

**Doncaster East Community Financial Services Limited**  
**Market Release 11<sup>th</sup> June 2004**

As detailed in the Market Release of 10<sup>th</sup> September 2003, the Company incurred a mismatch of income and expenditure due to delays in opening the branch. In fact the Company incurred premises and personnel costs totalling \$42,390 before the branch opened and began to generate income.

Notwithstanding these unanticipated costs, Directors were originally of the opinion, based on growth rates predicted in the feasibility study and strong cost management since opening, that the Company could still contain the first year operating loss to around \$179,000 (the 80% modified forecast detailed in the prospectus).

However, despite comparatively strong business growth to December 03, it is apparent that income growth will not be sufficient to offset the pre-opening operating costs as originally opined. Indeed income growth has slowed significantly over recent months and we are now forecasting accumulated losses to 30<sup>th</sup> June 04 in the vicinity of \$274,000. (It should be noted that the forecast accumulated loss is over a 15-month period and is therefore not directly comparable with the year one prospectus forecast, which of course is a 12-month period) In summary the forecast increase of \$95,000 in accumulated losses is attributable to:

- Pre-opening premises and personnel costs of \$42,390
- Provision for an overrun in premises fit-out costs, which are yet to be finalised but will be no more than \$26,000
- A shortfall in income

The shortfall in income is directly related to lower than forecast business writings exacerbated by significant variations in product mix compared to the forecast. However, Directors believe this is more to do with an overly optimistic year one forecast than poor performance. Indeed as mentioned in our half yearly commentary, in the six months to 31<sup>st</sup> December, the branch had the strongest growth of all 32 Community Bank ® Branch's in metropolitan Melbourne. It should also be noted that in growth terms the branch has been consistently ranked in the top 10 on a National basis.

Despite what will undoubtedly be a disappointing full year result to 30<sup>th</sup> June 2004, Directors remain confident that we are moving toward building the sound profitable business forecast in the prospectus.

James D Christie  
Chairman