

Berowra & District Financial Services Ltd

ABN 62 116 755 938

2008

Annual Report

Chairman's Report

For year ending 30 June 2008

It is my pleasure to report on the performance of Berowra and District Financial Services Limited for the year ending 30 June 2008.

The sole purpose of the Company continues to be to manage the franchise to operate the Berowra and District **Community Bank**[®] Branch of Bendigo Bank which was opened for business on 22 September 2006.

In my report for the year ending 30 June 2007, I stated that your Board was putting into place plans to vigorously attract new business to overcome the slower than anticipated start to our business during the completion of rebuilding the Berowra Village Shopping Centre. I am pleased to advise that these measures have been successful in generating the community awareness of our activities that is essential to our ongoing success.

It is customary for banks and other financial services organisations to measure their success in terms of capitalisation, market share, return on investment etc., as a **Community Bank**[®] Company our focus is, and will continue to be, on support for the local community coupled with a reasonable return to our shareholders. Of course the financial targets are important, but they are not the end – just the means to reach the end.

In spite of the current difficulties being felt in financial markets around the world, we are still on track towards meeting both our financial and community benefit targets. Thanks to the support of the local community the level of business on our books continues to grow week by week and we are cautiously optimistic of achieving an operating profit within the next twelve months.

Our community support has been expressed in two ways.

We have been able to provide financial support in the way of sponsorships and grants to each of the nine primary schools in the local area and to several local community and sporting organisations. Funding for these programmes has not come out of our operating income but is provided by Bendigo Bank as an incentive and reward for meeting business targets.

We have also provided support to local community groups and fundraising activities by attendance at fetes, fairs and sports days and by organising and/or supporting activities in and around the Berowra Village Shopping Centre. The availability of our **Community Bank**[®] gazebo for no cost loan has been welcomed by local organisations for use at fetes and carnivals.

I would personally like to thank the staff of our branch for the generous support they have given to our community activities including their willing and cheerful donation of their time to attend after hours functions.

I would also like to acknowledge the contribution made by former branch manager Graeme Kurtz who provided support and leadership to the team through the challenges of establishing a new branch.

We are pleased to welcome Jocelyn Chacon as our new Branch Manager and Lisa Palmer as our newest Customer Service Officer, both of whom have extensive experience of working in a **Bendigo Community Bank**[®] Branch. If you have not met our new staff, please introduce yourself as a shareholder next time you visit the branch.



Barry Palmer
Chairman

Branch Manager's Report

It is with great pleasure that I write to thank you, as shareholders of Berowra & District Community Bank, for your support over the past two years that we have been open.

It is because of your support and loyalty that we have surpassed 2,000 accounts and provided a number of sponsorships and donations to various sporting groups, schools and community groups in the local area.

I would also like to thank the staff, the many local businesses and customers who helped, donated items and gave their time and energy to make the Fashion Parade Fundraiser for Hornsby Maternity Unit in May, so successful.

I began my role as Branch Manager on 6 October this year, and along with Gail, Robyn, Tina, Danielle and our newest staff member – Lisa, we provide you with the highest level of customer service that any bank could wish for. Traditional banking, where we take an interest in you, is the order of business here at the Berowra & District Community Bank.

We offer many products and services to suit your needs, from childrens accounts to term deposits; personal loans, credit cards and home loans; insurance for your home, contents and car as well as greenslips; business accounts, overdrafts, leasing, equipment finance, merchant facilities and bank guarantees, plus so much more. We are open from 9:00am to 5:00pm Monday to Friday and 9:00am to 12 noon on Saturday, or please call us on 9456 2265 and we will happily assist you with all your day to day banking requirements.

Together with our product knowledge and services and your continued support, we can only keep growing to the benefit of you, as shareholders, the branch, and the local and extended community.

Jocelyn Chacon
Branch Manager

**Berowra & District
Financial Services Limited**

Financial Statements

as at

30 June 2008

Berowra & District Financial Services Limited
ABN 62 116 755 938
Directors' Report

Your Directors submit the financial report of the company for the financial year ended 30 June 2008.

Directors

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

Barry John Palmer

Chairman
Age: 66
Self Employed Real Estate Agent
2 years International Board for Lions Club
Chairman of the Board
Human Resources Sub Committee
Interests in shares: 10,001 Ordinary Shares

Michael Patrick Kells

Treasurer
Age: 65
Semi Retired Accountant
Financial Accounting Manager (Systems/Projects)
FCPA Australia. Several Honorary Treasurer roles.
Graduate Diploma Finance
Finance & Due Diligence Sub Committees
Interests in shares: 2,000 Ordinary Shares

David Kelvin Downey

Secretary (*Appointed 30 July 2007*)
Age: 42
Solicitor
Company Director since 1989, history of memberships of various community groups and management committees, professional background.
Company Secretary
Interests in shares: 4,000 Ordinary Shares

George Vincent Hughes

Deputy Chair
Age: 68
Semi Retired Consultant
25 years experience in domestic and international operational and strategic management roles in commercial, government and not for profit organisations.
Finance, Business Development & Due Diligence Sub Committees.
Interests in shares: 4,000 Ordinary Shares

Kathleen Joanne Comb

Director (*Appointed 30 July 2007*)
Age: 55
Managing Editor
Former Shire Councillor. Membership of various community groups.
HR Committee
Interests in shares: 5,000 Ordinary Shares

Andrew John Fenwick

Director
Age: 46
Marina Contractor
Community Association committee member, Brooklyn Boating Industry Association and Marine Industry Association Committee.
Marketing/Media Sub Committee
Interests in shares: 11,000 Ordinary Shares

Andrew John Tuft

Director (*Appointed 30 July 2007*)
Age: 55
Company Manager
20 years of business ownership and 35 years of Australian Navy Cadets.
Interests in shares: 31,000 Ordinary Shares

Verlaine Timms

Director (*Appointed 30 July 2007, Resigned 1 Sept 2007*)
Age: 36
Home Duties
Interests in shares: Nil Ordinary Shares

Gregory Nugent Baxter

Director (*Resigned 31 December 2007*)
Age: 54
Facilities Manager
Bachelor of Business, Corporate Business Manager
Interests in shares: 6,000 Ordinary Shares

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

Company Secretary

The company secretary is David Kelvin Downey, he was appointed to the position of secretary on 31 December 2007 taking over from Gregory Nugent Baxter. Qualified Solicitor and member of various community committees.

Berowra & District 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 facilitating 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 continued to perform in line with expectations. The loss of the company for the financial year after provision for income tax was:

| Year ended 30 June 2008 | Year ended 30 June 2007 |
|----------------------------|----------------------------|
| \$ | \$ |
| (208,776) | (182,526) |

Remuneration Report

All Directors perform their duties solely in a voluntary capacity and do not receive or expect any form of remuneration.

The Branch Manager attends all Board meetings and presents a full report to the Board of Directors. The Branch Manager advises the Directors on a number of issues but does not have any voting rights.

The Branch Manager is a member of two sub-committees.

- (i) Human Resource
- (ii) Marketing/Media

The Branch Manager, Graeme Kurtz was paid a package of \$77,584 for the year.

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 facilitating banking services to the community.

Berowra & District Financial Services Limited
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Directors' Report

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 18 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:

| | Number of Board Meetings <u>eligible to attend</u> | <u>Number attended</u> |
|---|---|-------------------------------|
| Barry John Palmer | 11 | 10 |
| Michael Patrick Kells | 11 | 10 |
| George Vincent Hughes | 11 | 10 |
| Andrew John Fenwick | 11 | 10 |
| Andrew John Tuft (<i>Appointed 30 July 2007</i>) | 11 | 10 |
| David Kelvin Downey (<i>Appointed 30 July 2007</i>) | 11 | 10 |
| Kathleen Joanne Comb (<i>Appointed 30 July 2007</i>) | 11 | 9 |
| Verlaine Timms (<i>Appointed 30 July 2007, Resigned 1 September 2007</i>) | 2 | 1 |
| Gregory Nugent Baxter (<i>Resigned 31 December 2007</i>) | 5 | 5 |

Berowra & District Financial Services Limited
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Directors' Report

Non Audit Services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the Auditor (Andrew Frewin & Stewart) for audit and non audit services provided during the year are set out in the notes to the accounts.

The board of directors has considered the position, in accordance with the advice received from the audit committee and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

all non-audit services have been reviewed by the audit committee to ensure they do not impact on the impartiality and objectivity of the auditor;

none of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

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 5.

Signed in accordance with a resolution of the Board of Directors at Berowra, New South Wales on 26 August 2008.



Barry John Palmer, Chairman



Michael Patrick Kells, Treasurer

**Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001
to the directors of Berowra & District 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 2008 there have been:

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



David Hutchings
Auditor

Andrew Frewin & Stewart
Bendigo, Victoria

Dated this 26th day of August 2008

Berowra & District Financial Services Limited
ABN 62 116 755 938
Income Statement
for the year ended 30 June 2008

| | <u>Notes</u> | 2008 \$ | 2007 \$ |
|---|--------------|------------------|------------------|
| Revenues from ordinary activities | 3 | 243,175 | 80,290 |
| Salaries and employee benefits expense | | (208,613) | (205,293) |
| Advertising and promotion expenses | | (12,191) | (5,174) |
| Occupancy and associated costs | | (105,132) | (24,068) |
| Systems costs | | (21,320) | (16,281) |
| Depreciation and amortisation expense | 4 | (19,130) | (16,624) |
| General administration expenses | | (85,565) | (69,269) |
| Loss before income tax credit | | (208,776) | (256,419) |
| Income tax credit | 5 | - | 73,893 |
| Loss for the period | | (208,776) | (182,526) |
| Loss attributable to members of the entity | | (208,776) | (182,526) |
| Earnings per share (cents per share) | | <u>c</u> | <u>c</u> |
| - basic for profit for the year | 17 | (27.49) | (24.84) |

The accompanying notes form part of these financial statements

Berowra & District Financial Services Limited
ABN 62 116 755 938
Balance Sheet
as at 30 June 2008

| | <u>Notes</u> | 2008 \$ | 2007 \$ |
|--------------------------------------|--------------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash assets | 6 | 271 | 123,756 |
| Trade and other receivables | 7 | 17,702 | 10,138 |
| Total Current Assets | | <u>17,973</u> | <u>133,894</u> |
| Non-Current Assets | | | |
| Property, plant and equipment | 8 | 214,956 | 221,838 |
| Intangible assets | 9 | 6,000 | 8,000 |
| Deferred tax assets | 10 | 114,646 | 114,646 |
| Total Non-Current Assets | | <u>335,602</u> | <u>344,484</u> |
| Total Assets | | <u>353,575</u> | <u>478,378</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 11 | 12,754 | 8,171 |
| Borrowings | 6 | 75,414 | - |
| Provisions | 12 | 18,344 | 16,168 |
| Total Current Liabilities | | <u>106,512</u> | <u>24,339</u> |
| Total Liabilities | | <u>106,512</u> | <u>24,339</u> |
| Non-Current Liabilities | | | |
| Provisions | 12 | 1,801 | - |
| Total Non-Current Liabilities | | <u>1,801</u> | <u>-</u> |
| Total Liabilities | | <u>108,313</u> | <u>24,339</u> |
| Net Assets | | <u>245,262</u> | <u>454,039</u> |
| Equity | | | |
| Contributed equity | 13 | 728,537 | 728,537 |
| Accumulated losses | 14 | (483,275) | (274,498) |
| Total Equity | | <u>245,262</u> | <u>454,039</u> |

The accompanying notes form part of these financial statements

Berowra & District Financial Services Limited
ABN 62 116 755 938
Statement of changes in equity
for the year ended 30 June 2008

| | 2008 | 2007 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| Total equity at the beginning of the period | 454,039 | 598,565 |
| Net loss for the period | (208,776) | (182,526) |
| Net income/expense recognised directly in equity | - | - |
| Dividends provided for or paid | - | - |
| Shares issued during period | - | 38,000 |
| Total equity at the end of the period | <u><u>245,262</u></u> | <u><u>454,039</u></u> |

The accompanying notes form part of these financial statements

Berowra & District Financial Services Limited
ABN 62 116 755 938
Statement of Cashflows
for the year ended 30 June 2008

| | <u>Notes</u> | 2008 \$ | 2007 \$ |
|---|--------------|------------------------|-----------------------|
| Cash flows from operating activities | | | |
| Receipts from customers | | 251,700 | 60,320 |
| Payments to suppliers and employees | | (442,022) | (310,032) |
| Interest received | | 1,671 | 15,371 |
| Net cash outflow from operating activities | 16 | <u>(188,651)</u> | <u>(234,341)</u> |
| Cash Flows from Investing Activities | | | |
| Payments for property plant and equipment | | (10,248) | (236,462) |
| Net cash outflow from investing activities | | <u>(10,248)</u> | <u>(236,462)</u> |
| Cash Flows from Financing Activities | | | |
| Proceeds from issue of shares | | - | 38,000 |
| Net cash inflow from financing activities | | <u>-</u> | <u>38,000</u> |
| Net increase/(decrease) in cash held | | (198,899) | (432,803) |
| Cash at the beginning of the financial year | | 123,756 | 556,559 |
| Cash at the end of the financial year | 6(a) | <u><u>(75,143)</u></u> | <u><u>123,756</u></u> |

The accompanying notes form part of these financial statements

1. Summary of significant accounting policies

Basis of preparation

This general purpose financial report has been prepared in accordance with Australian 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).

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

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.

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.

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.

There are no estimates or 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.

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 of other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

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

1. Summary of significant accounting policies (continued)

Contributed 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.

(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.

3. Revenue from ordinary activities

| | 2008 | 2007 |
|---|----------------|---------------|
| | \$ | \$ |
| Operating activities: | | |
| - services commissions | 216,504 | 64,919 |
| - other revenue | 25,000 | - |
| Total revenue from operating activities | <u>241,504</u> | <u>64,919</u> |
| Non-operating activities: | | |
| - interest received | 1,671 | 15,371 |
| Total revenue from non-operating activities | <u>1,671</u> | <u>15,371</u> |
| Total revenues from ordinary activities | <u>243,175</u> | <u>80,290</u> |

Berowra & District Financial Services Limited
ABN 62 116 755 938
Notes to the Financial Statements
for the year ended 30 June 2008

| 4. Expenses | 2008 | 2007 |
|-------------------------------------|---------------|---------------|
| | \$ | \$ |
| Depreciation of non-current assets: | | |
| - plant and equipment | 8,646 | 8,400 |
| - leasehold improvements | 8,484 | 6,224 |
| Amortisation of non-current assets: | | |
| - franchise agreement | 2,000 | 2,000 |
| | <u>19,130</u> | <u>16,624</u> |
| Bad debts | <u>1,008</u> | <u>84</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 | (208,776) | (256,419) |
| Prima facie tax on loss from ordinary activities at 30% | (62,633) | (76,926) |
| Add tax effect of: | | |
| - non-deductible expenses | 600 | 600 |
| - timing difference expenses | 2,132 | 4,282 |
| - blackhole expenses | (1,849) | (1,849) |
| Current tax | - | (73,893) |
| Movement in deferred tax | - | - |
| Tax losses not brought to account | 61,750 | - |
| | <u>-</u> | <u>(73,893)</u> |

Income tax losses:

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

Future income tax benefit carried forward is:

| | | |
|--|---------------|----------|
| | <u>61,750</u> | <u>-</u> |
|--|---------------|----------|

6. Cash assets

| | | |
|--------------------------|-----------------|----------------|
| Cash at bank and on hand | 271 | 5,504 |
| Term deposits | - | 118,252 |
| | <u>271</u> | <u>123,756</u> |
| Bank overdraft | (75,414) | - |
| | <u>(75,414)</u> | <u>-</u> |

The above figures are reconciled to cash at the end of the financial

6(a) Reconciliation of cash

| | | |
|--------------------------|-----------------|----------------|
| Cash at bank and on hand | 271 | 5,504 |
| Term deposits | - | 118,252 |
| Bank overdraft | (75,414) | - |
| | <u>(75,143)</u> | <u>123,756</u> |

7. Trade and other receivables

| | | |
|-------------------|---------------|---------------|
| Trade receivables | 17,702 | 6,514 |
| Prepayments | - | 3,624 |
| | <u>17,702</u> | <u>10,138</u> |

Berowra & District Financial Services Limited
 ABN 62 116 755 938
 Notes to the Financial Statements
 for the year ended 30 June 2008

| | 2008 | 2007 |
|---|----------------|----------------|
| | \$ | \$ |
| 8. Property, plant and equipment | | |
| <i>Plant and equipment</i> | | |
| At cost | 69,348 | 67,035 |
| Less accumulated depreciation | (17,046) | (8,400) |
| | <u>52,302</u> | <u>58,635</u> |
| <i>Leasehold improvements</i> | | |
| At cost | 177,362 | 169,427 |
| Less accumulated depreciation | (14,708) | (6,224) |
| | <u>162,654</u> | <u>163,203</u> |
| Total written down amount | <u>214,956</u> | <u>221,838</u> |
| Movements in carrying amounts: | | |
| <i>Plant and equipment</i> | | |
| Carrying amount at beginning | 58,635 | - |
| Additions | 2,313 | 67,035 |
| Disposals | - | - |
| Less: depreciation expense | (8,646) | (8,400) |
| Carrying amount at end | <u>52,302</u> | <u>58,635</u> |
| <i>Leasehold improvements</i> | | |
| Carrying amount at beginning | 163,203 | - |
| Additions | 7,935 | 169,427 |
| Disposals | - | - |
| Less: depreciation expense | (8,484) | (6,224) |
| Carrying amount at end | <u>162,654</u> | <u>163,203</u> |
| Total written down amount | <u>214,956</u> | <u>221,838</u> |
| 9. Intangible assets | | |
| <i>Franchise Fee</i> | | |
| At cost | 10,000 | 10,000 |
| Less: accumulated amortisation | (4,000) | (2,000) |
| | <u>6,000</u> | <u>8,000</u> |
| 10. Deferred Tax | | |
| Deferred Tax Asset | | |
| - Opening Balance | 114,646 | 40,753 |
| Future income tax benefits attributable to losses | - | 73,893 |
| Recoupment of prior year tax losses | - | - |
| Deferred tax on provisions | - | - |
| Under/over provision in relation to prior years | - | - |
| - Closing Balance | <u>114,646</u> | <u>114,646</u> |
| 11. Trade and other payables | | |
| Trade creditors | 9,754 | 5,171 |
| Other creditors & accruals | 3,000 | 3,000 |
| | <u>12,754</u> | <u>8,171</u> |
| 12. Provisions | | |
| Current | | |
| Employee provisions | <u>18,344</u> | <u>16,168</u> |
| Non current | | |
| Employee provisions | <u>1,801</u> | <u>-</u> |
| Number of employees at year end | <u>4</u> | <u>4</u> |

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Notes to the Financial Statements
for the year ended 30 June 2008

| | 2008 | 2007 |
|--|----------------|----------------|
| | \$ | \$ |
| 13. Contributed equity | | |
| 759,351 Ordinary shares fully paid of \$1 each (2007: 759,351) | 759,351 | 759,351 |
| Less: equity raising expenses | (30,814) | (30,814) |
| | <u>728,537</u> | <u>728,537</u> |

| | | |
|--|------------------|------------------|
| 14. Accumulated losses | | |
| Balance at the beginning of the financial year | (274,498) | (91,972) |
| Net loss from ordinary activities after income tax | (208,776) | (182,526) |
| Dividends paid | - | - |
| Balance at the end of the financial year | <u>(483,275)</u> | <u>(274,498)</u> |

15. Statement of cashflows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

| | | |
|--|------------------|------------------|
| Loss from ordinary activities after income tax | (208,776) | (182,526) |
| Non cash items: | | |
| - depreciation | 17,130 | 14,624 |
| - amortisation | 2,000 | 2,000 |
| Changes in assets and liabilities: | | |
| - increase in receivables | (7,564) | (10,138) |
| - (increase)/decrease in other assets | - | (73,893) |
| - increase in payables | 4,583 | 1,037 |
| - increase in provisions | 3,976 | 14,555 |
| Net cashflows used in operating activities | <u>(188,651)</u> | <u>(234,341)</u> |

16. Auditors' remuneration

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

| | | |
|---------------------------|--------------|--------------|
| - audit & review services | 4,000 | 4,000 |
| - non audit services | 1,250 | 750 |
| | <u>5,250</u> | <u>4,750</u> |

17. Earnings per share

| | | |
|--|-----------|-----------|
| (a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share | (274,498) | (182,526) |
|--|-----------|-----------|

| | 2008 | 2007 |
|--|---------------|---------------|
| | Number | Number |
| (b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 759,351 | 734,730 |

18. Director and related party disclosures

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

Barry John Palmer
Michael Patrick Kells
George Vincent Hughes
Andrew John Fenwick
Andrew John Tuft (*Appointed 30 July 2007*)
David Kelvin Downey (*Appointed 30 July 2007*)
Kathleen Joanne Comb (*Appointed 30 July 2007*)
Verlaine Timms (*Appointed 30 July 2007, Resigned 1 September 2007*)
Gregory Nugent Baxter (*Resigned 31 December 2007*)

The company made payments of \$6,000 (2007: \$6,000) to Michael Patrick Kells for services in his role as external accountant performing all bookkeeping, liaising with and lodgement of all ASIC forms, liaising with and lodgement of ATO Activity Statements and all other accounting requirements.

The Bush Telegraph Weekly a business of which Kathleen Joanne Comb is the proprietor supplied goods or services to the value of \$4,890 (2007: \$1,660).

No other director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

Berowra & District Financial Services Limited
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Notes to the Financial Statements
for the year ended 30 June 2008

18. Director and related party disclosures (continued)

| Directors shareholdings | <u>2008</u> | <u>2007</u> |
|---|--------------------|--------------------|
| Barry John Palmer | 10,001 | 10,001 |
| Michael Patrick Kells | 2,000 | 2,000 |
| George Vincent Hughes | 4,000 | 4,000 |
| Andrew John Fenwick | 10,000 | 10,000 |
| Andrew John Tuft (<i>Appointed 30 July 2007</i>) | 31,000 | 31,000 |
| David Kelvin Downey (<i>Appointed 30 July 2007</i>) | 4,000 | 4,000 |
| Kathleen Joanne Comb (<i>Appointed 30 July 2007</i>) | 5,000 | 5,000 |
| Verlaine Timms (<i>Appointed 30 July 2007, Resigned 1 September 2007</i>) | - | - |
| Gregory Nugent Baxter (<i>Resigned 31 December 2007</i>) | 6,000 | 6,000 |

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

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 Berowra and surrounding districts of New South Wales.

22. Registered office/Principal place of business

The registered office and principal place of business is:

| <u>Registered office</u> | <u>Principal place of business</u> |
|---|---|
| G & D Lawyers Suite 2, Level 1/154 Marsden Street Parramatta NSW 2150 | Shop 9 Berowra Village Centre 1C Turner Road Berowra Heights NSW 2082 |

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 | | |
|------------------------------|------------------------|-------|---------------------------------|-------------------|--------------|------|------|------|----------------------|--------|--|------|------|
| | 2008 | 2007 | 1 year or less | Over 1 to 5 years | Over 5 years | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | % |
| Financial assets | | | | | | | | | | | | | |
| Cash assets | - | 5,101 | - | - | - | - | - | - | - | 271 | 403 | 0.05 | 0.05 |
| Term deposit | - | - | 118,252 | - | - | - | - | - | - | - | - | N/A | 5.5 |
| Receivables | - | - | - | - | - | - | - | - | 17,202 | 10,138 | N/A | N/A | N/A |
| Financial liabilities | | | | | | | | | | | | | |
| Interest bearing liabilities | - | - | - | - | - | - | - | - | - | 75,414 | - | Nil | N/A |
| Payables | - | - | - | - | - | - | - | - | 12,754 | 8,171 | N/A | N/A | N/A |

Berowra & District Financial Services Limited
ABN 62 116 755 938
Directors' Declaration

In accordance with a resolution of the directors of Berowra & District 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 2008 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.

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



Barry John Palmer, Chairman



Michael Patrick Kells, Treasurer

Signed on the 26th of August 2008.

INDEPENDENT AUDITOR'S REPORT

To the members of Berowra & District Financial Services Limited

We have audited the accompanying financial report of Berowra & District Financial Services Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the director's declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 Related Party Disclosures ("Remuneration disclosures"), under the heading "Remuneration Report" in the directors' report, as permitted by Corporations Regulation 2M.6.04.

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 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the director's report.

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 and that the remuneration disclosures comply with Accounting Standards AASB 124 Related Party Disclosures.

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 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.

Independence

In conducting our audit we have met 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 director's 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

In our opinion:

- 1) The financial report is in accordance with the Corporations Act 2001 including giving a true and fair view of the financial position of Berowra & District Financial Services Limited as of 30 June 2008 and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- 2) The financial report also complies with International financial reporting standards as disclosed in Note 1.
- 3) The remuneration disclosures that are contained in the director's report comply with Accounting Standards AASB 124 Related Party Disclosures.



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

Dated this 26th day of August 2008

BSX report

Additional information required by Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 28 September 2008.

1. Corporate governance statement

The Board guides and monitors the business affairs on behalf of the shareholders to whom they are accountable.

The Board recognises the importance of a strong governance focus and methodology. The Board has compiled policies and procedures that will govern our company into the future. We believe that building a policy framework will assist us to clarify the future direction of our local company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

2. Substantial shareholders — ten largest shareholders

(source — Computershare Client Services)

| | Ordinary shares | Percentage of Ordinary Shares |
|--------------------------------|------------------------|--------------------------------------|
| Hammerhead Investments Pty Ltd | 40,000 | 5.27% |
| Andrew Tuft CAM | 31,000 | 4.08% |
| Bruce & Shirley Notting | 25,000 | 3.29% |
| Janelle & Michael Marr | 15,000 | 1.98% |
| Lewis & Vera Ranger | 15,000 | 1.98% |
| John & Carmen Stavert | 15,000 | 1.98% |
| Barstead Pty Ltd | 10,000 | 1.32% |
| Thomas Donnelly | 10,000 | 1.32% |
| Esamar Pty Ltd | 10,000 | 1.32% |
| Genevieve Funk | 10,000 | 1.32% |

3. Voting rights

Each shareholder has one vote.

BSX report continued

4. Distribution of shareholders

The number of shareholders, by range of holding:

| | <u>Ordinary shares</u> | |
|--------------------|-------------------------------|--------------------------------|
| | <u>Share Holders</u> | <u>Number of shares</u> |
| 1—1,000 | 224 | 168,751 |
| 1,001—5,000 | 122 | 344,600 |
| 5,001 — 10,000 | 12 | 105,000 |
| 10,001—100,000 | 6 | 141,000 |
| 100,001 and over 0 | 0 | |
| Total Holders | 364 | 759,351 |

There are no shareholders holding less than a marketable parcel of shares.

5. Monitoring the Board's performance and communication with shareholders

In order to ensure the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the chairperson. Any director, whose performance is considered unsatisfactory, is asked to retire.

The Board's aim is to ensure that shareholders are provided all information necessary to assess the performance of the directors.

The Board has an Audit and Governance Committee.

6. Address and telephone number of the office where the securities register is kept:

Computershare Investor Services Pty Limited

Yarra Falls

452 Johnston Street

ABBOTSFORD VIC 3067

Telephone: 1300 85 05 05

(03) 9415 4000