

**Balmain/Rozelle**  
**Financial Services Limited**

**Financial Statements**

**as at**

**30 June 2006**

**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Directors' Report**

Your Directors submit the financial report of the company for the financial year ended 30 June 2006.

**Directors**

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

E Paul Doughty  
Chairman  
Age: 68  
Retailer

Has a Balmain based retail photo shop. The shop has been in business for 19 years in the same location. He has been instrumental in gaining support for establishing the community bank in the area and contributed to the Balmain community through his association with Balmain Tourism, Community Rewards program, Balmain Hospital, Chamber of Commerce (Executive), Balmain Rotary (President and Executive), Balmain Water Polo Club and Balmain Sailing Club.

- Member, Human Resource
  - Member, Governance
- Interest in shares: 10,901

Lars Wladik Brander  
Treasurer  
Age: 60  
Importer

Lars has been in business of importing and distributing Dr Hauschka Skin Care and Wala medicines. Prior to this work, Lars was a teacher at Lorien Novalis School for Rudolf Steiner Education for 12 years.

- Member, Audit
  - Member, Marketing/Sponsorship
- Interest in shares: 8,001

Cynthia Marica Nadai  
Secretary  
Age: 51  
Consultant

Consultant with St James Ethics Centre - a not-for-profit organisation that provides a forum for the promotion and exploration of ethics. Cynthia is also a Director of Charities Aid Foundation (CAF) Australia, a not-for-profit organisation working to increase the flow of funds to the community. Cynthia has also worked with the local community to permanently protect Callan Park from development. She has lived in Lilyfield for 9 years. Prior to coming to Sydney, Cynthia served as Vice President of Trust Services and Manager of Customer Service for a Boston bank.

- Member, Governance
  - Member, Marketing/Sponsorship
- Interest in shares: 11,201

Kevin James Boundy  
Director  
Age: 64  
Importer & Retailer

A Balmain based importer and reseller of stone flooring, paving and roofing. He has been a resident in the Balmain area for 11 years. He is active in the Balmain & Rozelle Chamber of Commerce and also in the Balmain branch of Rotary International.

- Member, Audit
  - Member, Marketing/Sponsorship
- Interest in shares: 6,401

Barry William Bidwell  
Director  
Age: 65  
Retired

He has lived in the area with his wife for 34 years. Barry has wide management experience gained mainly in working for many years for a large multi-national company. Immediately before retiring, he worked as a consultant.

- Member, Human Resource
  - Member, Governance
- Interest in shares: 3,501

Elio Cacciotti  
Director  
Age: 70  
Retired

He has been in business and resided in Balmain for the past 48 years. He owned a food market for 15 years on Darling Street Balmain and has invested in a number of properties in the same area. Elio has been a consistent and major contributor to the community through organisations such as Balmain Rotary (President and Executive), Chamber of Commerce, Innerwheel International, Art and Craft Balmain and the local hospital.

- Member, Audit
- Interest in shares: 10,001

**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Directors' Report**

**Directors (continued)**

Peter Kenney  
Director  
Age: 56  
Real Estate Agent & Auctioneer  
Since 1980 Peter has established two franchise real estate businesses in Balmain Rozelle. From 1985 to 1999, Peter was a Director and Proprietor of timber manufacturing and retailing businesses in Balmain, Drummoyn and Botany. He also has agricultural interests incorporating cattle stud and commercial cattle breeding. For most of his life he has resided locally and was a past member of the Balmain & Rozelle Chamber of Commerce.  
- Member, Audit  
- Member, Marketing/Sponsorship  
Interest in shares: 2,501

Michelle Anne Ronan  
Director  
Age: 35  
Retailer  
Michelle has a background in retail management and function styling. She has successfully run her function decorating company and retail store in Rozelle since 2000. Since her arrival five years ago she has been actively involved in promoting local business through the Balmain & Rozelle Chamber of Commerce and the Inner West Networking Group.  
Interests in shares: 6,001

Frederick John Nicholson  
Director (*Resigned 5 December 2005*)  
Age: 45  
Business proprietor  
Interests in shares: 501

Pauline Keitha McAlinden  
Director  
Age: 54  
Managing director  
Pauline provides advice re training, marketing, sales, human resource, location etc to small businesses primarily in the Balmain area. She owns a Maid and Balmain - a cleaning and maintenance company. She has been in business and lived in Balmain for the past 31 years and has been associated one way or another with most of the local organisations including the Chamber of Commerce, the Arts and Crafts Festival, Balmain Historical Society and the Film Festival. As a consultant to Pin Point, she was instrumental in getting the Community Rewards program established in Balmain Rozelle which is the first community rewards program in Australia.  
- Member, Business Development  
- Member, Governance  
Interest in shares: 1,001

Robert John Passier  
Director  
Age: 65  
Commercial Manager  
Bob has been a resident of Balmain for over 25 years. He is currently employed in the Pharmaceutical Industry. Bob has a strong background in community activity in the area as evidenced by his prior activity within the Balmain & Rozelle Chamber of Commerce in the capacities of both member and President.  
- Member, Business Development  
Interests in shares: 1,001

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

No Directors have material interests in contracts or proposed contracts with the company.

**Company Secretary**

The company secretary is Cynthia Marica Nadai. Cynthia was appointed to the position of secretary on 31 January 2005. She works as a consultant for not-for-profit organisations and has experience within the banking sector.

**Principal activities**

The principal activities of the company during the course of the financial year were in providing community banking 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.

**Balmain/Rozelle Financial Services Limited**

**ABN 95 112 711 654**

**Directors' Report**

**Operating Results**

Operations have continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

Year ended 30 June 2006	Year ended 30 June 2005
\$ (238,832)	\$ (48,115)

**Remuneration**

No Director of the company receives payment for services as a Director or committee member. There are no employees who are directly accountable and have responsibility for the strategic direction and operational management of the entity.

There are therefore no specified executives whose remuneration requires disclosure.

**Dividends**

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current year.

**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 providing banking services to the community.

**Environmental Regulation**

The company is not subject to any significant environmental regulation.

**Directors' Benefits**

No 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 Managers 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.

**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Directors' Report**

**Directors Meetings**

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

	<b>Number of Board Meetings eligible to attend</b>	<b>Number attended</b>
E Paul Doughty	15	15
Cynthia Marica Nadai	15	12
Lars Wladik Brander	15	12
Kevin James Boundy	15	14
Barry Willaim Bidwell	15	15
Elio Cacciotti	15	10
Peter Kenney	15	11
Pauline Keitha McAlinden	15	6
Michelle Anne Ronan	15	13
Robert John Passier	15	5
Frederick John Nicholson( <i>Resigned 5 December 2005</i> )	8	2

**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.

**Auditor's independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Signed in accordance with a resolution of the Directors at Balmain, New South Wales on 11 September 2006.



**E. Paul Doughty, Chairman**



**Barry William Bidwell, Director**

### Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Balmain/Rozelle Financial Services Limited.

As lead auditor for the review of the financial statements of Balmain/Rozelle Financial Services Limited for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



David Hutchings  
Auditor

Andrew Frewin & Stewart

Bendigo VIC 3550

Dated: 13 September 2006

**Balmain/Rozelle Financial Services Limited**  
**ABN 95 122 711 654**  
**Income Statement**  
**for the year ended 30 June 2006**

	<u>Notes</u>	2006 \$	2005 \$
Revenues from operations activities	3	92,124	-
Salaries and employee benefits expense		(211,585)	(30,172)
Advertising and promotion expenses		(9,811)	-
Occupancy and associated costs		(63,817)	-
Depreciation and amortisation expense	4	(25,536)	-
Finance costs		(184)	-
General administration expenses		(116,147)	(37,793)
<b>Loss from ordinary activities before income tax credit</b>		<b>(334,956)</b>	<b>(67,964)</b>
Income tax credit	5	96,124	19,849
<b>Loss from ordinary activities after income tax credit</b>		<b>(238,832)</b>	<b>(48,115)</b>
<b>Loss attributable to members of Balmain/Rozelle Financial Services Limited</b>		<b>(238,832)</b>	<b>(48,115)</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic earnings per share	18	(26.54)	(6.58)

The accompanying notes form part of these financial statements

**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Balance Sheet**  
**as at 30 June 2006**

	<u>Notes</u>	2006 \$	2005 \$
<b>Current Assets</b>			
Cash assets	6	235,400	575,285
Trade and other receivables	7	4,448	13,042
<b>Total Current Assets</b>		<u><b>239,848</b></u>	<u><b>588,327</b></u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	193,673	1,402
Intangibles	9	48,000	60,000
Deferred tax assets	10	115,973	19,849
<b>Total Non-Current Assets</b>		<u><b>357,646</b></u>	<u><b>81,251</b></u>
<b>Total Assets</b>		<u><b>597,494</b></u>	<u><b>669,578</b></u>
<b>Current Liabilities</b>			
Trade and other payables	11	19,844	19,426
Provisions	12	1,450	-
<b>Total Current Liabilities</b>		<u><b>21,294</b></u>	<u><b>19,426</b></u>
<b>Total Liabilities</b>		<u><b>21,294</b></u>	<u><b>19,426</b></u>
<b>Net Assets</b>		<u><b>576,200</b></u>	<u><b>650,152</b></u>
<b>Equity</b>			
Contributed equity	13	863,147	698,267
Accumulated losses	14	(286,947)	(48,115)
<b>Total Equity</b>		<u><b>576,200</b></u>	<u><b>650,152</b></u>

The accompanying notes form part of these financial statements



**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Statement of changes in equity**  
**for the year ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>Total equity at the beginning of the financial year</b>	650,152	-
Net loss for the year	(238,832)	(48,115)
Net income/expense recognised directly in equity	-	-
Dividends provided for or paid	-	-
Shares issued during period	168,750	731,261
Costs of raising equity	(3,870)	(32,995)
<b>Total equity at the end of the financial year</b>	<b>576,200</b>	<b>650,152</b>

The accompanying notes form part of these financial statements

**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Statement of Cashflows**  
**for the year ended 30 June 2005**

	<u>Notes</u>	2006 \$	2005 \$
<b>Cash flows from operating activities</b>			
Cash received from customers		63,358	-
Cash paid to suppliers and employees		(371,060)	(67,542)
Interest received		14,890	-
Interest paid		(184)	-
<b>Net outflows from operating activities</b>	15(b)	<u>(292,996)</u>	<u>(67,542)</u>
<b>Cash Flows From Investing Activities</b>			
Payment for intangible assets		-	(60,000)
Payments for property plant and equipment		(205,807)	(1,402)
<b>Net cash outflows from investing activities</b>		<u>(205,807)</u>	<u>(61,402)</u>
<b>Cash Flows From Financing Activities</b>			
Proceeds of share issues		168,750	731,261
Payment of share issue costs		(9,832)	(27,032)
<b>Net cash inflows from financing activities</b>		<u>158,918</u>	<u>704,229</u>
<b>Net increase/(decrease) in cash held</b>		<b>(339,885)</b>	<b>575,285</b>
Cash at the beginning of the financial year		575,285	-
<b>Cash at the end of the financial year</b>	15(a)	<u><u>235,400</u></u>	<u><u>575,285</u></u>

The accompanying notes form part of these financial statements

## 1. Summary of significant accounting policies

### Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

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.

*Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)*

These financial statements are the first Balmain/Rozelle Financial Services Limited financial statements to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

The Financial Statements of Balmain/Rozelle Financial Services Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing Balmain/Rozelle Financial Services Limited's 2006 financial statements, management amended certain accounting and valuation methods that are applied in the AGAAP financial statements to comply with AIFRS.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRSs on the Company equity and its net income are given in note 19.

### 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.

### 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).

## **1. Summary of significant accounting policies (continued)**

### **Income tax (continued)**

#### Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of 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 they related to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current 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.

### **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.

## **1. Summary of significant accounting policies (continued)**

### **Employee entitlements**

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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.

### **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   |

## **1. Summary of significant accounting policies (continued)**

### **Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Goodwill is tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Payment terms**

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

### **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 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.

## **1. Summary of significant accounting policies (continued)**

### **Contributed Capital**

Issued and paid up capital is 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.

## **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 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 Bank Limited mitigates this risk significantly.

### **(v) Cash flow and fair value interest rate risk**

Interest-bearing assets are held with Bendigo 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 Bank Limited mitigates this risk significantly.

**Balmain/Rozelle Financial Services Limited**

**ABN 95 112 711 654**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

<b>3. Revenue from ordinary activities</b>	<b>2006 \$</b>	<b>2005 \$</b>
Operating activities:		
- services commissions	56,598	-
- other revenue	19,636	-
Total revenue from operating activities	<u>76,234</u>	<u>-</u>
Non-operating activities:		
- interest received	14,890	-
- donation	1,000	-
Total revenue from non-operating activities	<u>15,890</u>	<u>-</u>
Total revenues from ordinary activities	<u><u>92,124</u></u>	<u><u>-</u></u>

**4. Expenses**

Depreciation of non-current assets:		
- plant and equipment	13,477	-
- leasehold improvements	59	-
Amortisation of non-current assets:		
- franchise agreement	12,000	-
	<u>25,536</u>	<u>-</u>
Borrowing expenses:		
- interest paid	<u>184</u>	<u>-</u>
Bad debts	<u>497</u>	<u>-</u>

**5. Income tax expense**

The prima facie tax on loss from ordinary operations before income tax is reconciled to the income tax expense as follows:

Operating loss	(334,956)	(67,964)
Prima facie tax on loss from ordinary operations at 30%	(100,486)	(20,389)
Add tax effect of:		
- non-deductible expenses	4,362	540
Income tax expense on operating loss	<u>(96,124)</u>	<u>(19,849)</u>

**6. Cash assets**

Cash at bank and on hand	<u>235,400</u>	<u>575,285</u>
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**Balmain/Rozelle Financial Services Limited**

**ABN 95 112 711 654**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>7. Trade and other receivables</b>		
Sundry Debtor - ATO	3,998	13,042
Prepayments	450	-
	<u>4,448</u>	<u>13,042</u>
<b>8. Property, plant and equipment</b>		
<i>Plant and equipment</i>		
At cost	204,402	-
Less accumulated depreciation	(13,477)	-
	<u>190,925</u>	<u>-</u>
<i>Leasehold improvements</i>		
At cost	2,807	1,402
Less accumulated depreciation	(59)	-
	<u>2,748</u>	<u>1,402</u>
Total written down amount	<u>193,673</u>	<u>1,402</u>
<b>Movements in carrying amounts:</b>		
<i>Plant and equipment</i>		
Carrying amount at beginning	-	-
Additions	204,402	-
Disposals	-	-
Less: depreciation expense	(13,477)	-
Carrying amount at end	<u>190,925</u>	<u>-</u>
<i>Leasehold improvements</i>		
Carrying amount at beginning	1,402	-
Additions	1,405	1,402
Disposals	-	-
Less: depreciation expense	(59)	-
Carrying amount at end	<u>2,748</u>	<u>1,402</u>
Total written down amount	<u>193,673</u>	<u>1,402</u>
<b>9. Intangible assets</b>		
<i>Franchise Fee</i>		
At cost	60,000	60,000
Less: accumulated amortisation	(12,000)	-
	<u>48,000</u>	<u>60,000</u>
<b>10. Deferred Tax Benefit</b>		
Future income tax benefit		
Tax losses - revenue	<u>115,973</u>	<u>19,849</u>

**Balmain/Rozelle Financial Services Limited**

**ABN 95 112 711 654**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>11. Trade and other payables</b>		
Trade Creditors	14,457	17,626
Other creditors & accruals	5,387	1,800
	<u>19,844</u>	<u>19,426</u>
<b>12. Provisions</b>		
Employee provisions	<u>1,450</u>	<u>-</u>
Number of employees at year end	<u>2</u>	<u>-</u>
<b>13. Contributed equity</b>		
900,011 Ordinary shares fully paid of \$1 each (2005: 731,261)	900,011	731,261
Less: equity raising expenses	(36,864)	(32,995)
	<u>863,147</u>	<u>698,267</u>
<b>14. Accumulated losses</b>		
Balance at the beginning of the financial year	(48,115)	-
Net loss from ordinary activities after income tax	(238,832)	(48,115)
Dividends Paid	-	-
Balance at the end of the financial year	<u>(286,947)</u>	<u>(48,115)</u>
<b>15. Statement of cashflows</b>		
<b>(a) Reconciliation of cash</b>		
Cash at bank and on hand	<u>235,400</u>	<u>575,285</u>
<b>(b) Reconciliation of loss from ordinary activities after tax to net cash used in operating activities</b>		
Loss from ordinary activities after income tax	(238,832)	(48,115)
Non cash items:		
- depreciation	13,536	-
- amortisation	12,000	-
- capital raising expensed/(written back)	(4,487)	4,487
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(6,545)	(13,042)
- (increase)/decrease in other assets	(96,574)	(19,849)
- increase/(decrease) in payables	27,906	8,977
Net cashflows used in operating activities	<u>(292,996)</u>	<u>(67,542)</u>

**Balmain/Rozelle Financial Services Limited****ABN 95 112 711 654****Notes to the Financial Statements  
for the year ended 30 June 2006****16. Auditors' remuneration**

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by the auditor of the company for:		
- audit & review services	3,500	1,800
- other services in relation to the company	450	3,081
	<u>3,950</u>	<u>4,881</u>

**17. Director and Related party disclosures**

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

Kevin James Boundy  
 Barry William Bidwell  
 Lars Wladik Brander  
 Elio Cacciotti  
 E. Paul Doughty  
 Peter Kenney  
 Pauline Keitha McAlinden  
 Cyntia Maica Nadai  
 Fredrick John Nicholson  
 Robert John Passer  
 Michelle Anne Ronan  
 Louise Perry

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**

	<b><u>2006</u></b>	<b><u>2005</u></b>
Kevin James Boundy	6,401	6,401
Barry William Bidwell	3,501	3,501
Lars Wladik Brander	8,001	8,001
Elio Cacciotti	10,001	10,001
E. Paul Doughty	10,901	10,901
Peter Kenney	2,501	2,501
Pauline Keitha McAlinden	1,001	1,001
Cyntia Maica Nadai	11,201	11,201
Fredrick John Nicholson	501	501
Robert John Passier	1,001	1,001
Michelle Anne Ronan	6,001	6,001

There was no movement in directors shareholdings during the year. Each share held is valued at \$1 and is fully paid.

**18. Earnings per Share**

	<b><u>c</u></b>	<b><u>c</u></b>
Losses per share for the financial year were:	(26.54)	(6.58)

**Balmain/Rozelle Financial Services Limited**

**ABN 95 112 711 654**

**Notes to the Financial Statements  
for the year ended 30 June 2006**

**19. Reconciliation from equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under AIFRS**

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS would be made, retrospectively, against opening retained earnings as at 1 July 2004.

In the Company's opinion, there have been no material impacts in relation to the financial report for the year ended 30 June 2006. There are no impacts to be disclosed.

**Impact on the income statement**

Nil.

**Impact on the balance sheet**

Nil.

**20. Subsequent events**

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

**21. Contingent liabilities**

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

**22. Segment reporting**

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Balmain and Rozelle district, Sydney.

**23. Registered office/Principal place of business**

The registered office and principal place of business is:

**Registered office**  
87-91 Lyons Road  
Drummoyne NSW 2047

**Principal place of business**  
597 Darling Street  
Rozelle NSW 2039

## 24. Financial Instruments

### Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. 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 Statement of Financial Position 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					
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash assets	235,400	575,285	-	-	-	-	-	-	-	-	3.67	2.5
Receivables	-	-	-	-	-	-	-	-	4,448	13,042	N/A	N/A
Financial liabilities												
Payables	-	-	-	-	-	-	-	-	19,844	17,626	N/A	N/A

**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Directors' Declaration**

In accordance with a resolution of the directors of Balmain/Rozelle Financial Services 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 2006 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.

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



**E. Paul Doughty, Chairman**



**Barry William Bidwell, Director**

Signed on the 11th of September 2006.

## **INDEPENDENT AUDIT REPORT**

To the members of Balmain/Rozelle Financial Services Limited

### **Scope**

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes and the directors' declaration for Balmain/Rozelle Financial Services Limited for the financial year ended 30 June 2006.

The company has disclosed information about the compensation of key management personnel ("compensation disclosures"), as required by Accounting Standard AASB 124 Related Party Disclosures ("AASB 124") under the heading "remuneration report" in the directors' report as permitted by the ASIC class order 06/50. These compensation disclosures are identified in the directors' report as being subject to audit. The remuneration report also contains information not subject to audit.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the compensation disclosures contained in the directors' report.

### ***Audit approach***

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations, its changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

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 made by the directors.

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

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

### **Audit Opinion**

In our opinion:

1. the financial report of Balmain/Rozelle Financial Services 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 2006 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations; and
2. the compensation disclosures that are contained in the directors' report under the heading "remuneration report" comply with Accounting Standard AASB 124 *Related Party Disclosures*.



**DAVID HUTCHINGS**

**ANDREW FREWIN & STEWART**

61-65 Bull Street, Bendigo, VIC 3550

Dated this 13<sup>th</sup> day of September 2006