, although there are significant increases in occupancy costs in the forthcoming year that may impact on the profit of the Company.

This year two new Directors, Sean Pinan and Nathan Edwards have been appointed to the Board, whilst we have lost the valuable services of Lara O'toole who has stood down.

Grant Hopkinson, our Manager, has continued to apply himself and the results of the branch is a reflection of his efforts. The Board is grateful of the work and efforts of Grant throughout the year.

The Board of Directors is also appreciative of the staff and their efforts, and I feel fortunate to have them on board.

Our **Community Bank®** branch website is up and running, however, there is still a lot of work to be done to enlist local business on to the website. Other initiatives in the pipeline is the assessing of sites for new flexi-teller machines in Kensington and Ascot Vale, not only to gain exposure for the Bendigo Bank brand, but more importantly provide our customers with additional machines for access to their banking needs.

The Board has recently financially committed to a community project for youth in the Flemington area that also involves substantial government funding.

My thanks go to all members of the Board for their commitment, their efforts and their assistance throughout the year, and we all look forward to the forthcoming year with optimism.

The Board is also grateful to you, our customers, for without your continued patronage and support, a **Community Bank®** branch would not exist in Flemington.

Wayne Simpson
Chairman

Manager's report

For year ending 30 June 2008

After two years in the Manager's role I am pleased to provide the following report to the shareholders.

At the end of June 2007 we had a total banking book of $27.5 million. By June 2008 we reached $40 million and by the end of September I'm very pleased to let everyone know that we are above budget and have just reached $45 million. This is a growth of $17.5 million over 15 months which is a fantastic result and shows we are on track for a prosperous year ahead.

As always there is much work to be done, but it looks like we are on target to reach our next goal of $50 million by June 2009. This reflects very well on the happy team environment in the branch and on our efforts to build ever stronger relationships with our customers.

We still have a relatively new team at the branch with Sarah joining Kara, Cloris and Vicki earlier this year. Everyone has been working hard to complete their training and I hope that you have all seen the changes with the happy and friendly environment when you visit the branch. Much credit for our growth goes to these four staff members and the efforts they have made throughout the year.

The **Community Bank®** concept is not just about deposits and lending, rather it is about engaging and supporting the community around us. Our focus for the coming 12 months is working on getting more involved with the community.

As always, a special thank you goes to the many shareholders who have supported the branch, not only over the last two years but since we opened. Your contribution to our growth is essential and cannot be understated.

I believe the branch has grown greatly in the past year, both in terms of actual growth in our book, and growth as a team providing above average service to our customers. I look forward to meeting the next challenges in making our branch a success.

Grant Hopkinson
Branch Manager

Directors' report

For year ending 30 June 2008

Board of Directors

The Directors present their report on the financial statements of the Company for the past year ending 30 June 2008.

Directors

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

Anne McLeish	Matthew Lambelle
Lara O'Tool	Frank Dinoto
Wayne Simpson	Mark Flynn
John Versace	Shane Harrison
Sean Pinan	Nathan Edwards

Operating results

The loss from ordinary activities of the Company, after providing for income tax, for the financial period ending 30 June 2008 was $32,369.

Review of operations

The Company was incorporated as a public Company on 18 April 2002. The Company has been formed for the purposes of a **Community Bank®** branch in Flemington through a Bendigo and Adelaide Bank Limited franchise.

Dividend

No dividend is recommended for payment.

Significant change in state of affairs

There has not been any significant change in the state of affairs of the Company since commencing operation as a **Community Bank®** branch.

After balance date events

There have not been any significant events that have occurred since the end of the financial year outside the ordinary court of business of the Company.

Directors' report continued

Meeting of Directors

There were 10 Board meetings of Company Directors held during the 12 month period ended 30 September 2008 and the number of meetings attended by each Director was:

Frank Dinoto	10
Mark Flynn	3
Shane Harrison	10
Matthew Lambelle	7
Anne McLeish	-
Lara O'Toole	4
Wayne Simpson	10
John Versace	9
Sean Pinan	6
Nathan Edwards	4

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 has Directors or Managers of the Company expect 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.

Future developments

The likely developments and expected results of those operations in the future financial years are as follows: the Company proposes in accord with its Constitution to continue to operate a Company Bank Branch under the franchise agreement.

Environmental issues

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

Directors' report continued

Proceedings on behalf of the 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 party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Signed in accord with a resolution of the Board of Directors by:

Wayne Simpson	**Mark Flynn**
Chairman/Director	**Secretary/Director**

Date: 30 September 2008.

Financial statements

Detailed statement of financial performance
For the year ended 30 June 2008

	2008 $	2007 $
Income		
Gross margin	255,432	219,438
Upfront commission	2,257	1,263
Trailor products commission	79,980	55,894
Fee income	53,624	39,893
Market development fund	32,500	23,749
Total income	**423,794**	**340,240**
Expenses		
Advertising	278	57
Marketing	2,351	892
Amortisation - pre. expenses		2,754
Amortisation - franchise fees	10,901	10,010
ASIC compliance	59	1,605
ATM - cash delivery	3,063	2,732
ATM - leasing	3,362	4,010
ATM - consumables	185	65
ATM - maintenance	1,099	1,216
ATM - switching fees	2,736	2,599
ATM - discrepancies	-259	163
Adjustments 2006		-8,827
Audit fees	3,150	3,000
Bad debts	2,290	1,504
Bank charges	399	1,047
Board expenses	590	2,008
Cash delivery	4,802	4,615
Cleaning/rubbish	5,729	4,831

The accompanying notes form part of these financial statements.

Detailed statement of financial performance
For the year ended 30 June 2008

	2008 $	2007 $
Expenses (continued)		
Credit checks/search fees	189	1,053
Depreciation - software	369	
Depreciation - building improvements	21,119	29,481
Depreciation - other	3,102	4,632
Electricity	8,066	7,438
Freight cartgage delivery	6,501	6,288
IT equipment lease	10,494	10,560
IT running	4,239	5,068
IT support	6,558	6,049
Insurance	13,234	12,440
Interest	32,637	12,354
Legal fees	72	
LKS	400	559
Office supplies	50	
Payroll expenses	8,830	423
Postage	2,215	1,889
Printing & stationery	7,296	5,439
Procedure errors	6,494	390
Rates - Council	6,346	4,002
Rent	50,033	49,731
R & M - building - S E	1,778	1,123
R & M - furniture & fitt	278	751
Salaries	203,322	188,327
Salary accruals/provision	836	7,728

The accompanying notes form part of these financial statements.

Detailed statement of financial performance
For the year ended 30 June 2008

	2008 $	2007 $
Expenses (continued)		
Security	2,347	5,724
Share register costs	66	
Staff amenities	705	841
Sponsorship	100	-1,537
Staff training	2,229	
Superannuation	17,445	16,755
Telephone	4,725	5,483
Beyond bank #1 expense	477	
Travel, accom & conference		219
Workcover	1,596	-976
Other employees' expenses	4,915	16,907
Uniform allowance	220	468
Total expenses	**470,037**	**433,906**
Profit (loss) from ordinary activities before income tax	**-46,242**	**-93,666**

The accompanying notes form part of these financial statements.

Profit and loss statement
For the year ended 30 June 2008

	2008 $	2007 $
Operating profit (deficit) before income tax	-46,242	-93,666
Income tax (credit) attributable to operating profit (loss)	-13,872	-28,099
Operating profit (deficit) after income tax	**-32,369**	**-65,566**
Retained profits (accumulated losses) at the beginning of the financial year	-605,101	-539,535
Total available for appropriation (deficiency)	-637,471	-605,101
Retained profits (deficit) at the end of the financial year	**-637,471**	**-605,101**

The accompanying notes form part of these financial statements.

Detailed statement of financial position
As at 30 June 2008

	Note	2008 $	2007 $
Current assets			
Cash assets			
Petty cash		200	200
		200	**200**
Current tax assets			
GST clearing		408	-2,634
Deferred tax assets		265,965	252,092
		266,374	**249,457**
Other			
Prepaid insurance			5,167
			5,167
Total current assets		**266,574**	**254,825**
Non-current assets			
Property, plant and equipment			
Building improvements - at cost		146,336	146,336
Less: accumulated depreciation		-146,336	-125,217
Computer software - at cost		1,644	1,644
Less: accumulated depreciation		-993	-624
Furniture & fittings - at cost		21,808	21,808
Less: accumulated depreciation		-21,808	-18,706
		650	**25,242**

The accompanying notes form part of these financial statements.

Detailed statement of financial position
As at 30 June 2008

	2008 $	2007 $
Non-current assets (continued)		
Other		
Preliminary expenses	13,774	13,774
Less: accumulated amortisation	-13,774	-13,774
Other intangibles - franchise fees	107,424	50,000
Less: accumulated amortisation	-53,828	-42,927
	53,596	**7,073**
Total non-current assets	**54,246**	**32,315**
Total assets	**320,821**	**287,140**
Current liabilities		
Payables		
Unsecured:		
Other creditors	1,183	4,262
Franchise fee - Bendigo Bank	50,534	
	51,717	**4,262**
Financial liabilities		
Unsecured:		
Bank - cheque a/c	291,323	259,042
	291,323	**259,042**
Current tax liabilities		
TFN withholding tax	-333	-333
PAYG withholding	1,058	1,086
	724	**752**

The accompanying notes form part of these financial statements.

Detailed statement of financial position
As at 30 June 2008

	2008 $	2007 $
Current liabilities (continued)		
Provisions		
Superannuation accrual	3,325	5,111
Wages accruals		-1,715
Provision for audit fees	3,150	3,000
Provision for annual leave	-165	7,438
Provision for sick leave	1,066	7,200
	7,376	**21,034**
Total current liabilities	**351,142**	**285,091**
Total liabilities	**351,142**	**285,091**
Net assets (liabilities)	**-30,321**	**2,048**
Equity		
Issued capital		
Issued & paid up capital	606,550	606,550
Share application money	600	600
Retained profits / (accumulated losses)	-637,471	-605,101
Total equity	**-30,321**	**2,048**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2008

	2008 $	2007 $
Cash flow from operating activities		
Receipts from customers	421,504	338,736
Payments to suppliers and employees	-363,724	-380,794
Interest and other costs of finance	-32,637	-12,354
Net cash provided by (used in) operating activities (note 2)	**25,142**	**-54,412**
Cash flow from investing activities		
Payment for:		
Payments for property, plant and equipment	-57,424	-1,099
Net cash provided by (used in) investing activities	**-57,424**	**-1,099**
Net increase (decrease) in cash held	**-32,281**	**-55,512**
Cash at the beginning of the year	-258,842	-203,329
Cash at the end of the year (note 1)	**-291,123**	**-258,842**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Statement of significant accounting policies

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

The financial report covers Flemington Financial Services Ltd as an individual entity.

Flemington Financial Services Ltd is a Company limited by shares, 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 following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Income tax

Income tax has been brought to account using the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for 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 accounting profit 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 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 benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation of derivation of sufficient future assessable income and compliance with the conditions of deductibility imposed by the law.

Note 1. Statement of significant accounting policies (continued)

Property, plant and equipment

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

a) Property

Freehold land and buildings are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. It is a policy of Flemington Financial Services Ltd to have an independent valuation every three years, with annual appraisals being made by the Directors.

The revaluation of freehold land and buildings has not taken account of the potential capital gains tax on assets acquired after the introduction of capital gains tax.

b) Plant and equipment

The carrying amount of plant and equipment is reviewed annually 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 that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining the recoverable amounts.

The cost of fixed assets constructed within Flemington Financial Services Ltd includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

c) Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to Flemington Financial Services Ltd 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 depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of asset	**Depreciation rate %**
Building improvements	20%
Computer software	20%
Plant and equipment	20%

Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not legal ownership, are transferred to Flemington Financial Services Ltd are classified as finance leases. Finance leases are capitalised recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual value.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Leases (continued)

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that ownership of the asset will be obtained or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

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

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

Investments

Shares in listed companies held as current assets are valued at those shares' market value at each balance date. The gains or losses, whether realised or unrealised, are included in profit from ordinary activities before income tax.

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments.

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

Intangibles

<u>a) Goodwill</u>

Goodwill is initially recorded at the amount by which the purchase price for a business exceeds the fair value attributed to its net assets at the date of acquisition. Purchased goodwill is amortised on a straight-line basis over the period of 20 years. The balance is reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

<u>c) Patents and trademarks</u>

Patents and trademarks are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

Notes to the financial statements continued

Note 1. Statement of significant accounting policies (continued)

Employee entitlements

Provision is made for the 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 out flows to be made for those entitlements.

Contributions are made by Flemington Financial Services Ltd to an employee superannuation fund and are charged as expenses when incurred.

Cash

For the purpose of the statement of cash flows, cash includes cash on hand and in all call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months, net of bank overdrafts.

Comparative figures

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

Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

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

Notes to the financial statements continued

	2008 $	2007 $

Note 2. Revenue

Operating activities:		
Other operating revenue:		
- Gross margin	255,432	219,438
- Upfront commission	2,257	1,263
- Trailor Products commission	79,980	55,894
- Fee income	53,624	39,893
- Market development fund	32,500	23,749
	423,794	**340,240**

Note 3. Profit from ordinary activities

Profit (loss) from ordinary activities before income tax has been determined after:

Charging as expense:		
Amortisation of non-current assets:		
- Preliminary expenses		2,754
- Franchise fee	10,901	10,010
Total amortisation expenses	**10,901**	**12,764**
Bad and doubtful debts	2,290	1,504
Borrowing costs:		
- Other persons	32,637	12,354
Total borrowing costs	**32,637**	**12,354**
Depreciation of non-current assets:		
- Buildings	21,119	29,481
- Software	369	4,632
- Other	3,102	4,632
Total depreciation expenses	**24,591**	**34,113**

Notes to the financial statements continued

	2008 $	2007 $

Note 4. Income tax

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facie income tax payable on operating profit at 30%	(13,873)	(28,100)
Add:		
Tax effect of:		
- Non-deductible expenses	-	-
Income tax expense attributable to profit from ordinary activities	**-13,873**	**-28,099**

Note 5. Cash assets

Other cash items:		
Petty cash	200	200
	200	**200**
Reconciliation of cash:		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:		
- Cash	200	200
- Bank overdraft (See also note #9)	-291,323	-259,042
	-291,123	**-258,842**

Note 6. Tax assets

Current		
GST clearing	408	-2,634
Deferred tax assets	265,965	252,092
	266,374	**249,457**

	2008 $	2007 $

Note 7. Other assets

	2008 $	2007 $
Current		
Prepayments		5,167
		5,167
Non-current		
Preliminary expenses	13,774	13,774
Less: accumulated amortisation	-13,774	-13,774
Intangible - franchise fee	107,424	50,000
Less: accumulated amortisation	-53,828	-42,927
	53,596	**7,073**

Note 8. Property, plant & equipment

	2008 $	2007 $
Leasehold improvements:		
- At cost	146,336	146,336
- Less: accumulated depreciation	-146,336	-125,217
		21,119
Computer software:		
- At cost	1,644	1,644
- Less: accumulated depreciation	-993	-624
	651	**1,020**
Other plant and equipment:		
- At cost	21,808	21,808
- Less: accumulated depreciation	-21,808	-18,706
		3,103
	651	**25,242**

Notes to the financial statements continued

	2008 $	2007 $

Note 9. Interest bearing securities current

	2008 $	2007 $
Current		
Secured*:		
- Bank overdrafts	291,323	259,042
	291,323	**259,042**
* Total current and non-current secured liabilities		
Bank overdrafts	291,323	259,042
	291,323	**259,042**

Note 10. Tax liabilities

	2008 $	2007 $
Current		
TFN withholding tax	-333	-333
Amounts withheld from salary and wages	1,058	1,086
	724	**752**

Note 11. Provisions

	2008 $	2007 $
Current		
Employee entitlements	3,325	3,395
Sundry provisions	4,050	17,638
	7,376	**21,034**

Note 12. Contributed capital

	2008 $	2007 $
Ordinary shares at $0.00 each fully paid	**607,150**	**607,150**

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Independent audit report

JOHN L. GREGORY C.P.A., B.Com. (Melb)
CERTIFIED PRACTISING ACCOUNTANT

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FLEMINGTON FINANCIAL SERVICE LIMITED

Scope

We have audited the financial report of Flemington Financial Services Ltd for the year ended 30th June 2008 comprising the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements and the directors' declaration. The members of the governing body are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to its members.

Audit Approach

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia (and relevant statutory and other requirements) so as to present a view which is consistent with our understanding of Flemington Financial Services Ltd financial position, the results of its operations and it's cash flows.

The audit opinion express in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia. The financial position of **Flemington Financial Services Ltd** as at **30th June 2008** and the results of its operations and its cash flows for the year then ended.

Date: 26th September 2008
Address: 46 Pin Oak Crescent
Flemington VIC 3031

Firm: Chapman Miller Goldie
John L. Gregory
Registered Auditor

John L Gregory

P.O. Box 215, North Essendon, Victoria, 3041

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Bendigo Bank