

San Remo District  
Financial Services Limited

ABN 20 102 770 150

# annual report 2011



San Remo District **Community Bank®** Branch  
Cowes **Community Bank®** Branch  
Grantville & District **Community Bank®** Branch

# Contents

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|   |              |
|---|--------------|
| <b>Chairman's report</b>                    | <b>2</b>     |
| <b>San Remo Manager's report</b>            | <b>3</b>     |
| <b>Cowes Manager's report</b>               | <b>4</b>     |
| <b>Grantville Manager's report</b>          | <b>5</b>     |
| <b>Bendigo and Adelaide Bank Ltd report</b> | <b>6-7</b>   |
| <b>Directors' report</b>                    | <b>8-11</b>  |
| <b>Financial statements</b>                 | <b>12-15</b> |
| <b>Notes to the financial statements</b>    | <b>16-31</b> |
| <b>Directors' declaration</b>               | <b>32</b>    |
| <b>Independent audit report</b>             | <b>33-34</b> |
| <b>BSX report</b>                           | <b>35-36</b> |

## **Mission statement**

Provide a full banking service, focusing on improving the prospects of our customers, communities and partnerships, in order to develop the business and provide increasing benefits to our communities and shareholders.

# Chairman's report

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For year ending 30 June 2011

Our Annual General Meeting will be held at the Newhaven Yacht Club, Seaview Street, Newhaven at 7.30pm on Monday 24 October 2011. The meeting will be followed by a light supper.

We now have the west coast of Bass Coast Shire serviced by our three branches, stretching from Cowes to Grantville with San Remo in the middle. San Remo has now completed eight years of business, Cowes two years and Grantville nearly seven months.

Thanks to our profitable branch, San Remo, and our market development fund, for all three branches, from our partner Bendigo and Adelaide Bank Ltd, we have been able to contribute more than \$116,000 in grants and sponsorship for this financial year. Our total return to the community is now over \$563,000.

In addition to this, shareholders have received \$83,300 in dividends and as most of our staff live locally, their spending, as are those of each of the banks' branches, contribute to our direct economy also.

The performance from our ever increasing staff has been exceptional and my sincere thanks for their great customer service and understanding of our point of difference in banking.

To my fellow Directors, another very good year and now that our expansion phase is finished we can devote more time and effort to making all three branches successful, profitable and able to return more into our broader community. Thank you all for your efforts.

To our franchise partner, Bendigo and Adelaide Bank Ltd, thanks for your input from all departments. Special thanks to the personnel from the Community Strengthening Department for their efforts over the last five years in helping us establish both Cowes and Grantville.

Thanks to all our shareholders, some have been with us in excess of eight years, others a much shorter time. We need your continued support and remember that your banking adds to your economy in your community.



**Terry Ashenden**  
**Chairman**

# San Remo Manager's report

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For year ending 30 June 2011

It is with pleasure that I present the following results for the financial year ending June 2011 on behalf of the San Remo District **Community Bank**<sup>®</sup> Branch.

In what was again a very challenging year, the San Remo District **Community Bank**<sup>®</sup> Branch was still able to achieve some fantastic outcomes.

- Our total footings remained steady at nearly \$90million.
- Our profit was nearly \$300,000, surpassing last years total of \$257,000.
- Our insurance sales were the best in the region and attributed over \$42,000 in income alone.
- We have again contributed, along with Cowes and Grantville branches, over \$64,000 in Community Grants.

Sponsorship is an important part of our make up however we also require the support coming back through our doors. This has been evident with the many major sponsorships that we have been involved in this year. San Remo Channel Challenge, Kilcunda Bass and Dalyston Football Clubs and the Rotary/Lions Club Art Show were all wonderful sponsorships that we embarked on this year.

We allowed the Art Show to be our "guinea pig" for our Community Eftpos Facility and this worked a treat and no doubt will be a popular advantage we have over other banks moving forward. It is a facility available to all community groups, schools, not-for-profit organisations for their fund raising events. It works exactly the same as a normal Eftpos machine that you see in any shop that you go into, not only do we have the plug in machine but also the GoPos facility, which functions by satellite just like your mobile phone. Imagine the opportunities that can be had to enhance income from community events, knowing that a card facility is available; it is definitely a proven income growing opportunity putting money right back into community groups. Please feel free to enquire regarding the facility at our branch.

Finally, to the staff, we lost Trudy and Sally throughout the year and we thank them for their help since day one of opening. We gained Tash from Cowes and re-gained Marcia and of course, Di isn't going anywhere!! Their experience is paramount to our ongoing success as is the ongoing support of the Board, our shareholders and customers.



**Michael Scott**  
**Branch Manager, San Remo**

# Cowes Manager's report

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For year ending 30 June 2011

We are really pleased with the results of our second full financial year at the Cowes **Community Bank**<sup>®</sup> Branch since we opened in May 2009.

The branch's figures have been fantastic and we feel that the community has really stood behind us and supported the **Community Bank**<sup>®</sup> concept and what we are about.

We started the new financial year with \$50 million on our books and we have continued this rapid growth, just like we did in the 2010 financial year.

Moving onto the figures for the financial year, we have managed to increase our overall footings from \$50,845,000 to \$61,372,000 which is an outstanding effort by the staff of the Cowes **Community Bank**<sup>®</sup> Branch. This extraordinary outcome by my team was such a good effort we ended up exceeding budget by \$817,000.

- Total footings in lending at the end of the financial year were \$40,502,000 which was increased by \$7,276,000.
- In deposits we started the financial year at \$17,555,000 and increased those footings to \$20,870,000, so overall a very pleasing outcome for our branch.

We have contributed very generously to the community with over \$50,000 going back to the local community in the 2011 financial year. We have continued to support events such as the Cowes Classic, Phillip Island Annual Golf Day and many more events and different organisations through sponsorship.

There will be another big year ahead for us in the 2012 financial year. We will be required to continue to chase new business so we can put SRDFS in an even stronger position than it already is.

I would also like to thank the fantastic Board of the San Remo & District Financial Services for all the hard work they have put in throughout the year. A big thank you especially to our Chairman Terry Ashenden for all this commitment and hard work he puts into making this Company the success it is today.

Also I would like to thank Michael Scott and Trudy Jamieson and their staff at the San Remo District **Community Bank**<sup>®</sup> Branch and Grantville & District **Community Bank**<sup>®</sup> Branch for all the support they have provided to us and the work they have achieved this year with the Company.

Finally I would like to say a really big thank you to all my staff here at Cowes, Kaye DiPaola, Robyn Thom, Carlie Jordan and Cheryl Merchant for all their hard work and efforts throughout the year to make this branch the success that it is.



**Peter Wayman**  
**Branch Manager, Cowes**

# Grantville Manager's report

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For year ending 30 June 2011

It is with great pleasure that I present the first Annual Report for the financial year ending 30 June 2011, on behalf of Grantville & District **Community Bank**<sup>®</sup> Branch. What a fantastic, almost 7 months of trading we have had.

Our business started with \$5.8 million which was progressively transferred across from San Remo District **Community Bank**<sup>®</sup> Branch, by those customers who had consciously shown their early support towards ensuring that banking services were established in Grantville.

Since opening on 7 December 2011, our business has grown to \$19.5 million, with deposits of \$12.2 million and loans of \$7.3 million. Looking at the prospectus for 12 months of trading we are anticipating a total portfolio of \$22.9 million, we can say that our results are extremely satisfying.

We have 751 accounts with the number growing as we see more people keen to support their local **Community Bank**<sup>®</sup> branch and our ATM is certainly providing a valuable service to our community, processing well over 2,500 transactions each month.

We have contributed very generously to the community with over \$15,000 going back through sponsorships and donations, with recipients being Kilcunda Bass Football & Netball Clubs Inc., Bass Valley Music Festival Serenade at Sunset, Corinella Bowling Club, Jeanette Loughridge Memorial Pre School, Corinella & District Community Centre and Bass Valley Primary School. All our staff attend Bass Valley Primary School each Friday morning and assist with preparation and delivery of their School Breakfast program.

My branch team of Kellie, Emily and Kim do offer an excellent customer service experience, and have really developed strong commitments towards the growth of their **Community Bank**<sup>®</sup> branch. We were pleased to have Kellie rejoin our Company, bringing her great knowledge of the functions of not only a new **Community Bank**<sup>®</sup> branch establishment but the nuts and bolts of the equipment that enhances a state of the art Branch of the Future, offering service with a personal difference. Both Emily and Kim grasped their training and development requirements very quickly developing their knowledge of our concept and understanding the various complicated bank systems.

Dean Thompson, our Business Banker, Mark Lilley and Neil Wyatt, Financial Planners have provided great support within the specialised fields towards assisting and developing lasting relationships.

I would like to convey my thanks to my team who are providing our customers with a superior level of service. I would also like to thank the Board for entrusting me with the task of opening and building our branch and bringing to Grantville and District the **Community Bank**<sup>®</sup> concept. To the staff of the two branches within our Company, San Remo District and Cowes, thank you for your assistance and support and congratulations on your achievements in making this Company the success that it is today.

There are challenges ahead, we have a budget of \$10.4 million in growth to achieve for the 2011/2012 financial Year, our focus for business development will be continued marketing and promotions of our companies unique philosophies and points of difference, to best get our message out there. In saying that to our investors, supporters and customers, you are our greatest advocates, we seek your support in encouraging family, friends, neighbours and business colleagues to be supporters of your **Community Bank**<sup>®</sup> branch.



**Trudy Jamieson**  
**Branch Manager, Grantville**

# Bendigo and Adelaide Bank Ltd report

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For year ending 30 June 2011

As **Community Bank**<sup>®</sup> shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation<sup>™</sup>, Community Sector Banking, Community Telco, Generation Green<sup>™</sup> and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank**<sup>®</sup> Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

## Bendigo and Adelaide Bank Ltd report continued

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Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**<sup>®</sup> branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**<sup>®</sup> model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.



**Russell Jenkins**  
**Executive Customer and Community**



# Directors' report

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For the financial year ended 30 June 2011

Your Directors submit their report 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 are:

**Terry Ashenden**

Chairman

Occupation - Business Proprietor

**Joan Matthews**

Director

Occupation - Caravan Park Proprietor

**Norma Stack-Robinson**

Director

Occupation - Retired

**Janice Rowlingson**

Director

Occupation - Self employed

**Craig Semple**

Director

Occupation - Minister of Religion

**Patrick Russell**

Director

Occupation - Maintenance Manager

**Michele Fulwell**

Director

Occupation - Self employed

**Miranda Sage**

Director

Occupation - Pharmacist

**Caroline Talbot**

Director

Occupation - Business Manager

**Bruce Procter**

Director

Occupation - Retired

**Kathy Jones**

Director

Occupation - School Focus Youth Worker

Directors were in office for this entire year unless otherwise stated. No Directors have material interests in contracts or proposed contracts with the Company. No Directors have acted as a Director of any other listed Company over the last three years.

## Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank**<sup>®</sup> services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

There has been no significant changes in the nature of these activities during the year.

## Review of operations

The profit of the Company for the financial year after provision for income tax was \$45,884 (2010: \$80,012).

# Directors' report continued

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## **Dividends**

The Directors recommend that no dividend be paid for the current year.

## **Significant changes in the state of affairs**

The Company opened a third branch in Grantville and raised share capital for the establishment of this branch during the year.

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 under review not otherwise disclosed in this report.

## **Significant events after the balance date**

There are no other matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

## **Likely developments**

The Company will continue its policy of providing banking services to the community.

## **Remuneration report**

Joan Matthews is a Director of and shareholder in Park Accommodation (Vic) Pty Ltd, which owns the premises situated at 103A Marine Parade, San Remo. The Company has entered into a lease arrangement with Park Accommodation (Vic) Pty Ltd with regard to these premises. During the year ended 30 June 2011 \$26,384 (2010: \$25,125) was paid in relation to this lease.

Newhaven Hardware & Plant Hire, of which Terry Ashenden is a partner, received \$1,800 (2010: \$1,786) in respect of the lease and associated outgoings for the office space for San Remo District Financial Services Limited.

Other than above, no Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

## **Indemnification and insurance of Directors and Officers**

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

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' report continued

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## Directors' meetings

The number of Directors' meetings attended during the year were:

| Director             | Board meetings # | Audit committee meetings # |
|----------------------|------------------|----------------------------|
| Terry Ashenden       | 15 (15)          | 3 (3)                      |
| Michele Fulwell      | 8 (15)           | 1 (3)                      |
| Joan Matthews        | 10 (15)          | N/A                        |
| Miranda Sage         | 10 (15)          | N/A                        |
| Norma Stack-Robinson | 13 (15)          | N/A                        |
| Caroline Talbot      | 11 (15)          | N/A                        |
| Janice Rowlingson    | 13 (15)          | 3 (3)                      |
| Bruce Procter        | 15 (15)          | N/A                        |
| Craig Semple         | 14 (15)          | N/A                        |
| Kathy Jones          | 11 (15)          | N/A                        |
| Patrick Russell      | 11 (15)          | N/A                        |

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

N/A - not a member of that Committee.

## Company Secretary

Leonie Gardiner was appointed Company Secretary in March 2011. Leonie has worked in the family business since 1998, prior to this she was office manager for various other businesses.

## Corporate governance

The Company has implemented various corporate governance practices, which include:

- (a) The establishment of an audit committee. Members of the audit committee are J. Rowlingson, T. Ashenden, M. Scott and M. Fulwell;
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

## Non audit services

Details of amounts paid or payable to the Auditor for non-audit services provided during the financial year by the Auditor are outlined in note 5 to the financial statements.

The Directors have considered the non-audit services provided during the year by the Auditor and are satisfied the provision of these services is compatible with the general standards of independence for Auditors imposed by the Corporations Act 2001 for the following reasons:

## Directors' report continued

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### Non audit services (continued)

- (a) all non audit services have been reviewed to ensure they do not impact the integrity and objectivity of the Auditor; and
- (b) none of the services undermine the general principles relating to Auditor independence as set out in APES 110 Code of Ethics for Professional Accountants as they did not involve reviewing the Auditors own work, acting in management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

### Auditor Independence Declaration

The Directors received the following declaration from the Auditor of the Company:



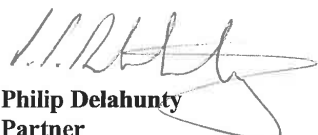
8 September 2011

The Directors  
San Remo District Financial Services Limited  
PO Box 101  
San Remo VIC 3925

Dear Directors


### Auditor's Independence Declaration

In relation to our audit of the financial report of San Remo District Financial Services Limited for the year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



**Philip Delahunty**  
Partner  
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at San Remo on 8 September 2011.



**Terry Ashenden, Chairman**

# Financial statements

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## Statement of comprehensive income for the year ended 30 June 2011

|   | Note | 2011<br>\$    | 2010<br>\$    |
|---|------|---------------|---------------|
| Revenues from continuing operations         | 2    | 1,404,413     | 1,095,806     |
| Employee benefits expense                   | 3    | (642,838)     | (499,297)     |
| Charitable donations and sponsorship        |      | (116,884)     | (83,024)      |
| Depreciation and amortisation expense       | 3    | (101,753)     | (82,328)      |
| Finance costs                               | 3    | (2,384)       | (3,413)       |
| Other expenses                              |      | (445,257)     | (329,076)     |
| <b>Profit before income tax expense</b>     |      | <b>95,297</b> | <b>98,668</b> |
| Income tax expense                          | 4    | 49,413        | 18,656        |
| <b>Profit after income tax expense</b>      |      | <b>45,884</b> | <b>80,012</b> |
| Other comprehensive income                  |      | -             | -             |
| <b>Total comprehensive income</b>           |      | <b>45,884</b> | <b>80,012</b> |
| <b>Earnings per share (cents per share)</b> |      |               |               |
| - basic for profit for the year             | 23   | 3.48          | 6.95          |
| - diluted for profit for the year           | 23   | 3.48          | 6.95          |

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of financial position as at 30 June 2011

|                                      | Note | 2011<br>\$       | 2010<br>\$       |
|--------------------------------------|------|------------------|------------------|
| <b>Current assets</b>                |      |                  |                  |
| Cash and cash equivalents            | 6    | 730,087          | 584,184          |
| Receivables                          | 7    | 93,915           | 87,734           |
| Prepayments                          | 8    | 22,389           | 4,516            |
| Current tax assets                   | 4    | 890              | -                |
| <b>Total current assets</b>          |      | <b>847,281</b>   | <b>676,434</b>   |
| <b>Non-current assets</b>            |      |                  |                  |
| Property, plant and equipment        | 9    | 499,930          | 338,693          |
| Intangibles                          | 10   | 179,746          | 99,830           |
| <b>Total non-current assets</b>      |      | <b>679,676</b>   | <b>438,523</b>   |
| <b>Total assets</b>                  |      | <b>1,526,957</b> | <b>1,114,957</b> |
| <b>Current liabilities</b>           |      |                  |                  |
| Payables                             | 11   | 47,413           | 63,288           |
| Loans and borrowings                 | 12   | 14,084           | 11,934           |
| Provisions                           | 13   | 49,877           | 41,001           |
| <b>Total current liabilities</b>     |      | <b>111,374</b>   | <b>116,223</b>   |
| <b>Non-current liabilities</b>       |      |                  |                  |
| Deferred tax liabilities             | 4    | 34,798           | 15,565           |
| Loans and borrowings                 | 12   | 34,304           | 19,813           |
| <b>Total non-current liabilities</b> |      | <b>69,102</b>    | <b>35,378</b>    |
| <b>Total liabilities</b>             |      | <b>180,476</b>   | <b>151,601</b>   |
| <b>Net assets</b>                    |      | <b>1,346,481</b> | <b>963,356</b>   |
| <b>Equity</b>                        |      |                  |                  |
| Share capital                        | 14   | 1,415,926        | 1,078,685        |
| Accumulated losses                   | 15   | (69,445)         | (115,329)        |
| <b>Total equity</b>                  |      | <b>1,346,481</b> | <b>963,356</b>   |

The accompanying notes form part of these financial statements.

## Financial statements continued

### Statement of cash flows for the year ended 30 June 2011

|  | Note       | 2011<br>\$       | 2010<br>\$      |
|--|------------|------------------|-----------------|
| <b>Cash flows from operating activities</b>                          |            |                  |                 |
| Cash receipts in the course of operations                            |            | 1,475,759        | 1,174,376       |
| Cash payments in the course of operations                            |            | (1,330,589)      | (948,263)       |
| Interest paid  |            | (2,384)          | (3,413)         |
| Interest received  |            | 23,210           | 15,094          |
| Income tax paid  |            | (31,069)         | -               |
| <b>Net cash flows from operating activities</b>                      | <b>16b</b> | <b>134,927</b>   | <b>237,794</b>  |
| <b>Cash flows from investing activities</b>                          |            |                  |                 |
| Purchase of property, plant & equipment                              |            | (209,883)        | (35,362)        |
| Purchase of intangible assets  |            | (133,023)        | -               |
| <b>Net cash flows used in financing activities</b>                   |            | <b>(342,906)</b> | <b>(35,362)</b> |
| <b>Cash flows from financing activities</b>                          |            |                  |                 |
| Proceeds from / (repayment of) borrowings                            |            | 16,641           | (11,202)        |
| Dividends paid   |            | -                | (34,545)        |
| Member equity  |            | 337,241          | 10,000          |
| Equity raising costs   |            | -                | (7,813)         |
| <b>Net cash flows provided from / (used in) financing activities</b> |            | <b>353,882</b>   | <b>(43,560)</b> |
| <b>Net increase in cash held</b>                                     |            | <b>145,903</b>   | <b>158,872</b>  |
| Cash and cash equivalents at start of year                           |            | 584,184          | 425,312         |
| <b>Cash and cash equivalents at end of year</b>                      | <b>16a</b> | <b>730,087</b>   | <b>584,184</b>  |

The accompanying notes form part of these financial statements.

## Financial statements continued

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### Statement of changes in equity for the year ended 30 June 2011

|                                 | Note | 2011<br>\$       | 2010<br>\$       |
|---------------------------------|------|------------------|------------------|
| <b>Share capital</b>            |      |                  |                  |
| Balance at start of year        |      | 1,078,685        | 1,076,498        |
| Issue of share capital          |      | 337,241          | 10,000           |
| Share issue costs               |      | -                | (7,813)          |
| <b>Balance at end of year</b>   |      | <b>1,415,926</b> | <b>1,078,685</b> |
| <b>Accumulated losses</b>       |      |                  |                  |
| Balance at start of year        |      | (115,329)        | (160,796)        |
| Profit after income tax expense |      | 45,884           | 80,012           |
| Dividends paid or proposed      | 22   | -                | (34,545)         |
| <b>Balance at end of year</b>   |      | <b>(69,445)</b>  | <b>(115,329)</b> |

The accompanying notes form part of these financial statements.



# Notes to the financial statements

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For year ended 30 June 2011

## Note 1. Basis of preparation of the financial report

### (a) Basis of preparation

San Remo District Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**<sup>®</sup> services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 8 September 2011.

### (b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report. These changes are not expected to have a material impact on the Company's financial statements.

### (c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

#### Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

# Notes to the financial statements continued

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## Note 1. Basis of preparation of the financial report (continued)

### **Property, plant and equipment**

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

| <b>Class of asset</b>  | <b>Depreciation rate</b> |
|------------------------|--------------------------|
| Furniture and fittings | 20%                      |
| Motor vehicles         | 15%                      |
| Plant and equipment    | 13%                      |
| Property improvements  | 2.5% and 10%             |

### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater 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.

### **Recoverable amount of assets**

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

### **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 Statement of Financial Position. 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 operating cash flows.

# Notes to the financial statements continued

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## Note 1. Basis of preparation of the financial report (continued)

### **Employee benefits**

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

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

### **Intangibles**

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

### **Cash**

Cash on hand and in banks are stated at nominal value.

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.

### **Revenue**

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

### **Receivables and payables**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. 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.

### **Loans and borrowings**

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

### **Provisions**

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

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

## Notes to the financial statements continued

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### Note 1. Basis of preparation of the financial report (continued)

#### Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

#### Comparative figures

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

|  | <b>2011</b> | <b>2010</b> |
|--|-------------|-------------|
|  | <b>\$</b>   | <b>\$</b>   |

### Note 2. Revenue from continued operations

#### Operating activities

|                        |                  |                  |
|------------------------|------------------|------------------|
| - services commissions | 1,377,307        | 1,078,778        |
|                        | <b>1,377,307</b> | <b>1,078,778</b> |

#### Non-operating activities:

|                     |                  |                  |
|---------------------|------------------|------------------|
| - interest received | 27,106           | 17,028           |
| - other revenue     | -                | -                |
|                     | <b>27,106</b>    | <b>17,028</b>    |
|                     | <b>1,404,413</b> | <b>1,095,806</b> |

### Note 3. Expenses

#### Employee benefits expense

|                               |                |                |
|-------------------------------|----------------|----------------|
| - wages and salaries          | 538,812        | 422,941        |
| - superannuation costs        | 49,322         | 37,919         |
| - workers' compensation costs | 2,524          | 1,632          |
| - other costs                 | 52,180         | 36,805         |
|                               | <b>642,838</b> | <b>499,297</b> |

## Notes to the financial statements continued

|  | 2011<br>\$     | 2010<br>\$    |
|--|----------------|---------------|
| Note 3. Expenses (continued)               |                |               |
| <b>Depreciation of non-current assets:</b> |                |               |
| - plant and equipment                      | 15,538         | 12,246        |
| - property improvements                    | 18,764         | 16,991        |
| - motor vehicles                           | 8,125          | 7,576         |
| - furniture and fittings                   | 1,280          | 238           |
| - software                                 | 4,939          | 3,124         |
| <b>Amortisation of non-current assets:</b> |                |               |
| - intangibles                              | 53,107         | 42,153        |
|  | <b>101,753</b> | <b>82,328</b> |
| <b>Finance costs:</b>                      |                |               |
| - Interest paid                            | 2,384          | 3,413         |
| Bad debts                                  | 508            | 1,806         |

### Note 4. Income tax expense

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

|  |               |               |
|--|---------------|---------------|
| Prima facie tax on profit before income tax at 30% | 28,589        | 29,600        |
| Add/(deduct) tax effect of:                        |               |               |
| - Non-deductible expenses                          | 17,840        | 990           |
| - Deductible expenses                              | (9,093)       | (11,934)      |
| - Under provision of tax in prior year             | 12,077        | -             |
| <b>Current income tax expense</b>                  | <b>49,413</b> | <b>18,656</b> |
| <b>Income tax expense</b>                          | <b>49,413</b> | <b>18,656</b> |
| <b>Current tax asset</b>                           |               |               |
| <b>Current tax refund</b>                          | <b>890</b>    | <b>-</b>      |
| <b>Tax liabilities</b>                             |               |               |
| <b>Deferred tax payable</b>                        | <b>34,798</b> | <b>15,565</b> |

## Notes to the financial statements continued

|  | 2011<br>\$ | 2010<br>\$ |
|--|------------|------------|
|--|------------|------------|

### Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond,  
Sinnott & Delahunty for:

|  |               |               |
|--|---------------|---------------|
| - Audit or review of the financial report of the Company | 3,900         | 3,900         |
| - Share registry costs                                   | 5,532         | 2,932         |
| - Completion of feasibility study                        | -             | 4,500         |
| - Prospectus - Grantville branch                         | 3,000         | -             |
|  | <b>12,432</b> | <b>11,332</b> |

### Note 6. Cash and cash equivalents

|                                 |                |                |
|---------------------------------|----------------|----------------|
| <b>Cash at bank and on hand</b> | <b>730,087</b> | <b>584,184</b> |
|---------------------------------|----------------|----------------|

### Note 7. Receivables

|                      |               |               |
|----------------------|---------------|---------------|
| <b>Trade debtors</b> | <b>93,915</b> | <b>87,734</b> |
|----------------------|---------------|---------------|

### Note 8. Prepayments

|                |               |              |
|----------------|---------------|--------------|
| Insurance      | 5,969         | 4,516        |
| Staff training | 16,420        | -            |
|                | <b>22,389</b> | <b>4,516</b> |

### Note 9. Property, plant and equipment

#### Furniture and fittings

|                               |              |              |
|-------------------------------|--------------|--------------|
| At cost                       | 15,142       | 6,022        |
| Less accumulated depreciation | (6,115)      | (4,834)      |
|                               | <b>9,027</b> | <b>1,188</b> |

#### Motor vehicles

|                               |               |               |
|-------------------------------|---------------|---------------|
| At cost                       | 76,697        | 52,649        |
| Less accumulated depreciation | (22,223)      | (14,098)      |
|                               | <b>54,474</b> | <b>38,551</b> |

## Notes to the financial statements continued

|   | 2011<br>\$     | 2010<br>\$     |
|---|----------------|----------------|
| Note 9. Property, plant and equipment (continued) |                |                |
| <b>Computer software</b>                          |                |                |
| At cost   | 18,754         | 9,377          |
| Less accumulated depreciation                     | (8,585)        | (3,646)        |
|   | <b>10,169</b>  | <b>5,731</b>   |
| <b>Plant and equipment</b>                        |                |                |
| At cost   | 153,779        | 112,328        |
| Less accumulated depreciation                     | (62,430)       | (46,892)       |
|   | <b>91,349</b>  | <b>65,436</b>  |
| <b>Leasehold improvements</b>                     |                |                |
| At cost   | 421,181        | 295,293        |
| Less accumulated depreciation                     | (86,270)       | (67,506)       |
|   | <b>334,911</b> | <b>227,787</b> |
| <b>Total written down amount</b>                  | <b>499,930</b> | <b>338,693</b> |
| <b>Movements in carrying amounts</b>              |                |                |
| <b>Furniture and fittings</b>                     |                |                |
| Carrying amount at beginning of year              | 1,188          | 1,426          |
| Additions   | 9,119          | -              |
| Disposals   | -              | -              |
| Depreciation expense                              | (1,280)        | (238)          |
| <b>Carrying amount at end of year</b>             | <b>9,027</b>   | <b>1,188</b>   |
| <b>Motor vehicles</b>                             |                |                |
| Carrying amount at beginning of year              | 38,551         | 23,055         |
| Additions   | 24,048         | 23,072         |
| Disposals   | -              | -              |
| Depreciation expense                              | (8,125)        | (7,576)        |
| <b>Carrying amount at end of year</b>             | <b>54,474</b>  | <b>38,551</b>  |

## Notes to the financial statements continued

|  | <b>2011</b>    | <b>2010</b>    |
|--|----------------|----------------|
|  | <b>\$</b>      | <b>\$</b>      |
| <b>Note 9. Property, plant and equipment (continued)</b> |                |                |
| <b>Computer software</b>                                 |                |                |
| Carrying amount at beginning of year                     | 5,731          | 8,855          |
| Additions  | 9,377          | -              |
| Disposals  | -              | -              |
| Depreciation expense                                     | (4,939)        | (3,124)        |
| <b>Carrying amount at end of year</b>                    | <b>10,169</b>  | <b>5,731</b>   |
| <b>Plant and equipment</b>                               |                |                |
| Carrying amount at beginning of year                     | 65,436         | 67,782         |
| Additions  | 41,451         | 9,900          |
| Disposals  | -              | -              |
| Depreciation expense                                     | (15,538)       | (12,246)       |
| <b>Carrying amount at end of year</b>                    | <b>91,349</b>  | <b>65,436</b>  |
| <b>Leasehold improvements</b>                            |                |                |
| Carrying amount at beginning of year                     | 227,787        | 242,388        |
| Additions  | 125,888        | 2,390          |
| Disposals  | -              | -              |
| Depreciation expense                                     | (18,764)       | (16,991)       |
| <b>Carrying amount at end of year</b>                    | <b>334,911</b> | <b>227,787</b> |

## Note 10. Intangible assets

### Franchise fee

|                               |               |               |
|-------------------------------|---------------|---------------|
| At cost                       | 123,696       | 68,909        |
| Less accumulated amortisation | (49,564)      | (27,564)      |
|                               | <b>74,132</b> | <b>41,345</b> |

### Preliminary expenses

|                               |                |               |
|-------------------------------|----------------|---------------|
| At cost                       | 175,101        | 96,922        |
| Less accumulated amortisation | (69,871)       | (38,764)      |
|                               | <b>105,230</b> | <b>58,158</b> |



## Notes to the financial statements continued

|  | 2011<br>\$     | 2010<br>\$    |
|--|----------------|---------------|
| Note 10. Intangible assets (continued) |                |               |
| <b>Borrowing costs</b>                 |                |               |
| At cost                                | 834            | 625           |
| Less accumulated amortisation          | (450)          | (298)         |
|  | <b>384</b>     | <b>327</b>    |
|  | <b>179,746</b> | <b>99,830</b> |

### Note 11. Payables

|                              |               |               |
|------------------------------|---------------|---------------|
| Trade creditors              | 3,351         | 29,107        |
| Other creditors and accruals | 44,062        | 34,181        |
|                              | <b>47,413</b> | <b>63,288</b> |

### Note 12. Loans and borrowings

#### Current

|                         |               |               |
|-------------------------|---------------|---------------|
| <b>Chattel mortgage</b> | <b>14,084</b> | <b>11,934</b> |
|-------------------------|---------------|---------------|

#### Non - current

|                         |               |               |
|-------------------------|---------------|---------------|
| <b>Chattel mortgage</b> | <b>34,304</b> | <b>19,813</b> |
|-------------------------|---------------|---------------|

### Note 13. Provisions

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| <b>Employee benefits</b>             | <b>49,877</b> | <b>41,001</b> |
| <b>Movement in employee benefits</b> |               |               |
| Opening balance                      | 41,001        | 30,511        |
| Additional provisions recognised     | 41,447        | 32,534        |
| Amounts utilised during the year     | (32,571)      | (22,044)      |
| <b>Closing balance</b>               | <b>49,877</b> | <b>41,001</b> |

## Notes to the financial statements continued

|  | 2011<br>\$       | 2010<br>\$       |
|--|------------------|------------------|
| <b>Note 14. Share capital</b>  |                  |                  |
| 650,011 Ordinary shares fully paid of \$1 each                                 | 650,011          | 650,000          |
| 65,000 Bonus shares issued August 2008 at rate of 1 for 10 held                | -                | -                |
| 436,498 Ordinary shares fully paid of \$1 each issued for<br>Cowes branch      | 436,498          | 436,498          |
| 337,230 Ordinary shares fully paid of \$1 each issued for<br>Grantville branch | 337,230          | -                |
| Less: Equity raising costs   | (7,813)          | (7,813)          |
|  | <b>1,415,926</b> | <b>1,078,685</b> |
| <b>Movement in ordinary shares</b>   |                  |                  |
| Balance at beginning of year   | 1,078,685        | 1,076,498        |
| Equity raising costs   | -                | (7,813)          |
| Initial shares not previously recognised                                       | 11               | -                |
| Issue of share capital   | 337,230          | 10,000           |
| <b>Balance at end of year</b>  | <b>1,415,926</b> | <b>1,078,685</b> |

## Note 15. Accumulated losses

|   |                 |                  |
|---|-----------------|------------------|
| Balance at the beginning of the financial year  | (115,329)       | (160,796)        |
| Profit after income tax                         | 45,884          | 80,012           |
| Dividends paid or proposed                      | -               | (34,545)         |
| <b>Balance at the end of the financial year</b> | <b>(69,445)</b> | <b>(115,329)</b> |

## Note 16. Statement of cash flows

### (a) Cash and cash equivalents

|                    |                |                |
|--------------------|----------------|----------------|
| <b>Cash assets</b> | <b>730,087</b> | <b>584,184</b> |
|--------------------|----------------|----------------|

### (b) Reconciliation of profit after tax to net cash provided from operating activities

|                         |        |        |
|-------------------------|--------|--------|
| Profit after income tax | 45,884 | 80,012 |
| Non cash items          |        |        |
| - Depreciation          | 48,646 | 40,175 |
| - Amortisation          | 53,107 | 42,153 |

## Notes to the financial statements continued

|   | 2011<br>\$     | 2010<br>\$     |
|---|----------------|----------------|
| Note 16. Statement of cash flows (continued)        |                |                |
| <b>Changes in assets and liabilities</b>            |                |                |
| - (Increase) decrease in receivables / prepayments  | (24,054)       | 8,889          |
| - Increase (decrease) in payables                   | (15,875)       | 37,419         |
| - Increase (decrease) in provisions                 | 8,876          | 10,490         |
| - Increase (decrease) in income tax payable         | (890)          | -              |
| - Increase (decrease) in deferred tax liabilities   | 19,233         | 15,565         |
| - (Increase) decrease in deferred income tax assets | -              | 3,091          |
| <b>Net cash flows from operating activities</b>     | <b>134,927</b> | <b>237,794</b> |

## Note 17. Director and related party disclosures

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

Terry Ashenden  
Michele Fulwell  
Joan Matthews  
Miranda Sage  
Norma Stack-Robinson  
Caroline Talbot  
Janice Rowlingson  
Bruce Procter  
Craig Semple  
Kathy Jones  
Patrick Russell

Joan Matthews is a Director of and shareholder in Park Accommodation (Vic) Pty Ltd, which owns the premises situated at 103A Marine Parade, San Remo. The Company has entered into a lease arrangement with Park Accommodation (Vic) Pty Ltd with regard to these premises. During the year ended 30 June 2011 \$26,384 (2010: \$25,125) was paid in relation to this lease.

Newhaven Hardware & Plant Hire, of which Terry Ashenden is a partner, received \$1,800 (2010: \$1,786) in respect of the lease and associated outgoings for the office space for San Remo District Financial Services Limited.

Other than above, no Director or related entity has entered into a material contract with the Company.

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

## Notes to the financial statements continued

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### Note 17. Director and related party disclosures (continued)

| <b>Directors' shareholdings</b> | <b>2011</b> | <b>2010</b> |
|---------------------------------|-------------|-------------|
| Terry Ashenden                  | 42,751      | 42,751      |
| Michele Fulwell                 | 2,000       | 500         |
| Joan Matthews                   | 17,801      | 17,801      |
| Miranda Sage                    | 7,500       | 7,500       |
| Norma Stack-Robinson            | 7,000       | 7,000       |
| Caroline Talbot                 | 3,200       | 3,200       |
| Janice Rowlingson               | 9,900       | 9,900       |
| Bruce Procter                   | 1,000       | 1,000       |
| Craig Semple                    | 8,000       | 8,000       |
| Kathy Jones                     | 1,100       | 1,100       |
| Patrick Russell                 | 2,000       | -           |

Michele Fulwell purchased 1,500 shares and Patrick Russell purchased 2,000 shares during the year. Each share held has a paid up value of \$1 and is fully paid.

### Note 18. Subsequent events

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

### Note 19. Contingent liabilities and assets

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

### Note 20. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being San Remo and Phillip Island.

### Note 21. Corporate information

San Remo District Financial Services Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Bendigo Stock Exchange.

The registered office and principal place of business is: 103A Marine Parade  
San Remo VIC 3925

## Notes to the financial statements continued

|   | 2011<br>\$    | 2010<br>\$    |
|---|---------------|---------------|
| <b>Note 22. Dividends paid or provided for on ordinary shares</b>                                   |               |               |
| <b>a) Dividends paid during the year</b>  |               |               |
| <b>Unfranked dividends - Nil cents per share (2010: 3 cents per share)</b>                          | -             | <b>34,545</b> |
| <b>(b) Franking credit balance</b>  |               |               |
| The amount of franking credits available for the subsequent financial year are:                     |               |               |
| - Franking account balance as at the end of the financial year                                      | 31,069        | -             |
| - Franking debits that will arise from the refund of income tax as at the end of the financial year | (890)         | -             |
|   | <b>30,179</b> | -             |

## Note 23. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

|  |                  |                  |
|--|------------------|------------------|
| <b>Profit after income tax expense</b>   | <b>45,884</b>    | <b>80,012</b>    |
| <b>Weighted average number of ordinary shares for basic and diluted earnings per share</b> | <b>1,320,124</b> | <b>1,151,509</b> |

## Note 24. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

## Notes to the financial statements continued

### Note 24. Financial risk management (continued)

#### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at reporting 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. The Company's maximum exposure to credit risk at reporting date was:

|             | Carrying amount |                |
|-------------|-----------------|----------------|
|             | 2011<br>\$      | 2010<br>\$     |
| Cash assets | 730,087         | 584,184        |
| Receivables | 93,915          | 87,734         |
|             | <b>824,002</b>  | <b>671,918</b> |

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of the balance of receivables are due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

|                      | Carrying<br>amount<br>\$ | Contractual<br>cash flows<br>\$ | 1 year<br>or less<br>\$ | Over 1 to<br>5 years<br>\$ | More than<br>5 years<br>\$ |
|----------------------|--------------------------|---------------------------------|-------------------------|----------------------------|----------------------------|
| <b>30 June 2011</b>  |                          |                                 |                         |                            |                            |
| Payables             | 47,413                   | (47,413)                        | (47,413)                | -                          | -                          |
| Loans and borrowings | 48,388                   | (57,114)                        | (15,667)                | (41,447)                   | -                          |
|                      | <b>95,801</b>            | <b>(104,527)</b>                | <b>(63,080)</b>         | <b>(41,447)</b>            | <b>-</b>                   |

## Notes to the financial statements continued

Note 24. Financial risk management (continued)

### (b) Liquidity risk (continued)

|                      | Carrying amount<br>\$ | Contractual cash flows<br>\$ | 1 year or less<br>\$ | Over 1 to 5 years<br>\$ | More than 5 years<br>\$ |
|----------------------|-----------------------|------------------------------|----------------------|-------------------------|-------------------------|
| <b>30 June 2010</b>  |                       |                              |                      |                         |                         |
| Payables             | 63,288                | (63,288)                     | (63,288)             | -                       | -                       |
| Loans and borrowings | 31,747                | (37,119)                     | (14,004)             | (23,115)                | -                       |
|                      | <b>95,035</b>         | <b>(100,407)</b>             | <b>(77,292)</b>      | <b>(23,115)</b>         | <b>-</b>                |

### (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

#### Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

#### Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

|                                  | Carrying amount |                |
|----------------------------------|-----------------|----------------|
|                                  | 2011<br>\$      | 2010<br>\$     |
| <b>Fixed rate instruments</b>    |                 |                |
| Financial assets                 | 373,779         | 356,606        |
| Financial liabilities            | (48,388)        | (31,747)       |
|                                  | <b>325,391</b>  | <b>324,859</b> |
| <b>Variable rate instruments</b> |                 |                |
| Financial assets                 | 356,297         | 227,578        |
| Financial liabilities            | -               | -              |
|                                  | <b>356,297</b>  | <b>227,578</b> |

# Notes to the financial statements continued

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## Note 24. Financial risk management (continued)

### **(c) Market risk (continued)**

#### Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

### **(d) 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 year end.

### **(e) 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 Statement of Financial Position.

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.



# Directors' declaration

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In accordance with a resolution of the Directors of San Remo District Financial Services Limited, I 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 their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; 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; and
- (c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2011.



**Terry Ashenden, Chairman**

Signed at San Remo on 8 September 2011.

# Independent audit report

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## ***INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SAN REMO DISTRICT FINANCIAL SERVICES LIMITED***

### ***SCOPE***

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for San Remo District Financial Services Limited, for the year ended 30 June 2011.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### ***Audit approach***

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

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

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

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Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews  
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Ph: 03 5443 1177 Fax: 03 5444 4344 Email: [rsd@rsd advisors.com.au](mailto:rsd@rsd advisors.com.au)  
ABN 60 616 244 309  
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## Independent audit report continued

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We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

### **INDEPENDENCE**

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

### **AUDIT OPINION**

In our opinion, the financial report of San Remo District Financial Services Limited is in accordance with:

- (a) 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 period ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants



**Philip Delahunty**  
Partner  
Bendigo

Date: 8 September 2011

# BSX report

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Additional information required by the Bendigo Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current as at 11 August 2011.

## A. Corporate governance statement

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

The Board recognises the importance of a strong corporate governance focus and methodology. The Board is currently working towards adopting policies and procedures that will govern our Company into the future. We believe that building policy framework will assist clarify the future direction of our local Company, provide accountability and transparency and ensure there are guiding principles in place for future decision making.

## B. Substantial shareholders – ten largest shareholders

| Shareholder   | No of share | % Share |
|---|-------------|---------|
| 1 Bass Coast Shire Council  | 40,000      | 2.68    |
| 2 Thomas Leigh Pty Ltd As Trustee for<br><The Waring Family Superannuation Fund Ac> | 25,000      | 1.67    |
| 3 Dawn J Ashenden   | 22,500      | 1.51    |
| 4 Morgeo Nominees Pty Ltd   | 21,000      | 1.41    |
| 5 Glenville Nominees Pty Ltd As Trustee for <Bruangil Park A/C>                     | 20,000      | 1.34    |
| 6 Winpar Holdings Limited   | 20,000      | 1.34    |
| 7 Douglas Adams & Joy Adams   | 16,500      | 1.10    |
| 8 Head Station Property Trust   | 15,000      | 1.00    |
| 9 Phillip Island Rsl Sub Branch Pty Ltd   | 15,000      | 1.00    |
| 10 Leonie Dawn Gardiner   | 12,000      | 0.80    |

## C. Voting rights

Each shareholder has one vote.

## D. Distribution of shareholders

The number of shareholders, by size of holding, is:

|                | No of shareholders | No of shares     |
|----------------|--------------------|------------------|
| 1-1000         | 352                | 214,406          |
| 1001-5000      | 251                | 567,683          |
| 5001-10,000    | 63                 | 412,150          |
| 10,001-100,000 | 18                 | 294,500          |
| <b>Total</b>   | <b>684</b>         | <b>1,488,739</b> |

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

## BSX report continued

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### **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 manner, the performance of all Director's is reviewed annually by the chairperson. Director's whose performance is unsatisfactory are asked to retire.

The Board and Director's aims to ensure that shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors.

The Board does have an Audit Committee.

### **F. Address and telephone number of the office which securities register is kept:**

Richmond Sinnott & Delahunty  
Chartered Accountants  
172-176 Mclvor Road  
Bendigo VIC 3550  
Phone: +61 3 5443 1177

### **G. San Remo District Financial Services Limited**

Leonie Gardiner  
Company Secretary  
103a Marine Parade  
San Remo VIC 3925  
Phone: (03) 5956 7177



San Remo District **Community Bank**<sup>®</sup> Branch  
103A Marine Parade, San Remo VIC 3925  
Phone: (03) 5678 5833 Fax: (03) 5678 5823

Cowes **Community Bank**<sup>®</sup> Branch  
Shop 1, 209-213 Settlement Road, Cowes VIC 3922  
Phone: (03) 5952 3383 Fax: (03) 5952 3220

Grantville & District **Community Bank**<sup>®</sup> Branch  
Shop 4, 1503 Bass Highway, Grantville VIC 3984  
Phone: (03) 5678 8773 Fax: (03) 5678 8992

Franchisee: San Remo District Financial Services Limited  
103A Marine Parade, San Remo VIC 3925  
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ABN: 20 102 770 150

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