

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

**Financial Statements**

**as at**

**30 June 2007**

**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 2007.

**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: 69

Retailer

Paul has a Balmain based retail photo shop. The shop has been in the business for 20 years in the same location. He was instrumental in gaining support for the establishment of the Community Bank in the area and has 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 Resources

- Member, Governance

Interest in shares 20,001

**Cynthia Marica Nadai**

Secretary

Age: 52

Consultant

Cynthia is a former Consultant and Professional Development Officer with St James Ethics Centre. She is also a Director of Charities Aid Foundation (CAF) Australia, a not-for-profit working to increase the flow of funds to the community sector. Locally, Cynthia works with the community regarding the ongoing use and management of Callan Park. She has lived in Lilyfield for 10 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, Sponsorship

Interest in shares 11,451

**Barry William Bidwell**

Director

Age: 66

Retired

Barry has lived in the Balmain area with his wife for 35 years. Barry has wide management experience gained mainly in working for many years for a large multi-national company. Immediately before retirement, he worked as a consultant.

- Member, Human Resources

- Member, Governance

- Member, Audit

Interest in shares 3,501

**Lars Wladik Brander**

Treasurer

Age: 61

Importer

Lars has been in the business of importing and distributing Dr Hauscha 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, Sponsorship

Interest in shares 6,001

**Kevin James Boundy**

Director (Resigned 11 April 2007)

Age: 65

Importer & Retailer

Kevin is a Balmain based importer and reseller of stone flooring, paving and roofing. He has been a resident in the Balmain area for 12 years. He is active in the Balmain & Rozelle Chamber of Commerce and also in the Balmain branch of Rotary International.

- Member, Audit

- Member, Sponsorship

Interest in shares 6,401

**Elio Cacciotti**

Director

Age: 71

Retired

He has been in business and resided in Balmain for the past 49 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 the Balmain Rotary (President and Executive), Chamber of Commerce, Innerwheel International, Art and Craft Balmain and the local hospital.

Member, Audit

Interest in shares 10,901

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**Directors' Report**

**Peter Kenney**

Director (Resigned 29 November 2006)

Age: 57

Real Estate Agent & Auctioneer

Since 1980 Peter has established two franchise real estate businesses in the Balmain/Rozelle area. From 1985 to 1999, Peter was a director and proprietor of timber manufacturing and retailing businesses in Balmain, Drummoyne and Botany. He also has agricultural interests including a cattle stud and commercial cattle breeding. For most of his life he has resided locally and is a past member of the Balmain & Rozelle Chamber of Commerce.

- Member, Audit

- Member, Sponsorship

Interest in shares 2,501

**Michelle Anne Ronan**

Director

Age: 36

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 seven years ago she has been actively involved in promoting local business through the Balmain & Rozelle Chamber of Commerce and the Inner West Networking Group.

- Member, Sponsorship

Interest in shares 6,001

**Ian Richard Crichton-Browne**

Director (Appointed 29 November 2006)

Age: 65

Ian is a partner in a legal practice conducted in Balmain for the past 21 years. A current member of the Balmain/Rozelle Chamber of Commerce where he held many positions. Ian relies on the knowledge and experience gained over 41 years in the legal profession during which time he has been self-employed or in partnership.

- Member, Governance

Interest in shares 1,100

**Pauline Keitha McAlinden**

Director

Age: 55

Managing Director

Pauline provides advice re training, marketing, sales, human resource, location etc to small businesses primarily in the Balmain area. She owns Maid and Balmain - a cleaning and maintenance company. She has been in business and lived in Balmain for the past 32 years and has been associated with many local organisations including the Chamber of Commerce, the Arts and Craft Festival, Balmain Historical Society and the Film Festival. As a consultant to Pin Point, she was instrumental in establishing the Community Rewards Program in Balmain Rozelle. This was the first community rewards program in Australia.

- Member, Governance

- Member, Audit

Interest in shares 1,001

**Robert John Passier**

Director (Resigned 29 November 2006)

Age: 64

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.

Interest in shares 1,001

**Richard James Ware**

Director (Appointed 29 November 2006)

Age: 57

Richard worked in the Glebe and Balmain area since 1980 as a real estate agent, valuer and property manager until he sold the business in 2005 to spend more time with his wife and four daughters. Richard is a director of the company that runs the Simpson Desert Cycle Challenge. He is a life member of the Freshwater Surf Life Saving Club and a member of the Glebe Chamber of Commerce of which he was a founding Vice President.

- Member, Human Resources

Interest in shares 20,000

All Directors were on the Marketing Committee.

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

Except for Paul Doughty, no Directors have material interests in contracts or proposed contracts with the company. See Note 17 to the financial statements 'Directors and Related Party Disclosures' for further details.

**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.

**Balmain/Rozelle Financial Services Limited**  
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**Directors' Report**

**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.

**Operating Results**

Operations have not performed in line the with expectations outlined in the Prospectus. The Directors believe that initiatives in place will improve performance. The Directors have an agreement in principle with Bendigo Bank Ltd for a line of credit sufficient to cover the working capital requirements of the Company until these initiatives take effect. The line of credit will be interest free for six months from the first drawdown. The loss of the Company for the financial year after provision for income tax was:

Year ended 30 June 2007	Year ended 30 June 2006
\$ (218,073)	\$ (238,832)

**Remuneration Report**

No director of the company receives any remuneration for services provided as director to the company.

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.

**Balmain/Rozelle Financial Services Limited**  
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**Directors' Report**

**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 except as noted at note 17 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

**Indemnification and Insurance of Directors and Officers**

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

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

**Directors Meetings**

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

	<b>Number of Board Meetings <u>eligible to attend</u></b>	<b><u>Number attended</u></b>
E Paul Doughty	11	8
Lars Wladik Brander	11	4
Cynthia Marica Nadai	11	8
Kevin James Boundy	8	7
Barry William Bidwell	11	11
Elio Cacciotti	11	5
Peter Kenney	5	5
Pauline Keitha McAlinden	11	8
Michelle Anne Ronan	11	11
Robert John Passier	5	0
Ian Richard Crichton-Browne	6	5
Richard James Ware	6	5

**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;

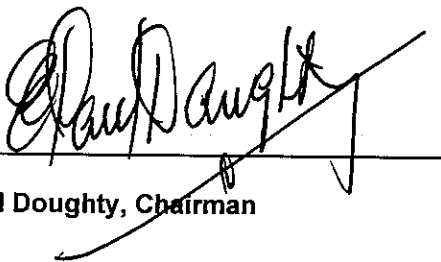
**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Directors' Report**

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.

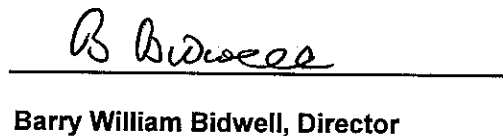
**Auditors' Independence Declaration**

A copy of the Auditors' Independence Declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

Signed in accordance with a resolution of the Board of Directors at Rozelle, NSW on 12 September 2007.

A handwritten signature in black ink, appearing to read 'Paul Doughty', written over a horizontal line. The signature is stylized with a large 'P' and a long horizontal stroke.

**E Paul Doughty, Chairman**

A handwritten signature in black ink, appearing to read 'B Bidwell', written over a horizontal line. The signature is stylized with a large 'B' and a long horizontal stroke.

**Barry William Bidwell, Director**

### **Auditor's Independence Declaration**

As lead auditor for the audit of the financial statements of Balmain/Rozelle Financial Services Limited the year ended 30 June 2007, 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 audit; and
- b) any applicable code of professional conduct in relation to the audit.



David Hutchings  
Auditor  
Andrew Frewin & Stewart

Bendigo  
7 September 2007

**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Income Statement**  
**for the year ended 30 June 2007**

	<u>Notes</u>	<b>2007</b> <b>\$</b>	<b>2006</b> <b>\$</b>
Revenues from ordinary activities	3	241,345	92,124
Salaries and employee benefits expense		(228,341)	(211,585)
Advertising and promotion expenses		(10,998)	(9,811)
Occupancy and associated costs		(75,928)	(63,817)
Systems costs		(19,878)	(26,965)
Depreciation and amortisation expense	4	(26,616)	(25,536)
General administration expenses		(97,657)	(89,366)
<b>Loss before income tax credit</b>		<b>(218,073)</b>	<b>(334,956)</b>
Income tax credit	5	-	96,124
<b>Loss for the period</b>		<b>(218,073)</b>	<b>(238,832)</b>
<b>Loss attributable to members of the entity</b>		<b>(218,073)</b>	<b>(238,832)</b>
<b>Earnings per share (cents per share)</b>		<b>c</b>	<b>c</b>
- basic for profit for the year	19	(24.23)	(26.54)



**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Balance Sheet**  
**as at 30 June 2007**

	<u>Notes</u>	2007 \$	2006 \$
<b>Current Assets</b>			
Cash assets	6	29,699	235,400
Trade and other receivables	7	15,846	4,448
<b>Total Current Assets</b>		<u>45,545</u>	<u>239,848</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	179,057	193,673
Intangible assets	9	36,000	48,000
Deferred tax assets	10	115,973	115,973
<b>Total Non-Current Assets</b>		<u>331,030</u>	<u>357,646</u>
<b>Total Assets</b>		<u>376,575</u>	<u>597,494</u>
<b>Current Liabilities</b>			
Trade and other payables	11	11,949	19,844
Provisions	12	6,499	1,450
<b>Total Current Liabilities</b>		<u>18,448</u>	<u>21,294</u>
<b>Total Liabilities</b>		<u>18,448</u>	<u>21,294</u>
<b>Net Assets</b>		<u>358,127</u>	<u>576,200</u>
<b>Equity</b>			
Contributed equity	13	863,147	863,147
Accumulated losses	14	(505,020)	(286,947)
<b>Total Equity</b>		<u>358,127</u>	<u>576,200</u>

**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Statement of changes in equity**  
**for the year ended 30 June 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Total equity at the beginning of the financial year	576,200	650,152
Net income/expense recognised directly in equity	-	-
Net loss for the year	(218,073)	(238,832)
Total recognised income & expenses for the year	<u>-</u>	<u>-</u>
Shares issued during period	-	168,750
Costs of issuing shares	-	(3,870)
Dividends provided for or paid	-	-
Total equity at the end of the financial year	<u><b>358,127</b></u>	<u><b>576,200</b></u>

**Balmain/Rozelle Financial Services Limited**  
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**Statement of Cashflows**  
**for the year ended 30 June 2007**

	<u>Notes</u>	<b>2007</b> <b>\$</b>	<b>2006</b> <b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		269,821	63,358
Payments to suppliers and employees		(481,142)	(371,060)
Interest received		5,621	14,890
Interest paid		(1)	(184)
<b>Net cash outflow from operating activities</b>	<b>15</b>	<b><u>(205,701)</u></b>	<b><u>(292,996)</u></b>
<b>Cash Flows From Investing Activities</b>			
Payments for property plant and equipment		-	(205,807)
<b>Net cash outflow from investing activities</b>		<b><u>-</u></b>	<b><u>(205,807)</u></b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issue of shares		-	168,750
Payment of share issue costs		-	(9,832)
<b>Net cash inflow from financing activities</b>		<b><u>-</u></b>	<b><u>158,918</u></b>
<b>Net decrease in cash held</b>		<b>(205,701)</b>	<b>(339,885)</b>
Cash at the beginning of the financial year		235,400	575,285
<b>Cash at the end of the financial year</b>	<b>6(a)</b>	<b><u>29,699</u></b>	<b><u>235,400</u></b>

**Balmain/Rozelle Financial Services Limited**

**ABN 95 112 711 654**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

**1. Summary of significant accounting policies**

**Basis of preparation**

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 IFRS*

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

*Historical cost convention*

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

**Revenue**

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

**Goods and services tax**

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

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

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

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

**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).

**Balmain/Rozelle Financial Services Limited**

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**Notes to the Financial Statements  
for the year ended 30 June 2007**

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

**Income tax (continued)**

Deferred tax

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

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

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

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

Current and deferred tax for the period

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

**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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**Balmain/Rozelle Financial Services Limited**

**ABN 95 112 711 654**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

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

**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

**Critical Accounting Estimates and Judgements**

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Payment terms**

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

**Trade Receivables and Payables**

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

**Borrowings**

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

**Balmain/Rozelle Financial Services Limited**  
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**Notes to the Financial Statements**  
**for the year ended 30 June 2007**

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

**Provisions**

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

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

**Contributed Equity**

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

**Earnings per Share**

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

**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.

**Balmain/Rozelle Financial Services Limited**

**ABN 95 112 711 654**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

**2. Financial Risk Management (continued)**

(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.

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>3. Revenue from ordinary activities</b>		
Operating activities:		
- services commissions	169,493	56,598
- other revenue	64,131	19,636
Total revenue from operating activities	<u>233,624</u>	<u>76,234</u>
Non-operating activities:		
- interest received	5,621	14,890
- donation	2,100	1,000
Total revenue from non-operating activities	<u>7,721</u>	<u>15,890</u>
Total revenues from ordinary activities	<u><u>241,345</u></u>	<u><u>92,124</u></u>

**4. Expenses**

Depreciation of non-current assets:		
- plant and equipment	14,547	13,477
- leasehold improvements	69	59
Amortisation of non-current assets:		
- franchise agreement	12,000	12,000
	<u>26,616</u>	<u>25,536</u>
Finance costs:		
- interest paid	<u>1</u>	<u>184</u>
Bad debts	<u>724</u>	<u>497</u>

**5. Income tax expense**

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

Operating loss	(218,073)	(334,956)
Prima facie tax on loss from ordinary activities at 30%	(65,422)	(100,486)
Add tax effect of:		
- non-deductible expenses	9,073	4,362
- timing differences	1,567	
Less tax effect of:		
- non assessable income	(3,989)	-
- tax deductible expenses	(5,959)	-
2007 Tax credit not brought into account	64,730	-
Income tax credit on operating loss	<u>-</u>	<u>(96,124)</u>

Future income tax benefits arising from tax losses income during the year has not been recognised at reporting date as realisation of the benefit is not regarded as virtually certain.



**Balmain/Rozelle Financial Services Limited**

**ABN 95 112 711 654**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>6. Cash assets</b>		
Cash at bank and on hand	29,699	235,400
	<u>29,699</u>	<u>235,400</u>

The above figures are reconciled to costs at the end of the financial year as shown in the statement of cashflows.

**6(a) Reconciliation of cash**

Cash at bank and on hand	29,699	235,400
	<u>29,699</u>	<u>235,400</u>

**7. Trade and other receivables**

Accrued Income	11,195	-
Sundry Debtor - ATO	86	3,998
Prepayments	4,565	450
	<u>15,846</u>	<u>4,448</u>

**8. Property, plant and equipment**

*Plant and equipment*

At cost	204,402	204,402
Less accumulated depreciation	(28,024)	(13,477)
	<u>176,378</u>	<u>190,925</u>

*Leasehold improvements*

At cost	2,807.00	2,807
Less accumulated depreciation	(128)	(59)
	<u>2,679</u>	<u>2,748</u>

Total written down amount	<u>179,057</u>	<u>193,673</u>
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**Movements in carrying amounts:**

*Plant and equipment*

Carrying amount at beginning	190,925	-
Additions	-	204,402
Less: depreciation expense	(14,547)	(13,477)
Carrying amount at end	<u>176,378</u>	<u>190,925</u>

*Leasehold improvements*

Carrying amount at beginning	2,748	1,402
Additions	-	1,405
Less: depreciation expense	(69)	(59)
Carrying amount at end	<u>2,679</u>	<u>2,748</u>

Total written down amount	<u>179,057</u>	<u>193,673</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 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>9. Intangible assets</b>		
<i>Franchise Fee</i>		
At cost	60,000	60,000
Less: accumulated amortisation	(24,000)	(12,000)
	<u>36,000</u>	<u>48,000</u>
<b>10. Deferred Tax</b>		
Deferred Tax Asset		
Tax losses - revenue	<u>115,973</u>	<u>115,973</u>
<b>11. Trade and other payables</b>		
Trade Creditors	7,905	14,457
Other creditors & accruals	4,044	5,387
	<u>11,949</u>	<u>19,844</u>
<b>12. Provisions</b>		
Employee provisions	<u>6,499</u>	<u>1,450</u>
Number of employees at year end	<u>3</u>	<u>2</u>
<b>13. Contributed equity</b>		
900,011 Ordinary shares fully paid of \$1 each (2006: 900,011)	900,011	900,011
Less: equity raising expenses	(36,864)	(36,864)
	<u>863,147</u>	<u>863,147</u>
<b>14. Retained Earnings/Accumulated Losses</b>		
Balance at the beginning of the financial year	(286,947)	(48,115)
Net loss from ordinary activities after income tax	(218,073)	(238,832)
Balance at the end of the financial year	<u>(505,020)</u>	<u>(286,947)</u>

**Balmain/Rozelle Financial Services Limited**

**ABN 95 112 711 654**

**Notes to the Financial Statements  
for the year ended 30 June 2007**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>15. Statement of cashflows</b>		
<i>Reconciliation of loss from ordinary activities after tax to net cash used in operating activities</i>		
Loss from ordinary activities after income tax	(218,073)	(238,832)
Non cash items:		
- depreciation	14,616	13,536
- amortisation	12,000	12,000
- capital raising expensed(written back)	-	(4,487)
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(11,398)	(6,545)
- (increase)/decrease in other assets	-	(96,574)
- increase/(decrease) in payables	(7,895)	27,906
- increase/(decrease) in provisions	5,049	-
Net cashflows used in operating activities	<u>(205,701)</u>	<u>(292,996)</u>
<b>16. Auditors' remuneration</b>		
Amounts received or due and receivable by the auditor of the company for:		
- audit & review services	3,968	3,500
- non audit services	-	450
	<u>3,968</u>	<u>3,950</u>

**17. Director and Related party disclosures**

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

E Paul Doughty  
Lars Wladik Brander  
Cynthia Marica Nadai  
Kevin James Boundy (resigned 11 April 2007)  
Barry William Bidwell  
Elio Cacciotti  
Peter Kenney (resigned 29 November 2006)  
Pauline Keitha McAlinden  
Michelle Anne Ronan  
Robert John Passier (resigned 29 November 2006)  
Ian Richard Crichton-Browne (appointed 29 November 2006)  
Richard James Ware (appointed 29 November 2006)

No Director's fees have been paid as the positions are held on a voluntary basis.

Paul Doughty is the owner of Photel Pty Ltd, Balmain/Rozelle Financial Services Limited used Photel Pty Ltd's photographic services, the total benefit Photel Pty Ltd received for the financial year was \$203.

**Balmain/Rozelle Financial Services Limited**  
**ABN 95 112 711 654**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2007**

**17. Director and related party disclosures (continued)**

<b>Directors' shareholdings</b>	<b><u>2007</u></b>	<b><u>2006</u></b>
E Paul Doughty	10,901	10,901
Lars Wladik Brander	8,001	8,001
Cynthia Marica Nadai	11,201	11,201
Kevin James Boundy (resigned 11 April 2007)	6,401	6,401
Barry William Bidwell	3,501	3,501
Elio Cacciotti	10,001	10,001
Peter Kenney (resigned 29 November 2006)	2,051	2,501
Pauline Keitha McAlinden	1,001	1,001
Michelle Anne Ronan	6,001	6,001
Robert John Passier (resigned 29 November 2006)	1,001	1,001
Ian Richard Crichton-Browne (appointed 29 November 2006)	1,100	-
Richard James Ware (appointed 29 November 2006)	20,000	-

There was no movement in Directors' shareholdings during the year. Each share held is valued at \$1.

**18. Earnings per Share**

	<b><u>2007</u></b>	<b><u>2006</u></b>
	<b><u>\$</u></b>	<b><u>\$</u></b>
(a) Profit attributable to the ordinary share holders of the company used in calculating basic earnings per share	(218,073)	(238,832)
	<b><u>2007</u></b>	<b><u>2006</u></b>
(b) Weighted average number of shares used as the denominator	<b><u>Number</u></b>	<b><u>Number</u></b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	900,011	900,011

**19. Events occurring after the balance sheet date**

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

**20. Contingent liabilities**

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

**21. Segment reporting**

The economic entity operates in the service sector where it facilitates community banking services pursuant to a franchise agreement with Bendigo Bank Limited. The economic entity operates in one geographic area being Balmain / Rozelle district, Sydney NSW.

**22. Registered Office/Principal Place of Business**

<b><u>Registered Office</u></b>	<b><u>Principal Place of Business</u></b>
87-91 Lyons Road Drummoyne NSW 2047	597 Darling Street Rozelle NSW 2039

## 23. 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					
	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$	2007 %	2006 %		
Financial assets												
Cash assets	29,699	235,400	-	-	-	-	-	-	4.24	3.67		
Receivables	-	-	-	-	-	-	15,846	4,448	-	N/A		
Financial liabilities												
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	-		
Payables	-	-	-	-	-	-	11,949	19,844	-	N/A		

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

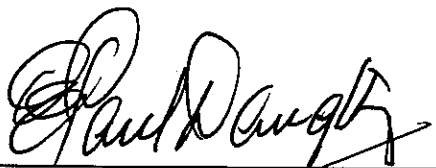
In accordance with a resolution of the directors of Balmain/Rozelle Community Financial Services Limited, we state that:

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 2007 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB174 Related Party Disclosures and the *Corporations Regulations 2001*.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by section 295A of the *Corporations Act*.

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 12th of September 2007.

## INDEPENDENT AUDITOR'S REPORT

To the members of Balmain/Rozelle Financial Services Limited

We have audited the accompanying financial report of Balmain/Rozelle Financial Services Limited which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Directors' Declaration.

### Directors Responsibility for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report so that 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.

### 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, 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.

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

### Independent Auditor's Opinion

In our opinion, the financial report of Balmain/Rozelle Financial Services Limited is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Balmain/Rozelle Financial Services Limited as of 30 June 2007, and of its financial performance and its cash flows for the year then ended and Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



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

Dated this 7<sup>th</sup> day of September 2007

## Chairman's Report

For year ending 30 June 2007.

The Balmain / Rozelle Community Bank Branch of Bendigo Bank opened on 23 August 2005. Consequently this Annual Report to 30 June 2007 refers to our first full year of trading.

As at 30 June 2007 our Bank has now been in operation for nearly two years and has been very well received by the Balmain and Rozelle communities.

Throughout the year we have increased the Bank's profile by:

- producing and distributing newsletters
- supporting community events such as the Rotary Charity Bikeathon, Accoustica Festival, Birchgrove Fair etc.
- hanging banners across Darling Street
- talking to residents on Saturday mornings at the markets

As a result, at October 2007, we have nearly 1,400 customers and over \$30 million in balances. This is an increase of over \$11 million in one year.

We are currently working towards a total balance of \$40 million when we will return \$20,000 to the community.

**We ask each of you to consider transferring your banking and insurance business to the Balmain / Rozelle Community Bank – your Bank.**

For those of you who have accounts don't forget that 'word of mouth' is the best way to grow our business. Please talk to your family, friends and colleagues and let them know of your experience with Community Banking.

We look forward to the day when we can be making regular contributions to the local community and rewarding you, our shareholders, for your support.

Regards

E. Paul Doughty  
Chairman