
...GROWTH EQUITIES...

**GROWTH EQUITIES ACCUMULATION LIMITED
ABN 69 103 383 151**

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

GROWTH EQUITIES ACCUMULATION LIMITED DIRECTORS' REPORT

Your directors present their report on the company for the year ended 30 June 2008.

Directors

The following persons were directors of Growth Equities Accumulation Limited during the whole of the financial year and up to the date of this report:

Name

R B Lester

R D Lester

D P Hicks

W F Cawley was a director from the beginning of the financial year until his retirement on 24th September 2007.

Principal activities

During the year the principal continuing activities of the company consisted of investing into Australian listed securities.

Review of operations and results

Growth Equities Accumulation Limited was founded in 2003 by the investment of approximately \$5 million into the company by friends and associates of the initial directors. These and subsequent investors intend to participate in the investment returns generated by the Manager through its disciplined investment and risk management practices. Over the past five years the company has grown to approximately \$12,013,480 in assets as a result of solid investment returns and investments by new and existing shareholders.

Growth Equities Accumulation Limited objectives are:

- Maximise the real rate of return, comprising both income and capital growth;
- Preserve the capital of the company;
- Manage the risks of investing through detailed research and analysis of target investments;
- Manage its business and investments in a tax efficient manner.

The Manager's investment strategy is to:

- Make long-term strategic investment into profitable and growing businesses;
- Purchase these investments at prices below their assessed value; and
- Identify and take advantage of arbitrage opportunities.

Whilst the company endeavours to stay substantially invested through all investment cycles, it will allow cash balances to build up when it cannot identify attractive investments that meet its strict investment criteria. This naturally occurs as the market becomes overprice and then protects the company during weak market periods.

The assets of the company are managed with a strong philosophy of capital preservation based on detailed research and analysis to ensure each investment is highly profitable, conservatively financed and purchased at a deep discount to its assessed valuation. The booming equity markets of the past few years have been largely driven by resource stocks. This is not an area of particular expertise of the Manager and the Manager has adopted a policy of avoiding this sector and other companies whose business is based on the production and sale of commodities. The value of commodity based businesses is predominantly governed by external factors such as commodity prices which cannot be consistently and reliably predicted with any degree of accuracy. As a result it is impossible to make an accurate valuation of these companies. The Manager avoids these investments because the risk of making incorrect assessments of their value is very high.

GROWTH EQUITIES ACCUMULATION LIMITED DIRECTORS' REPORT (Continued)

Review of operations and results (continued)

The final eight months of the 2008 financial year proved to be a very difficult period for the Australian equity market and the company, causing sharply negative performance for both. The All Ordinaries Accumulation Index fell 11.40% over the year to produce the first negative financial year since 2002/03 and the weakest financial year since 1982 (falling further than the year containing the October '87 crash). The market has fallen 23.60% from its 1 November 2007 peak, to produce the first 'bear' market since the 'dot-com' bubble burst in 2001/02.

The source of the market weakness is clearly a crisis of confidence in global credit markets stemming from the US sub-prime mortgage and property market downturn. This has caused a US and global economic slowdown with a high likelihood of a US and European recession. In conjunction, commodity prices, (particularly oil and energy) and local interest rates have increased, putting pressure on inflation, corporate profitability and living standards.

The company was unable to avoid the decline and the value of the company's portfolio fell 35.40% during the year. Our exposure to companies operating in the finance and property sectors, as well as our exposure to small and medium sized companies had the greatest impact on our portfolio. The sector least affected by the downturn has been the large capitalized resource companies, an area with little long term earnings clarity, consistency or certainty. The directors stand by its decision to avoid resource companies despite that sectors superior short term performance. This split market (resource companies rising while all others falling) will prove to be relatively short term and we expect it will unwind to reverse the fortunes of that period. As long term investors, our approach of focusing on excellent businesses purchased cheaply will ensure the company delivers competitive returns when assessed across the market cycles.

Whilst the directors understand investor's anxiety about the company's performance and apprehension about the year ahead, we encourage shareholders to maintain their initial investment time horizon and rational for choosing Growth Equities. Our disciplined approach of only buying excellent companies cheaply will ensure that shareholder patience is well rewarded, despite in the short term, being exposed to irrational market behavior.

Growth Equities Accumulation Limited results:

- Total revenue from continuing operations for the year \$811,678 (2007: \$641,871);
- Loss before income tax for the year \$6,370,841 (2007: Profit of \$4,475,669);
- Loss attributable to members for the year \$4,175,112 (2007: Profit of \$3,189,757);
- Dividends paid of \$0.01 per share, fully franked (2007: \$0.01 per share fully franked);
- Negative portfolio return before providing for tax on unrealised gains of 35.40% (2007: Positive portfolio return of 42.9%); and
- Negative portfolio return after providing for tax on unrealised gains of 24.11% (2007: Positive portfolio return of 36.9%).

The largest positive contributor to the company's performance was:

- Leighton Holdings Limited 26%;

The company maintains a policy of endeavouring to pay an increased dividend each year. To that end your directors have declared to pay a dividend equal to \$0.01 fully franked per share. Shareholders as at 30 June 2008 are entitled to the dividend which will be paid on or before 31 July 2008. Shareholders may choose to reinvest their dividend entitlement by participating in the Dividend Reinvestment Plan (DRP). The terms and conditions of this DRP are available on our website at www.growthequities.com.au or by calling the company on (08) 9423 5120 to receive a copy in the mail.

GROWTH EQUITIES ACCUMULATION LIMITED DIRECTORS' REPORT (Continued)

Review of operations and results (continued)

The Board does not consider it appropriate to forecast movements in equity markets or the flow of funds into or out of the company and accordingly provides no forecast for future performance. The company will continue its operations by utilising the strategies described above in order to achieve its stated objectives.

Dividends

Dividends paid to members during the financial year were as follows:

	2008 \$	2007 \$
Final ordinary dividend for the year ended 30 June 2007 of 1 cent (2006 – 1 cent) per fully paid share paid on 27 th August 2007	<u>76,073</u>	<u>62,090</u>
	<u>76,073</u>	<u>62,090</u>

In addition to the above dividends, the directors have approved and declared the payment of a final ordinary dividend of \$78,444 fully franked (1 cents per fully paid share) to be paid on or before 31 July 2008 out of retained profits at 30 June 2008.

The company maintains a policy of, 'endeavouring to pay an increased dividend each year'. To that end your directors have declared to pay a dividend equal to \$0.01 fully franked per share. Shareholders as at 30 June 2008 are entitled to receive the dividend which will be paid on or before 31 July 2008. Shareholders may choose to reinvest their dividend entitlement by participating in the Dividend Reinvestment Plan. The terms and conditions of this DRP are available on our website at www.growthequities.com.au or by calling the company on (08) 9423 5120 to receive a copy in the mail.

Significant changes in the state of affairs

During the financial year there were no significant changes in the state of affairs of the company other than reflected in the accounts or notes thereto.

Likely developments and expected results of operations

The directors have considered ASIC Regulatory Guide 170. They do not believe that they have a reasonable basis to forecast future earnings of the company as they are inherently uncertain. Accordingly, any forecast or projection would contain such a broad range of potential outcomes and possibilities that it is not possible to propose a reliable best estimate forecast or projection.

Matters subsequent to the end of the financial year

No other significant matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

- (a) the company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the company's state of affairs in future financial years.

GROWTH EQUITIES ACCUMULATION LIMITED DIRECTORS' REPORT (Continued)

Insurance of officers

During the financial year, the Manager (Growth Equities Pty Ltd) paid a premium of \$20,285 to insure the officers of Growth Equities Pty Ltd, Growth Equities Accumulation Limited and Growth Equities Imputation Limited.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers or the company and any other payments arising from liabilities incurred in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Information on directors

Russell Bryce Lester	Director
Qualifications	Bachelor of Economics; Graduate Diploma of Applied Finance & Investment.
Experience	Board member since January 2003. Director of Lester Group of Companies. Experience in Banking and Finance Industry.
Other responsibilities	Company secretary and Compliance officer
Richard Denis Lester	Director
Qualifications	Diploma in Agricultural Business; Certificate in Real Estate Management of Valuations; Licensed Valuer; Licensed Real Estate & Business Agent.
Experience	Board member since January 2003. Director of Wesfarmers Limited (September 1995 - 30 June 2008) and Lester Group of Companies. Extensive experience in property development.
Damian Peter Hicks	Non-Executive Director
Qualifications	Bachelor of Commerce (Accounting & Finance); Barrister and Solicitor of the Supreme Court of WA; Graduate Diploma in Applied Finance and Investment and Graduate Diploma in Company Secretarial Practice.
Experience	Board member since July 2007. Managing Director of Hannans Reward Limited.

Meetings of directors

The number of meetings of the company's board of directors held during the year ended 30 June 2008, and the number of meetings attended by each director were:

	Number of meetings attended	Number of meetings held whilst a director
R D Lester	3	3
W F Cawley	1	1
R B Lester	3	3
D P Hicks	3	3

GROWTH EQUITIES ACCUMULATION LIMITED
DIRECTORS' REPORT (Continued)

Environmental regulation

The company is not subject to any significant environmental regulations in respect of its activities.

Auditors' independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Auditor

Moore Stephens continues in office as Auditors in accordance with Section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

A handwritten signature in black ink, reading "Russell B. Lester". The signature is written in a cursive style and is enclosed within a large, hand-drawn oval.

R B Lester
Director

Perth, WA
4th August 2008

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

TO: The Directors of

GROWTH EQUITIES ACCUMULATION LIMITED

As lead engagement partner for the audit of Growth Equities Accumulation Limited for the year ended 30 June 2008 I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Growth Equities Accumulation Limited.



NEIL PACE
Partner
Moore Stephens
Chartered Accountants

Dated at Perth on this 4th day of August 2008

GROWTH EQUITIES ACCUMULATION LIMITED

DIRECTORS' DECLARATION FOR THE YEAR ENDED 30 JUNE 2008

In the directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 26 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; 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.

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



R B Lester
Director

Perth, WA
4th August 2008

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GROWTH EQUITIES ACCUMULATION LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$	2007 \$
Revenue from continuing operations	4	811,678	641,871
Performance fees	5	-	(581,874)
Realised gains/(losses) on financial assets held-for-trading		926,061	(3,540)
Unrealised (losses)/gains on financial assets held-for-trading		(7,900,607)	4,576,721
Other expenses	5	<u>(207,973)</u>	<u>(157,509)</u>
(Loss)/Profit before income tax		(6,370,841)	4,475,669
Income tax revenue/(expense)	6	<u>2,195,729</u>	<u>(1,285,912)</u>
(Loss)/Profit for the year attributable to members of Growth Equities Accumulation Limited	15	<u><u>(4,175,112)</u></u>	<u><u>3,189,757</u></u>

The above income statement should be read in conjunction with the accompanying notes.

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GROWTH EQUITIES ACCUMULATION LIMITED

BALANCE SHEET AS AT 30 JUNE 2008

	Notes	2008 \$	2007 \$
ASSETS			
Current assets			
Cash and cash equivalents	7	734,200	2,089,014
Trade and other receivables	8	<u>150,197</u>	<u>61,083</u>
Total current assets		<u>884,397</u>	<u>2,150,097</u>
Non-current assets			
Other financial assets	9	11,292,628	16,202,718
Deferred tax assets	10	<u>69,743</u>	<u>174,562</u>
Total non-current assets		<u>11,362,371</u>	<u>16,377,280</u>
Total assets		<u>12,246,768</u>	<u>18,527,377</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	229,727	2,503,939
Current tax liabilities	12	<u>-</u>	<u>-</u>
Total current liabilities		<u>229,727</u>	<u>2,503,939</u>
Non-current liabilities			
Deferred tax liabilities	13	<u>3,561</u>	<u>2,304,109</u>
Total non-current liabilities		<u>3,561</u>	<u>2,304,109</u>
Total liabilities		<u>233,288</u>	<u>4,808,048</u>
Net assets		<u>12,013,480</u>	<u>13,719,329</u>
Equity			
Contributed equity	14	10,899,833	8,181,941
Retained profits	15	<u>1,113,647</u>	<u>5,537,388</u>
Total equity		<u>12,013,480</u>	<u>13,719,329</u>
Net tangible assets per share before providing for tax on unrealised capital gains		\$1.5226	\$2.3570
Net tangible assets per share after providing for tax on unrealised capital gains		\$1.5315	\$2.0181

The above balance sheet should be read in conjunction with the accompanying notes.

...GROWTH EQUITIES...

GROWTH EQUITIES ACCUMULATION LIMITED

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Contributed equity \$	Retained profits \$	Total \$
Balance at 1 July 2006	5,385,321	2,409,721	7,795,042
Profit for the year	-	3,189,757	3,189,757
Total recognised income and expense for the year	5,385,321	5,599,478	10,984,799
Contributions of equity, net of transaction costs	2,796,620	-	2,796,620
Dividends paid	-	(62,090)	(62,090)
Balance at 30 June 2007	8,181,941	5,537,388	13,719,329
Loss for the year	-	(4,175,112)	(4,175,112)
Total recognised income and expense for the year	8,181,941	1,362,276	9,544,217
Contributions of equity, net of transaction costs	2,717,892	-	2,717,892
Shares bought back	-	(94,112)	(94,112)
Dividends paid/payable	-	(154,517)	(154,517)
Balance at 30 June 2008	<u>10,899,833</u>	<u>1,113,647</u>	<u>12,013,480</u>

The above statements of changes in equity should be read in conjunction with the accompanying notes.

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GROWTH EQUITIES ACCUMULATION LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Dividends received		660,190	763,566
Interest received		62,374	39,139
Other revenue		-	22,064
Payments to suppliers		<u>(793,889)</u>	<u>(438,502)</u>
Net cash (outflows)/inflows from operating	21	<u>(71,325)</u>	<u>386,267</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for financial assets purchases		(4,317,343)	(3,228,259)
Proceeds from financial assets sales		<u>2,388,147</u>	<u>21,087</u>
Net cash outflows from investing activities		<u>(1,929,196)</u>	<u>(3,207,172)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of shares		810,892	2,796,620
Proceeds from new investors/subscriptions		5,000	1,907,000
Payment for shares bought back		(94,112)	-
Dividend paid		<u>(76,073)</u>	<u>(62,090)</u>
Net cash inflows from financing activities		<u>645,707</u>	<u>4,641,530</u>
Net (decrease)/increase in cash and cash equivalents		(1,354,814)	1,820,625
Cash and cash equivalents at the beginning of the financial year		<u>2,089,014</u>	<u>268,389</u>
Cash and cash equivalents at the end of the financial year	7	<u><u>734,200</u></u>	<u><u>2,089,014</u></u>

The above cash flow statement should be read in conjunction with the accompanying notes.

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

1. CORPORATE INFORMATION

The financial report of Growth Equities Accumulation Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 4th August 2008.

Growth Equities Accumulation Limited is an Australian public company limited by shares, incorporated and domiciled in Australia. Its registered office is located at Level 2, 47 Stirling Highway, Nedlands, Western Australia.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRSs). Compliance with AIFRSs ensures that the financial report of Growth Equities Accumulation Limited complies with International Financial Reporting Standards (IFRSs).

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

Historical cost convention

These financial statements have been prepared under the historical cost convention, except for held-for-trading financial assets that have been measured at fair value through the profit and loss account.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading are measured at fair value through the profit and loss account. Gains or losses on investments held for trading are recognised in the income statement. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market closing prices at the close of business on the balance sheet date.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the company commits to purchase or sell the financial assets.

(d) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are due for settlement no more than 30 days.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of trade and other receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

(e) Trade and other payables

These amounts represented liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised;

Interest

Revenue is recognised as the right to the interest payment is established.

Dividends

Dividends is recognised when the shareholders' right to receive the payment is established.

(j) Comparatives figures

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

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2008 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The company has not adopted the standards early. The company intends to apply the revised standard from 1 July 2009.

3. 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.

Critical accounting estimates and assumptions

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 and assumptions that are expected to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
4. REVENUE		
From continuing operations		
Dividends received	749,668	571,567
Other revenue		
Interest received	62,010	48,240
Sundry revenue	-	22,064
	<u>811,678</u>	<u>641,871</u>
5. EXPENSES		
(Loss)/Profit before income tax includes the following specific expenses:		
Performance fees	-	581,874
Brokerage fees	24,602	10,508
Management fees	183,371	147,001
	<u>207,973</u>	<u>157,509</u>
6. INCOME TAX (REVENUE)/EXPENSE		
(a) Income tax (revenue)/expense		
Current tax	-	-
Deferred tax	(2,195,729)	1,285,912
Adjustments for current tax of prior periods	-	-
Income tax (revenue)/expense reported in income statement	<u>(2,195,729)</u>	<u>1,285,912</u>
<i>Deferred income tax (revenue)/expense included in income tax expense comprises:</i>		
Decrease/(Increase) in deferred tax assets (note 10)	104,819	(89,834)
(Decrease)/Increase in deferred tax liabilities (note 13)	<u>(2,300,548)</u>	<u>1,375,746</u>
	<u>(2,195,729)</u>	<u>1,285,912</u>

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GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
6. INCOME TAX (REVENUE)/EXPENSE (Continued)		
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss)/Profit before income tax	<u>(6,370,841)</u>	<u>4,475,669</u>
Tax at the Australian tax rate of 30% (2007 - 30%)	(1,911,252)	1,342,701
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Imputation gross up on dividend received	88,055	66,308
Realised (gains)/losses on financial assets held-for-trading	(277,818)	1,062
Tax offset for franked dividends	<u>(94,714)</u>	<u>(124,159)</u>
	(2,195,729)	1,285,912
Adjustments for current tax of prior periods	<u>-</u>	<u>-</u>
Income tax (revenue)/expense	<u>(2,195,729)</u>	<u>1,285,912</u>
7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS		
Cash at bank	<u>734,200</u>	<u>2,089,014</u>
	<u>734,200</u>	<u>2,089,014</u>
The cash at bank earns interest at floating rates based on daily bank rates.		
Reconciliation to cash at the end of the year		
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:		
Balance as above	<u>734,200</u>	<u>2,089,014</u>
Balance as per cash flow statement	<u>734,200</u>	<u>2,089,014</u>

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GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
Trade receivables	138,326	48,848
Other receivables	11,871	12,235
	<u>150,197</u>	<u>61,083</u>

Trade receivables and other receivables are non-interest bearing and are generally on 30-days terms.

9. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS		
Listed shares – at fair value	<u>11,292,628</u>	<u>16,202,718</u>
<u>Investment in entities not being subsidiaries or associates</u>		

Name	Principal Activity	Fair Value \$
ANZ Bank	Bank	999,873
Billabong International Limited	Sports Apparel & Accessories	54,464
Boom Logistics Limited	Lifting & Logistics Services	251,172
Commonwealth Bank	Bank	407,725
City Pacific Limited	Diversified Financials	100,223
HFA Holdings Limited	Diversified Financials	324,125
Just Group Limited	Retailing	373,200
Leighton Holdings Limited	Contructions	1,779,750
Macquarie Group Limited	Diversified Financials	1,084,672
National Australia Bank	Bank	251,750
Nomad Building Solutions Limited	Capital Goods	1,001,000
Port Bouvard Limited	Real Estate	453,790
Pearlstreet Limited	Energy and Industrial Asset Mgmt	654,500
Peet and Company Limited	Real Estate	286,058
QBE Insurance Limited	Insurance	1,075,200
Sunland Group Limited	Real Estate	495,489
Tassal Group Limited	Agriculture	289,224
Toll Holdings Limited	Transports & Warehousing	180,600
VDM Group Limited	Capital Goods	313,200
Wellcom Group Limited	Commercial Services & Supplies	556,613
Westpac Bank	Bank	<u>360,000</u>
		<u>11,292,628</u>

Listed shares consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. As the nature of the company's business is long term investment, it does not intend to liquidate its investment portfolio. The fair value method used was based on published price quotation in an active market.

...GROWTH EQUITIES...

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
10. NON-CURRENT ASSETS – DEFERRED TAX ASSETS		
<i>The balance comprises temporary differences attributable to :</i>		
<i>Amount recognised in profit and loss</i>		
Accrued performance fees	-	174,562
Fair value adjustments	<u>69,743</u>	<u>-</u>
Deferred tax assets	<u>69,743</u>	<u>174,562</u>
Movements		
Opening balance at 1 July	174,562	84,728
(Credited)/Charged to income statement (Note 6)	<u>(104,819)</u>	<u>89,834</u>
Closing balance at 30 June	<u><u>69,743</u></u>	<u><u>174,562</u></u>
11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	146,283	15,064
Other payables	<u>83,444</u>	<u>2,488,875</u>
	<u>229,727</u>	<u>2,503,939</u>
Trade payables and other payables are non-interest bearing and are normally settled on 30-days terms.		
12. CURRENT LIABILITIES - CURRENT TAX LIABILITIES		
Provision for income tax	<u>-</u>	<u>-</u>
13. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES		
<i>The balance comprises temporary differences attributable to :</i>		
<i>Amount recognised in profit and loss</i>		
Fair value adjustments	-	2,300,439
Accrued interest	<u>3,561</u>	<u>3,670</u>
Deferred tax liabilities	<u>3,561</u>	<u>2,304,109</u>
Movements		
Opening balance at 1 July	2,304,109	928,363
(Credited)/Charged to income statement (Note 6)	<u>(2,300,548)</u>	<u>1,375,746</u>
Closing balance at 30 June	<u><u>3,561</u></u>	<u><u>2,304,109</u></u>

...GROWTH EQUITIES...

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
14. CONTRIBUTED EQUITY		
Ordinary shares - fully paid	<u>10,899,833</u>	<u>8,181,941</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. At 30 June 2008 there were 7,844,402 fully paid shares on issue (2007: 6,798,208 fully paid shares)

(a) Movement in ordinary shares

Date	Details	Number of shares	Issue Price	\$
1 July 2007	Opening balance	6,798,208		8,181,941
1 July 2007	Issue of shares	809,084	2.357	1,907,000
1 August 2007	Issue of shares	298,790	2.327	695,280
1 August 2007	Dividend reinvestment	30,602	2.327	71,216
1 September 2007	Issue of shares	91,544	2.294	210,000
1 October 2007	Issue of shares	44,759	2.413	108,000
1 November 2007	Issue of shares	1,936	2.582	5,000
1 December 2007	Issue of shares	30,688	2.444	75,000
1 January 2008	Issue of shares	8,347	2.396	20,000
1 March 2008	Shares bought back	(47,759)	1.389	(66,337)
1 April 2008	Issue of shares	2,945	1.664	4,900
1 April 2008	Shares bought back	(46,312)	1.389	(64,327)
1 May 2008	Shares bought back	(129,198)	1.389	(179,456)
1 June 2008	Shares bought back	<u>(49,232)</u>	1.389	<u>(68,384)</u>
30 June 2008	Closing balance	<u>7,844,402</u>		<u>10,899,833</u>

(b) Dividend reinvestment plan

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash.

(c) Share buy-back

During the 2008 financial year, the company had bought back 272,501 shares (2007: Nil shares) at an average price of \$1.389 (2007: Nil).

...GROWTH EQUITIES...

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	\$	\$
15. RETAINED PROFITS		
Movements in retained profits were as follows:		
Retained profits at the beginning of the financial year	5,537,388	2,409,721
(Loss)/Profit for the year	(4,175,112)	3,189,757
Shares bought back	(94,112)	-
Dividends paid/payable	<u>(154,517)</u>	<u>(62,090)</u>
Retained profits at the end of the financial year	<u>1,113,647</u>	<u>5,537,388</u>

16. RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity, Balwyn Holdings Pty Ltd, owns 64.84% (2007: 74.50%) of the issued capital of the company.

(b) Directors

The names of the persons who were directors of the company during the year ended 30 June 2008 and to the date of this report are as follows:

Name

R B Lester
R D Lester
W F Cawley (retired on 24th September 2007)
D P Hicks

No director was paid any remuneration by the company in respect of his position as a director of the company.

(c) The following related parties hold shares in the company:-

R D Lester	111,700 shares (2007: 111,222 shares)
L P Lester	32,454 shares (2007: 30,387 shares)
Balwyn Holdings Pty Ltd	5,086,291 shares (2007: 5,064,527 shares)
R B Lester and N S Lester	68,314 shares (2007: 58,688 shares)
Saphir Pty Ltd <The Saphir Trust>	22,480 shares (2007: Nil shares)

(d) Transactions with a related party

The following transactions occurred with a related party:

	2008	2007
	\$	\$
Growth Equities Pty Ltd		
Performance fees	-	581,874
Management fees	<u>183,371</u>	<u>147,001</u>
	<u>183,371</u>	<u>728,875</u>

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

16. RELATED PARTY TRANSACTIONS (Continued)

(e) Outstanding balances arising from management fees and performance fees

The following balances are outstanding at the reporting date in relation to transactions with a related party:

	2008 \$	2007 \$
Growth Equities Pty Ltd		
Performance fees	-	581,874
Management fees	<u>11,023</u>	<u>15,064</u>
	<u>11,023</u>	<u>596,938</u>

17. DIVIDENDS PAID/PAYABLE

Declared and paid during the year:

Dividend on ordinary shares:

Final franked dividends for 2007: 1 cent (2006: 1 cent)	<u>76,073</u>	<u>62,090</u>
	<u>76,073</u>	<u>62,090</u>

Franking credit balance

The amount of franking credits available for the subsequent financial year are:

	<u>891,750</u>	<u>684,615</u>
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In addition to the above dividends, the directors have approved and declared the payment of a final ordinary dividend of \$78,444 fully franked (1 cents per fully paid share) to be paid on or before 31 July 2008 out of retained profits at 30 June 2008.

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

18. FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, a portfolio ASX listed equities, receivable and payables.

The Company does not have any derivative instruments at 30 June 2008 and does not speculate in any type of financial instrument.

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

18. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risks

The activities of the company expose it primarily to the financial risks associated with its financial instruments. These are market price risk, interest rate risk, credit risk and liquidity risk. The Board of directors are responsible for monitoring and managing the financial risks of the company. They monitor these risks through weekly management meetings. Monthly management accounts are prepared, analysed and presented to the board quarterly.

(i) Market price risk

Market price risk arises from other financial assets held by the company in the form of a managed portfolio of investments in listed equities. The portfolio of investments is managed by Growth Equities Pty Ltd (portfolio manager).

Only investments in the managed portfolio of investments of \$11,292,628 as at 30 June 2008 are subject to movements in prices of the investment markets.

By its nature as an Unlisted Investment Company that invests in tradeable securities, the company can never be free of market price risk as it invests its capital in securities which are not risk free – the market price of these securities can fluctuate. The nature of the company's business is long term investment in equity securities listed on the ASX. This activity exposes the company to movements in the value of equity securities in which it holds an investment.

The company seeks to minimise market price risk at the investment portfolio level by ensuring that it is not, in the opinion of the Investment Committee, overly exposed to one company or one particular sector of the market. The relative weightings of the individual securities are reviewed by the Investment Committee, normally weekly, and risk can be managed by reducing exposure where necessary. The company manages risk in various ways including; allowing a maximum of 10% of the value of the portfolio to be purchased into any one investment; and allowing a maximum of 20% of the value of the portfolio to be held in any one investment at market prices.

The company's investment by sector is as below:

	2008	2007
	%	%
Agriculture	2.6	2.3
Bank	17.9	12.8
Capital Goods	11.6	17.1
Commercial Services & Supplies	4.9	4.9
Constructions	15.8	8.9
Diversified Financials	13.4	7.8
Energy and Industrial Asset Mgmt	5.8	-
Industrial Services	-	6.4
Insurance	9.5	9.2
Lifting & Logistics Services	2.2	1.8
Logistics, Transports & Warehousing	-	0.9
Real Estate	10.9	18.8
Retailing	3.3	3.3
Softwares and Services	-	0.7
Sports Apparel & Accessories	0.5	0.6
Transportation	-	1.9
Transports & Warehousing	1.6	2.6

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

18. FINANCIAL RISK MANAGEMENT (Continued)

(i) Market price risk (Continued)

Securities representing over 5% of investment at 30 June 2008 were:

	% of portfolio
ANZ Bank	8.9
Leighton Holdings Limited	15.7
Macquarie Group Limited	9.6
Nomad Building Solutions Limited	8.9
Pearlstreet Limited	5.8
QBE Insurance Limited	9.5

No other security represents over 5% of the company's investment portfolios.

To demonstrate the Company's sensitivity in changes to market prices a movement in the value of the managed portfolio of investments of plus or minus 10% at the reporting date would have increased/decreased net profit/(loss) before tax by \$1,129,263

(ii) Interest rate risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, is limited only to its cash holdings with a number of banks.

In 2008 the average floating interest rates on cash at bank and cash on deposit were 5.91% (2007: 5.15%).

To demonstrate the company's sensitivity to changes in interest rates a movement in rates of plus or minus 1% at the reporting date would have increased/decreased net profit by \$620.

(i) Foreign currency risk

The company is not directly exposed to foreign currency risk as all its investments are quoted in Australian dollars.

(b) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company has exposure to credit risk through its trade receivables and other receivables. 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 impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

The directors manage credit risk by regular monitoring of receivables and establish allowances for impairment when it is expected that any receivables are uncollectable.

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

18. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company has surplus cash reserves which enable sufficient cash to be available to settle obligations as they fall due

The company monitors its cash-flow requirements daily. Furthermore, the Investment Committee monitors the level of contingent payments on a weekly basis by reference to known sales and purchases of securities, dividends and distributions to be paid or received. The company ensures that it has cash sufficient to meet these contingent payments .

The company's risk management strategies include maintaining a policy of not gearing its operations through interest bearing debt. This removes the risk of being forced to liquidate its investment portfolio to repay debt or meet servicing obligations as these pressures are always greatest at the worst times to be selling investments.

All financial liabilities are expected to be paid out at their carrying amounts, within a period of less than 12 months.

19. FINANCIAL INSTRUMENTS

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as investments held for trading) is based on the Stock Exchange quoted market closing prices at the close of business on the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

20. SEGMENT INFORMATION

The company operates in one primary business segment being investment company and in one secondary geographical segment being Australia.

...GROWTH EQUITIES...

GROWTH EQUITIES ACCUMULATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued) FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
21. CASH FLOW STATEMENT		
<i>Reconciliation of (loss)/profit after income tax to net cash (outflows)/inflows from operating activities</i>		
(Loss)/Profit for the year	(4,175,112)	3,189,757
Adjustments for:		
Realised (gains)losses on financial assets held-for-trading	(926,061)	3,540
Unrealised losses/(gains) on financial assets held-for-trading	7,900,607	(4,576,721)
Changes in assets and liabilities		
(Increase)/Decrease in trade receivables	(89,478)	191,999
Decrease/(Increase) in other receivables	363	(9,101)
Decrease/(Increase) in deferred tax assets	104,819	(89,834)
(Decrease)/Increase in trade payables	(4,041)	6,877
(Decrease)/Increase in other payables	(581,874)	294,004
(Decrease)/Increase in deferred tax liabilities	<u>(2,300,548)</u>	<u>1,375,746</u>
Net cash (outflows)/inflow from operating activities	<u>(71,325)</u>	<u>386,267</u>

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GROWTH EQUITIES ACCUMULATION LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Growth Equities Accumulation Limited (the company) 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 ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

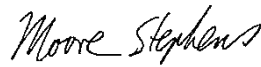
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, as provided to the directors of Growth Equities Accumulation Limited, would be in the same terms if provided to the directors as at the date of this auditor's report

Auditor's Opinion
In our opinion:

- a. the financial report of Growth Equities Accumulation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



NEIL PACE
PARTNER



MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 4th day of August 2008.

...GROWTH EQUITIES...

GROWTH EQUITIES ACCUMULATION LIMITED

DETAILED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
Revenue		
Dividends received	749,668	571,567
Realised gains on financial assets held-for-trading	926,061	-
Unrealised gains on financial assets held-for-trading	-	4,576,721
Interest received	62,010	48,240
Sundry revenue	-	22,064
	<hr/>	<hr/>
Total revenue	1,737,739	5,218,592
	<hr/>	<hr/>
Expenses		
Brokerage fees	24,602	10,508
Management fees	183,371	147,001
Performance fees	-	581,874
Realised losses on financial assets held-for-trading	-	3,540
Unrealised losses on financial assets held-for-trading	7,900,607	-
	<hr/>	<hr/>
Total expenses	8,108,580	742,923
	<hr/>	<hr/>
Net (loss)/profit for the year	(6,370,841)	4,475,669
	<hr/>	<hr/>