

Annual Report

2010 - 2011

Chairman's Report

For year ending 30 June 2011

Dear fellow shareholders,

This, our 6th year of business, has seen your Balmain / Rozelle **Community Bank[®]** Branch through many changes and challenges during the year. But we have continued to grow, and achieve another year of profit and look forward to a positive future.

I indicated last year that we had many challenges in the year ahead. With renegotiation of the lease of the branch premises, renewal of the franchise agreement for a further 5 years, re-balancing of our commission arrangements with Bendigo and Adelaide Bank Limited and change of branch staff, coupled with a changing economy, we have indeed had many challenges to deal with. Our branch book has reduced from \$64 to \$58million but we have earned a profit before income tax of \$55,314. Our branch book fluctuated as deposits were received or redeemed by customers. An increase in rent of over 40% and additional amortisation of franchise fee payable has impacted the results. The details are in the Financial Statements in this report. A re-balancing of the commission arrangements with Bendigo and Adelaide Bank Limited will commence from 1 April 2012 and thus has not impacted this year's results. Details are noted in the Director's Report.

Shareholders who have visited the branch recently will have seen that we have a new team of staff in the branch. With the appointment of Troy Elias as Branch Manager, we have hand-picked new staff who are showing great enthusiasm and good old-fashioned customer service. If you are near the branch, please step in, even if only to say hello to our staff, as they have left a very good impression on our regular customers. Customers have commented on how well our staff listen to their needs and address them with appropriate products and services. It is important that as many shareholders as possible continue to bank with the branch as this helps achieve our volumes of business for profitability.

Our first five year plan was on track until the GFC created havoc. We have mostly recovered and achieved our five year plan by the sixth year. We continue to look for new opportunities to grow and improve the business. We have an able partner in Bendigo and Adelaide Bank Limited. Bendigo Bank was awarded Australian Reader's Digest's Most Trusted Bank and we have been ably supported by Rob Chittick (Regional Manager) and his team during the year. Our philosophy remains - we believe that successful customers and successful communities create a successful bank - in that order.

We look forward to a year of providing excellent customer service and support, increased contributions to community projects and to reward our shareholders for their support and patience by paying a dividend. We are reluctant to pay a dividend until we can see profits continuing into the future, to ensure a consistent policy of dividend payments, which has been difficult to foresee with economic conditions fluctuating so much.

To grow, we need the continuing support of shareholders, local businesses, individuals and customers to spread the word that we are injecting great benefits back into the local community, more than other banks are doing. We would like to reward further our community and shareholders. We would like to hear from community members on how we can help.

May I thank fellow Directors, Ambassadors and staff for their performance, support and encouragement. Directors and Ambassadors are drawn from a wide diversity of business and administration backgrounds, but are all heading toward the same result. It remains my pleasure to be associated with such a fine community enterprise as Balmain / Rozelle **Community Bank[®]** Branch.

Regards,

Richard Ware

Chairman

Balmain / Rozelle
Financial Services Limited

Financial Statements

as at

30 June 2011

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

Your directors submit the financial statements of the company for the financial year ended 30 June 2011.

Directors

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

Richard James Ware	-	Chairman (Non-executive)
Qualifications	-	Licensed Real Estate Agent, Licensed Auctioneer, Registered Valuer, Diploma in Human Relations.
Experience	-	Board member since 2006. Richard worked in the Glebe and Balmain area since 1980 as a real estate agent, valuer and property manager until he sold his business in 2005. 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.
Interest in shares	-	20,000
Special Responsibilities	-	None
Directorships held in other listed entities	-	None
Michael Raymond Newton	-	Director (Non-executive)
Qualifications	-	Bachelor of Commerce. He is a member of the Institute of Chartered Accountants, Chartered Secretaries Australia and Security Institute.
Experience	-	Michael has experience as a company secretary and finance manager.
Interest in shares	-	None
Special Responsibilities	-	Company Secretary and Member of the Governance & Audit Committee and the Budget Committee.
Directorships held in other listed entities	-	None
Cynthia Marica Nadai	-	Director - (Non-executive)
Qualifications	-	Master of Business Administration
Experience	-	Founding board member. Cynthia is a former Consultant and Director of Operations at the 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 14 years. Prior to coming to Sydney, Cynthia served as Vice President, Trust Services and Manager, Customer Services for a Boston bank.
Interest in shares	-	11,451
Special Responsibilities	-	Treasurer, Member of the Budget Committee and Future Committee.
Directorships held in other listed entities	-	None
John Anthony Civitarese	-	Director (Non-executive)
Qualifications	-	
Experience	-	Board member since 2008. John is a consultant in retail business and property management. He has 39 years experience in property development and management and retail management in the hospitality and health food industry. Past president and member of the Haberfield Chamber of Commerce. Past member and charter president of Rotary Club of Haberfield.
Interest in shares	-	None
Special Responsibilities	-	Member of the Sponsorship Committee.
Directorships held in other listed entities	-	None

Balmain / Rozelle Financial Services Limited

ABN 95 112 711 654

Directors' Report

Ernest Paul Doughty	-	Director (Non-executive)
Qualifications	-	
Experience	-	Founding chairman and board member. Paul has a Balmain based retail photo business for over 23 years. He 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.
Interest in shares	-	15,001
Special Responsibilities	-	Member of the Business, Marketing & Development Committee & Human Resources, Safety & Security Committee.
Directorships held in other listed entities	-	None
Pauline Keitha McAlinden	-	Director (Non-executive)
Qualifications	-	
Experience	-	Founding board member. Pauline provides sales and marketing advice to business primarily in the Balmain area. She has also owned a cleaning and maintenance company. She is associated with local organisations such as the Chamber of Commerce, the Arts and Craft festival, Balmain Historical Society, and the Film Festival. She was instrumental in establishing the Community Rewards program in Balmain and Rozelle.
Interest in shares	-	1,001
Special Responsibilities	-	None
Directorships held in other listed entities during the three years prior to the current	-	Director of Balmain / Rozelle Financial Services Ltd from formation until November 2008.
John Christopher Newsom	-	Director (Non-executive)
Qualifications	-	Bachelor of Arts (Hons), Diploma in Small Business and Master of Developmental Studies.
Experience	-	John is now retired and has been a director of a Credit Union (18yrs), Oxfam Australia (10yrs), Australian Council for Overseas Aid, Australian Credit Union Foundation and Ethical Investment Trust. John's work experience includes 6 years experience in banking, 30 years in public broadcasting and 15 years in overseas aid. John has been involved in many community organisations including Cancer Australia Consumer Advocacy Group.
Interest in shares	-	1,000
Special Responsibilities	-	Member of the Sponsorship Committee and Future Committee.
Directorships held in other listed entities	-	None
Peter Cho Yim Wu	-	Director (Non-executive) (Resigned 20 September 2011)
Qualifications	-	
Experience	-	Board member since 2007. Peter is a business proprietor and has been running a business in Rozelle since 1994 producing graphics and signs. He is also the owner of a business called Pure Audio.
Interest in shares	-	2,500
Special Responsibilities	-	Member of the Business, Marketing & Development Committee and Human Resources, Safety & Security Committee.
Directorships held in other listed entities	-	None

Balmain / Rozelle Financial Services Limited
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Directors' Report

Anthony Maiorana	-	Director (Non-executive) (Appointed 25 November 2010)
Qualifications	-	Graduate Certificate in Public Sector Management. Final year Master of Arts (Public Sector Leadership).
Experience	-	Anthony has been employed in the NSW Public Service for more than 37 years. He is currently a Project Officer with the Department of Trade and Investment, Regional Infrastructure and Services.
Interest in shares	-	Nil
Special Responsibilities	-	Member of Human Resources, Safety & Security Committee. Governance & Audit Committee.
Directorships held in other listed entities	-	None
Ian Richard Crichton-Browne	-	Director (Non-executive) (Resigned 10 May 2011)
Qualifications	-	Bachelor of Laws
Experience	-	Board member since 2006. Ian is solicitor with 46 years experience and a partner in a legal practice in Balmain for the past 24 years. A current member of the Balmain Rozelle Chamber of Commerce where he has held many positions. Ian is a past director of Lakes Golf Club and Middle Harbour Yacht Club.
Interest in shares	-	1,100
Special Responsibilities	-	Member of the Governance & Audit Committee and Human Resources, Safety & Security Committee.
Directorships held in other listed entities	-	None
Michelle Anne Ronan	-	Director (Non-executive) (Resigned 25 November 2010)
Qualifications	-	Bachelor of Arts, Diploma in Hospitality Management
Experience	-	Founding board member. Michelle is a retail owner. She has a background in retail management and function styling. She has successfully run her function decorating company and retail store in Rozelle since 2000. She has been actively involved in promoting local business through the Balmain Rozelle Chamber of Commerce and the Inner West Networking Group.
Interest in shares	-	6,001
Special Responsibilities	-	None.
Directorships held in other listed entities	-	None

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 Michael Raymond Newton who was appointed to the position of secretary on 22 July 2009.

Michael is a chartered accountant with experience as a financial manager and a company secretary.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide 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 profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2011	Year ended 30 June 2010
\$	\$
36,495	162,458

Remuneration Report

No directors of the company received remuneration in their capacity as a director of the company. All positions are held on a voluntary basis.

The branch manager is employed directly by the company. Bendigo and Adelaide Bank Limited provides a recommended salary range for the branch manager based on that of managers with equivalent experience and ability in similar branches. The final salary is determined by the board. The salary is reviewed annually. The remuneration is a fixed salary, no part of which is determined by the performance of the company.

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

On 23 February 2011 the company's franchise partner, Bendigo and Adelaide Bank Limited, announced that commencing 1 April 2011 two income streams (term deposits greater than 90 days and fixed rate home loans) will have their trailing commission cut from 0.5% to 0.375%. Following negotiation by the board the Bank has agreed to pay a supplementary commission of 0.125% on the affected products for the period 1 April 2011 to 31 March 2012. The supplementary commission will negate the effect of the commission cut on revenue until April 2012. The actual effect of the commission cut from 1 April 2012 will depend on the volume of business and the product mix at the time. Based on prior performance the change will reduce annual income by about \$34,000 (6%). As the change has been delayed until the last quarter of the 2012 year, the effect on revenue for the 2011/2012 year will be about \$8,500. The board is working with the branch manager to develop business generally and specifically in areas not affected by the commission reduction.

In the opinion of the directors there were no other significant changes in the state of affairs of the company that occurred during the financial year.

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 facilitating 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 except as disclosed in note 20 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:

	Board Meetings Attended	
	<u>Eligible</u>	<u>Attended</u>
Richard James Ware	9	9
Michael Raymond Newton	9	8
Cynthia Marica Nadai	9	7
John Anthony Civitarese	9	5
Ernest Paul Doughty	9	9
Pauline Keitha McAlinden	9	0
John Christopher Newsom	9	3
Peter Cho Yim Wu	9	7
Anthony Maiorana	5	5
Ian Richard Crichton-Browne	7	5
Michelle Anne Ronan	4	0

The board has the following sub-committees:-

- Business, marketing and development
- Human resources, safety and security
- Governance and Audit
- Sponsorship
- Future

All subcommittees have elected directors who meet on an as required basis and present reports and recommendations to the monthly board meeting for formal discussion and ratification. There have been no formal subcommittee meetings and therefore no attendance records are disclosed.

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 APES 110 Code of Ethics for Professional Accountants, 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.

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

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 7.

Signed in accordance with a resolution of the board of directors at Rozelle, NSW on 27 September 2011.


Richard James Ware, Chairman


E Paul Doughty, Director

**Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001
to the directors of Balmain/Rozelle Financial Services Limited**

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



GRAEME STEWART
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

27th September 2011

Balmain / Rozelle Financial Services Limited
ABN 95 112 711 654
Statement of Comprehensive Income
for the Year Ended 30 June 2011

	<u>Notes</u>	2011 \$	2010 \$
Revenues from ordinary activities	4	555,557	575,843
Employee benefits expense		(258,540)	(262,927)
Charitable donations, sponsorship, advertising and promotion		(18,396)	(16,733)
Occupancy and associated costs		(95,843)	(77,544)
Systems costs		(24,083)	(25,589)
Depreciation and amortisation expense	5	(24,388)	(21,498)
Finance costs	5	(128)	(6,299)
General administration expenses		(78,865)	(72,917)
Profit before income tax (expense)/credit		55,314	92,336
Income tax (expense)/credit	6	(18,819)	70,122
Profit after income tax (expense)/credit		36,495	162,458
Total comprehensive income for the year		36,495	162,458
Earnings per share (cents per share)		<u>c</u>	<u>c</u>
- basic for profit for the year	22	4.05	18.05

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 2011

	<u>Notes</u>	2011 \$	2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	7	62,831	329
Trade and other receivables	8	48,585	45,083
Total Current Assets		<u>111,416</u>	<u>45,412</u>
Non-Current Assets			
Property, plant and equipment	9	173,350	185,877
Intangible assets	10	57,590	1,611
Deferred tax assets	11	167,276	186,095
Total Non-Current Assets		<u>398,216</u>	<u>373,583</u>
Total Assets		<u>509,632</u>	<u>418,995</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	42,290	22,138
Borrowings	13	-	7,037
Provisions	14	6,214	10,947
Total Current Liabilities		<u>48,504</u>	<u>40,122</u>
Non-Current Liabilities			
Trade and other payables	12	45,819	-
Provisions	14	250	309
Total Non-Current Liabilities		<u>46,069</u>	<u>309</u>
Total Liabilities		<u>94,573</u>	<u>40,431</u>
Net Assets		<u>415,059</u>	<u>378,564</u>
Equity			
Issued capital	15	863,146	863,146
Accumulated losses	16	(448,087)	(484,582)
Total Equity		<u>415,059</u>	<u>378,564</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 2011

	Issued Capital \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2009	863,146	(647,040)	216,106
Total comprehensive income for the year	-	162,458	162,458
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2010	863,146	(484,582)	378,564
Balance at 1 July 2010	863,146	(484,582)	378,564
Total comprehensive income for the year	-	36,495	36,495
Transactions with owners in their capacity as owners:			
Shares issued during period	-	-	-
Costs of issuing shares	-	-	-
Dividends provided for or paid	-	-	-
Balance at 30 June 2011	863,146	(448,087)	415,059

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 2011

	<u>Notes</u>	2011 \$	2010 \$
Cash Flows From Operating Activities			
Receipts from customers		611,145	630,791
Payments to suppliers and employees		(523,513)	(521,468)
Interest received		397	-
Interest paid		(205)	(7,144)
Net cash provided by operating activities	17	87,824	102,179
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(4,400)	(4,125)
Payments for intangible assets		(13,885)	-
Net cash used in investing activities		(18,285)	(4,125)
Net increase in cash held		69,539	98,054
Cash and cash equivalents at the beginning of the financial year		(6,708)	(104,762)
Cash and cash equivalents at the end of the financial year	7(a)	62,831	(6,708)

The accompanying notes form part of these financial statements

Balmain / Rozelle Financial Services Limited
ABN 95 112 711 654
Notes to the Financial Statements
for the Year Ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standard Boards and the Corporations Act 2001.

Compliance with IFRS

These financial statements and notes comply with IFRS International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Critical accounting estimates

The preparation of the financial statements 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. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Financial statement presentation

The company has applied revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The company has elected to present all items of income and expense recognised in the period in a single statement of comprehensive income.

Historical cost convention

The financial statements have been prepared under the historical cost convention 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.

Comparative figures

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

Adoption of new and revised Accounting Standards

During the current year the entity has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the company.

AASB 101 Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101, and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

Disclosure impact

Terminology changes – The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Note 1. Summary of Significant Accounting Policies (continued)

Reporting changes in equity – The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income – The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements contain a single statement of comprehensive income.

Other comprehensive income – The revised version of AASB 101 introduces the concept of "other comprehensive income" which comprises of income and expense that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods, as follows:

- *AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013)*
- *AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011)*

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has determined these amendments will have no impact on the preparation of the financial statements and therefore they have not been applied.

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Rozelle.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank" and the logo and system of operations of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank®** branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank®** branches are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

Balmain / Rozelle Financial Services Limited
ABN 95 112 711 654
Notes to the Financial Statements
for the Year Ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branch;
- training for the branch manager and other employees in banking, management systems and interface protocol;
- methods and procedures for the sale of products and provision of services;
- security and cash logistic controls;
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs; and
- sales techniques and proper customer relations.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefit will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. 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. All revenue is stated net of the amount of Goods and Services Tax (GST).

Revenue calculation

The franchise agreement with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as "day to day" banking business (ie 'margin business'). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (ie 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

c) 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 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
ABN 95 112 711 654
Notes to the Financial Statements
for the Year Ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

Deferred tax

Deferred tax is accounted for using the 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 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 statement of comprehensive income, 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.

d) Employee Entitlements

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

e) Cash and Cash Equivalents

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.

f) 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.

g) 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.

Balmain / Rozelle Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

h) Intangibles

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

i) Payment Terms

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

j) Borrowings

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

k) Financial Instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Classification and subsequent measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Note 1. Summary of Significant Accounting Policies (continued)

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

l) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to the company are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

m) 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.

n) 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.

o) 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.

p) 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 from 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 taxation authority are classified as operating cash flows.

Balmain / Rozelle Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2011

Note 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 and Adelaide 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 and Adelaide Bank Limited mitigates this risk significantly.

(v) Cash flow and fair value interest rate risk

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

(vi) Capital management

The board's policy is to maintain a strong capital base so as to sustain future development of the company. The board of directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the balance sheet.

In accordance with the franchise agreement, in any 12 month period, the funds distributed to shareholders shall not exceed the distribution limit.

- (i) the distribution limit is the greater of:
 - (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period; and
- (ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the statement of comprehensive income.

There were no changes in the company's approach to capital management during the year.

Note 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.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Taxation

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the statement of comprehensive income.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Impairment of assets

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life 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.

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.

Balmain / Rozelle Financial Services Limited
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Notes to the Financial Statements
for the Year Ended 30 June 2011

Note 3. Critical Accounting Estimates and Judgements (continued)

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.

Note 4. Revenue from Ordinary Activities

	2011 \$	2010 \$
Operating activities:		
- services commissions	505,047	525,841
- other revenue	50,000	50,000
Total revenue from operating activities	<u>555,047</u>	<u>575,841</u>
Non-operating activities:		
- interest received	510	2
Total revenue from non-operating activities	<u>510</u>	<u>2</u>
Total revenues from ordinary activities	<u><u>555,557</u></u>	<u><u>575,843</u></u>

Note 5. Expenses

Depreciation of non-current assets:		
- plant and equipment	7,773	7,980
- leasehold improvements	3,171	3,129
Amortisation of non-current assets:		
- franchise agreement	3,585	10,389
- franchise renewal fee	9,859	-
	<u>24,388</u>	<u>21,498</u>
Finance costs:		
- interest paid	<u>128</u>	<u>6,299</u>
Bad debts	<u>233</u>	<u>1,775</u>
Loss on assets	<u><u>3,483</u></u>	<u><u>369</u></u>

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Notes to the Financial Statements
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Note 6. Tax Expense/Income

The components of tax expense/(income) comprise:

- Current tax	19,998	29,266
- Prior year tax losses brought to account	-	(100,718)
- Movement in deferred tax due to timing differences	(1,134)	1,330
- Over provision of tax in the prior period	(45)	-
	<u>18,819</u>	<u>(70,122)</u>

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

Operating profit	55,314	92,336
Prima facie tax on profit from ordinary activities at 30%	16,594	27,701
Add tax effect of:		
- non-deductible expenses	4,481	3,699
- timing difference expenses	(1,077)	(2,134)
	<u>19,998</u>	<u>29,266</u>
Movement in deferred tax	11 18,819	(70,122)
Prior year tax losses recouped	(19,998)	(29,266)
	<u>18,819</u>	<u>(70,122)</u>

Note 7. Cash and Cash Equivalents

Cash at bank and on hand	62,831	329
	<u>62,831</u>	<u>329</u>

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash

Cash at bank and on hand	62,831	329
Bank overdraft	13 -	(7,037)
	<u>62,831</u>	<u>(6,708)</u>

Note 8. Trade and Other Receivables

Trade receivables	37,887	35,191
Other receivables and accruals	3,064	483
Prepayments	7,634	9,409
	<u>48,585</u>	<u>45,083</u>

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Notes to the Financial Statements
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Note 9. Property, Plant and Equipment

Plant and equipment

At cost	107,484	107,484
Less accumulated depreciation	(40,653)	(32,880)
	<u>66,831</u>	<u>74,604</u>

Leasehold improvements

At cost	123,970	126,139
Less accumulated depreciation	(17,451)	(14,866)
	<u>106,519</u>	<u>111,273</u>

Total written down amount	<u>173,350</u>	<u>185,877</u>
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Movements in carrying amounts:

Plant and equipment

Carrying amount at beginning	74,604	82,765
Additions	-	188
Disposals	-	(369)
Less: depreciation expense	(7,773)	(7,980)
Carrying amount at end	<u>66,831</u>	<u>74,604</u>

Leasehold improvements

Carrying amount at beginning	111,273	113,700
Additions	4,400	790
Disposals	(5,983)	(88)
Less: depreciation expense	(3,171)	(3,129)
Carrying amount at end	<u>106,519</u>	<u>111,273</u>

Total written down amount	<u>173,350</u>	<u>185,877</u>
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Note 10. Intangible Assets

Franchise fee

At cost	11,570	60,000
Less: accumulated amortisation	(1,974)	(58,389)
	<u>9,596</u>	<u>1,611</u>

Renewal processing fee

At cost	57,853	-
Less: accumulated amortisation	(9,859)	-
	<u>47,994</u>	<u>-</u>

Total written down amount	<u>57,590</u>	<u>1,611</u>
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Balmain / Rozelle Financial Services Limited

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**Notes to the Financial Statements
for the Year Ended 30 June 2011**

Note 11. Tax

Non-Current:

Deferred tax assets

- accruals	1,289	1,217
- employee provisions	1,939	3,377
- tax losses carried forward	167,472	187,425
	<u>170,700</u>	<u>192,019</u>

Deferred tax liability

- accruals	34	1
- timing differences	2,887	3,100
- deductible prepayments	503	2,823
	<u>3,424</u>	<u>5,924</u>

Net deferred tax asset	<u>167,276</u>	<u>186,095</u>
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Movement in deferred tax charged to statement of comprehensive income	<u>18,819</u>	<u>(70,122)</u>
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Note 12. Trade and Other Payables

Current

Trade creditors	20,873	5,372
Other creditors and accruals	21,417	16,766
	<u>42,290</u>	<u>22,138</u>

Non-Current

Trade creditors	<u>45,819</u>	<u>-</u>
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Note 13. Borrowings

Current:

Bank overdrafts	-	7,037
	<u>-</u>	<u>7,037</u>

The bank overdraft facility is a Bendigo and Adelaide Bank Limited's Business Solutions Loan Overdraft. The Business Solutions Non-Residential Secured Overdraft facility limit is \$150,000 and the interest rate is 6.932% (2010 6.49%), varying from time to time. The overdraft is secured by a registered first company debenture charge.

Note 14. Provisions

Current:

Provision for annual leave	<u>6,214</u>	<u>10,947</u>
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Non-Current:

Provision for long service leave	<u>250</u>	<u>309</u>
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Number of employees at year end	<u>5</u>	<u>5</u>
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Balmain / Rozelle Financial Services Limited
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Notes to the Financial Statements
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Note 15. Contributed Equity

900,011 Ordinary shares fully paid (2010: 900,011)	900,011	900,011
Less: equity raising expenses	(36,865)	(36,865)
	<u>863,146</u>	<u>863,146</u>

Rights attached to shares

(a) *Voting rights*

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the **Community Bank®** have the same ability to influence the operation of the company.

(b) *Dividends*

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo and Adelaide Bank Limited contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

(c) *Transfer*

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the Corporations Act.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, are suspended.

Note 15. Contributed Equity (continued)

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 16. Accumulated Losses

Balance at the beginning of the financial year	(484,582)	(647,040)
Net profit from ordinary activities after income tax	36,495	162,458
Balance at the end of the financial year	<u>(448,087)</u>	<u>(484,582)</u>

Note 17. Statement of Cashflows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	36,495	162,458
Non cash items:		
- depreciation	10,944	11,109
- amortisation	13,444	10,389
- net loss on disposal of assets	3,483	369
Changes in assets and liabilities:		
- (increase)/decrease in receivables	457	(3,710)
- decrease in other assets	1,806	
- increase/(decrease) in payables	7,168	(5,185)
- decrease in provisions	(4,792)	(3,129)
- (increase)/decrease in deferred tax assets	18,819	(70,122)
Net cashflows provided by operating activities	<u>87,824</u>	<u>102,179</u>

Note 18. LeasesOperating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments

- not later than 12 months	85,500	5,077
- between 12 months and 5 years	307,167	-
	<u>392,667</u>	<u>5,077</u>

The property lease is a non-cancellable lease with a five-year term, with rent payable monthly in advance. The lease expires on 22 August 2015 with an option to renew for a further five years. The rent increases by \$6,000 after the first year and then by \$7,000 for the subsequent three years.

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**Notes to the Financial Statements
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Note 19. Auditors' Remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,500	4,500
- share registry services	1,450	1,450
- non audit services	1,597	946
	<u>7,547</u>	<u>6,896</u>

Note 20. Director and Related Party Disclosures

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

Richard James Ware

Michael Raymond Newton

Cynthia Marica Nadai

John Anthony Civitarese

Ernest Paul Doughty

Pauline Keitha McAlinden

John Christopher Newsom

Peter Cho Yim Wu (resigned 20 September 2011)

Anthony Maiorana (appointed 25 November 2010)

Ian Richard Crichton-Browne (resigned 10 May 2011)

Michelle Anne Ronan (resigned 25 November 2010)

The following director related entities have supplied goods or services to the company.

- E Paul Doughty through his company Photel Pty Ltd has supplied photocopying and related services of \$865 (2010 \$65).
- Peter Wu through his company Peter's Graphics Pty Ltd has provided goods to the value of \$1900 (2010 \$950).
- Ian Crichton-Browne is a solicitor. His firm has provided legal services of \$600 (2010 Nil).

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

Directors Shareholdings

	<u>2011</u>	<u>2010</u>
Richard James Ware	20,000	20,000
Michael Raymond Newton	-	-
Cynthia Marica Nadai	11,451	11,451
John Anthony Civitarese	-	-
Ernest Paul Doughty	15,001	20,001
Pauline Keitha McAlinden	1,001	1,001
John Christopher Newsom	1,000	1,000
Peter Cho Yim Wu	2,500	2,500
Anthony Maiorana	-	-
Ian Richard Crichton-Browne	1,100	1,100
Michelle Anne Ronan	6,001	6,001

There was no movement in directors shareholdings during the year.

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Notes to the Financial Statements
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Note 21. Key Management Personnel Disclosures

No director of the company receives remuneration for services as a company director or committee member.

There are no executives within the company whose remuneration is required to be disclosed.

Note 22. Earnings Per Share

	2011	2010
	\$	\$
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	36,495	162,458
	<u>Number</u>	<u>Number</u>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	900,011	900,011

Note 23. 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.

Note 24. Contingent Liabilities

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

Note 25. Segment Reporting

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Rozelle pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 26. Registered Office/Principal Place of Business

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

<u>Registered Office</u>	<u>Principal Place of Business</u>
87 - 91 Lyons Road Drummoyne, NSW 2047	3/597 Darling Street Rozelle NSW 2039

Note 27. Financial Instruments

Net Fair Values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the balance sheet. 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 balance sheet 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					
		2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$				
Financial Assets											
Cash and cash equivalents	62,718	-	-	-	-	-	-	113	329	2.10	N/A
Receivables	-	-	-	-	-	-	-	40,387	35,191	N/A	N/A
Financial Liabilities											
Interest bearing liabilities	-	-	-	-	-	-	-	-	-	N/A	9.19
Payables	-	-	-	-	-	-	-	83,811	18,082	N/A	N/A

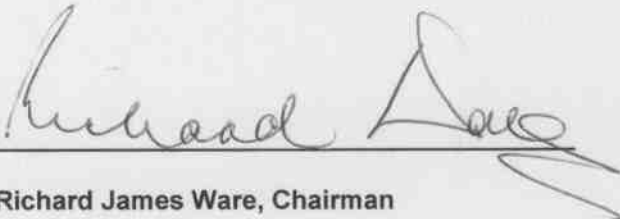
Balmain / Rozelle Financial Services Limited
ABN 95 112 711 654
Directors' Declaration

In accordance with a resolution of the directors of Balmain / Rozelle Financial Services Ltd, 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 2011 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 AASB124 Related Party Disclosures and the Corporations Regulations 2001.

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



Richard James Ware, Chairman



E Paul Doughty, Director

Signed on the 27th of September 2011.

Independent Auditor's Report To The Members Of Balmain/Rozelle Financial Services Limited

Report on the Financial Report

We have audited the accompanying financial report of Balmain/Rozelle Financial Services Limited, which comprises the balance sheet as at 30 June 2011, statement of comprehensive income, 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 of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and 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 fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply 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 our 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, we consider internal controls relevant to the entity's preparation and 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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 have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion on the Financial Report

In our opinion:

- 1) 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 company's financial position as at 30 June 2011 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.
- 2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Balmain/Rozelle Financial Services Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



GRAEME STEWART
ANDREW FREWIN & STEWART
61-65 Bull Street, Bendigo, 3550

27th September 2011

Bendigo Stock Exchange (BSX) Report

Additional information required by the Bendigo Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 30 September 2011.

A. Corporate Governance Statement

The Company is committed to the highest standards of corporate governance. This commitment applies to its dealings with shareholders, customers, employees, suppliers, regulators and the community. The Company has established corporate governance practices, which include:

- 1) A Code of Conduct
- 2) An Audit Committee which oversees procedures and controls, meets regularly and reports to the Board.
- 3) A Governance Committee which oversees the governance of the Company including compliance with ASIC and BSX requirements and the Company's governance standards.
- 4) A budgeting process with Directors' approval of operating budgets with monthly monitoring and review of progress against these budgets.
- 5) Monthly review of performance and strategic plans – in particular how to increase the customer base.

B. Substantial Shareholders – Ten Largest Shareholders

Shareholder	Number of Ordinary Shares
Winpar Holdings Ltd.	25,000
Mr Ross Cattin	20,000
Mrs Elizabeth Cureton	20,000
Depofo Pty Ltd	20,000
Maeve Marine Pty Ltd	20,000
Mrs Nitaya Morris	20,000
Mr John George Morris	20,000
Ms Dianne Stevens	20,000
MNM Pty Ltd	20,000
Dr Anita Zeman	20,000

There are no other classes of equity securities.

C. Voting Rights

Each shareholder has one vote.

D. Distribution of Shareholders

The number of shareholders by size of holding is:

<u>Number of shares</u>	<u>No of holders</u>
1 – 1,000	189
1,001 – 5,000	78
5,001 – 10,000	28
10,001 – 100,000	16
100,001 and over	nil
Total = 900,011 shares	311

There are 24 shareholders holding less than a marketable parcel of shares (\$500 in value).

There are no restricted securities on issue.

All shares on issue are ordinary shares fully paid to \$1 per share. There are no unquoted equity securities.

E. Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure that the Board continues to discharge its responsibilities in an appropriate way the performance of the Chairman and the Directors together with the effectiveness of the Board Meetings will be continually assessed.

F. Address, Telephone Number and Email Address of the Office Where the Security Register is Kept

AFS & Associates
61-65 Bull Street
Bendigo VIC 3550

(03) 5443 0344 (tel)
shareregistry@afsbendigo.com.au

G. Annexure 3A

There are no material differences between the information in the Company's Annexure 3A and the information in the financial documents in its Annual Report.